

REALIA

Annual Corporate Governance Report



ANNUAL CORPORATE GOVERNANCE REPORT OF LIMITED LISTED COMPANIES

COMPANY INFORMATION

Final date of the reporting period: 31/12/2018

Tax Number: A-81787889

Corporate Name:

REALIA BUSINESS, S.A.

Registered office:

AVENIDA DEL CAMINO DE SANTIAGO 40 MADRID

A. OWNERSHIP STRUCTURE

A.1 Complete the following table on the share capital of the company

Date of last change	Share capital (€)	Number of shares	Number of voting rights
15/11/2018	196,863,767.52	820,265,698	820,265,698

State whether there are different types of shares with different rights associated:

() Yes

(√) No

A.2 Detail the direct and indirect owners of significant ownership interest at the final date of the period, excluding directors:

Name or corporate name of the shareholder	% voting rights attributed to the shares		% voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
INVERSORA CARSO, S.A. DE C.V.	33.84	36.93	0.00	0.00	70.77
BALCKWELL PARTNERS LLC	0.00	0.00	3.18	0.00	3.18
POLYGON EUROPEAN EQUITY OPPORTUNITY MASTER FUND	0.00	0.00	8.01	0.00	8.01
POLYGON GLOBAL PARTNERS LLP	0.00	0.00	0.00	10.45	10.45
FOMENTO DE CONSTRUCCIONES Y CONTRATAS	34.34	2.58	0.00	0.00	36.93

Detail of indirect ownership:

Name or corporate name of the indirect owner	Name or corporate name of the direct owner	% of voting rights attributed to the shares	% of voting rights through financial instruments	% of total voting rights
INVERSORA CARSO, S.A. DE C.V.	FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	34.34	0.00	34.34

State the most significant changes in the ownership structure during the year:

The information in this section is in possession of the CNMV at 31 December 2018.

A.3 Complete the following tables on the members of the board of directors of the company who have voting rights on the shares of the company:

Name or corporate name of the director	% of voting rights attributed to the shares		% of voting rights through financial instruments		% of total voting rights	% of voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MRS. MARÍA ANTONIA LINARES LIÉBANA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MRS. CARMEN IGLESIAS CANO	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EAC INVERSIONES CORPORATIVAS, S.L.	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. JUAN RODRÍGUEZ TORRES	0.15	0.00	0.00	0.00	0.15	0.00	0.00
% total voting rights held by the board of directors							0.15

Detail of indirect ownership:

Name or corporate name of the director	Name or corporate name of the direct owner	% of voting rights attributed to the shares	% of voting rights through financial instruments	% of total voting rights	% of voting rights that can be transferred through financial instruments
Unavailable		N/A	N/A	N/A	N/A

The voting rights owned by the Directors identified in the table at 31 December 2018, are the following:

Mr. Juan Rodríguez Torres:	984,267
Mrs. María Antonia Linares Liébana:	4
Mrs. Carmen Iglesias Cano:	2,483
EAC Inversiones Corporativas, S.L.:	2,100

A.4 State, if any, the family, commercial, contractual or corporate relationships existing among the owners of significant interests, in as far as they are known by the company, unless they are irrelevant or result from the ordinary business of the company, except those reported in section A.6:

Names or corporate names related	Type of relationship	Brief description
EAC INVERSIONES CORPORATIVAS, S.L. FOMENTO DE CONSTRUCCIONES CONTRATAS, S.A.	Corporate	EAC Inversiones Corporativas, S.L. is a Member of the Board of the shareholder Fomento de Construcciones y Contratas, S.A.
MR JUAN RODRÍGUEZ TORRES. FOMENTO DE CONSTRUCCIONES CONTRATAS, S.A.	Corporate	Mr. Juan Rodríguez Torres is a Member of the Board of shareholder Fomento de Construcciones y Contratas, S.A.

A.5 State, if any, the commercial, contractual or corporate relationships existing among the owners of significant interest, the company and/or its group, unless they are irrelevant or result from the ordinary business or traffic of the company.

Names or corporate names related	Type of relationship	Brief description
No data		

A.6 Describe the relationships, unless they are barely relevant for both parties, existing between the main shareholders or shareholders with representation on the board and the directors, or their representatives, in case of directors with legal entity.

Explain, where applicable, how the main shareholders are represented. Indicate specifically the directors who have been appointed in representation of significant shareholders, those whose appointed was promoted by significant shareholders, or who were related to significant shareholders and/or entities of the group, specifying the nature of such relationship. State specifically, where applicable, the existence, identity and position of the members of the board, or representatives of directors of the listed company who are also members of the board of directors, or their representatives, in companies which have a significant ownership interest on the listed company or in entities of the group of such significant shareholders.

Name or corporate name of the director or representative related	Name or corporate name of the significant shareholder related	Corporate name of the company of the group of the significant shareholder	Description relationship/ position
MRS. ALICIA ALCOECER KOPLOWITZ	FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	Mrs. Alicia Alcocer Koplowitz is the individual representative of EAC Inversiones Corporativas, S.L., as proprietary director of Fomento de Construcciones y Contratas, S.A.
MRS. ESTHER ALCOECER KOPLOWITZ	FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	Mrs. Esther Alcocer Koplowitz is the individual representative of Dominum Desga, S.A. as Chairwoman and Proprietary Director of Fomento de Construcciones y Contratas, S.A.
EAC INVERSIONES CORPORATIVAS, S.L.	FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	EAC Inversiones Corporativas, S.L. is a Proprietary Director of Fomento de Construcciones y Contratas, S.A.
MR. GERARDO KURI KAUFMANN	FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	Mr. Gerardo Kuri Kaufmann is an Executive Director of Fomento de Construcciones y Contratas, S.A.
MR. JUAN RODRÍGUEZ TORRES	FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	Mr. Juan Rodríguez Torres is a Proprietary Director of Fomento de Construcciones y Contratas, S.A.
MR. CARLOS MANUEL JARQUE URIBE	FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	Mr. Carlos Manuel Jarque Uribe is a Proprietary Director of Fomento de Construcciones y Contratas, S.A.

Name or corporate name of the director or representative related	Name or corporate name of the significant shareholder related	Corporate name of the company of the group of the significant shareholder	Description relationship/ position
MR. GERARDO KURI KAUFMANN	INVERSORA CARSO, S.A. DE C.V.	CARSO INFRAESTRUCTURA Y CONSTRUCCIÓN	Mr. Gerardo Kuri Kaufmann is a Director of Inmuebles Carso and of Carso Infraestructura y Construcción, companies of the Group of the significant shareholder Inversora Carso, S.A. de C.V.

A.7 State whether shareholders' agreements have been reported to the company that may affect it, according to the provisions of articles 530 and 531 of the Law on Corporations. If any, describe them briefly, and indicate the shareholders bound by the agreement.

() Yes

(√) No

State whether the company is aware of actions agreed upon by its shareholders. If any, describe them briefly.

() Yes

(√) No

In case any change or violation of these agreements or agreed upon actions has taken place during the year, please state it expressly:

A.8 State whether any individual or legal entity that exercises or can exercise control over the company pursuant to article 5 of the Stock Market Law. Where appropriate, identify the individual or entity:

(√) Yes

() No

Name or company name
INVERSORA CARSO, S.A. DE C.V.

A.9 Complete the following tables on the treasury shares of the company:

At year-end:

Number of direct shares	Number of indirect shares (*)	% over total share capital
1,469,902		0.18

(*) Through:

Name or corporate name of the direct owner of the interest	Number of direct shares
No data	

A.10 Detail the conditions and the term of the current mandate of the general meeting of shareholders to the board of directors to issue, buyback or transfer treasury shares:

On 22 June 2015, the General Meeting of Shareholders approved by absolute majority to authorize Realia Business, S.A. and the companies of its Group which meet any of the conditions of article 42, paragraphs 1 and 2 C.Co., the buyback of treasury stock, through its purchase in any of the Stock Exchange Markets in which they are admitted to trading, at the price resulting from their share price at the date of purchase, which must be within the maximum and minimum values detailed below:

- As a maximum value, the value resulting from increasing the maximum share price of the 3 months before the acquisition by 10 per cent.
- As a minimum value, the value resulting from decreasing the minimum share price of the 3 months before the acquisition by 10 per cent.

Pursuant to this authorization, the Board of Directors or the Executive Committee can equally buy treasury shares, according to the terms provided in Art. 146 of the Law on Corporations.

This authorization was granted for the maximum period legally allowed, and the limit of share capital resulting from the application according to the current legislation at the time of the acquisition must also be respected.

The acquisition of the shares, which must be fully paid up, must allow the company to provide for the reserve prescribed by rule c) of article 148 of the Law on Corporations.

A.11 Estimated free float

	%
Estimated free float	28.90

A.12 State whether there is any restriction (statutory, legislative or other) to the transmission of securities and/or any restriction of voting rights. Especially, the existence of any type of restriction that may hinder taking over control of the company through the acquisition of its shares in the market, as well as the requirements of prior authorization or communication that are applicable from the industry regulation on the acquisition or transfer of financial instruments of the company.

- Yes
- No

A.13 State whether the general meeting of shareholders has agreed to adopt measures to counter a takeover bid according to the provisions of Law 6/2007.

- Yes
- No

Where appropriate, explain the measures adopted and the terms in which the restrictions will be rendered inefficient:

A.14 State whether the company has issued securities that are not traded in a European Union regulated market.

- Yes

No

Where appropriate, indicate the types of shares, and for each class of shares, the rights and obligations attached to them:

B. ANNUAL GENERAL MEETING

B.1 State and where appropriate, detail whether there are differences in the quorum provisions according to the provisions of the Law on Corporations regarding the quorum necessary for the General Meeting.

Yes

No

B.2 State and, where appropriate, detail whether there are differences with the quorum provided for in the Law on Corporations for the adoption of corporate agreements:

Yes

No

B.3 State the rules applicable to the changes in the bylaws of the company. Specifically, the majorities necessary to change the bylaws and, where appropriate, the rules contemplated for the protection of the rights of the shareholders in case of reform of the bylaws.

Article 16 of the Bylaws, related to the constitution of the General Meeting, establishes that in order for the ordinary and extraordinary general meeting can agree on the increase or decrease of capital and any other change of the bylaws, the issuance of bonds, the suppression or limitation of the right of preferential acquisition of new shares, as well as the transformation, merger, spin-off or global transfer or assets and liabilities and the relocation of the corporate offices abroad, it will be necessary, at the first call, the attendance of shareholders present or represented who own a minimum of fifty per cent (50%) of the share capital with voting rights, and at the second call, it will be sufficient with the attendance of twenty five per cent (25%) of said capital. In case the attending shareholders represent less than fifty per cent (50%) of the share capital with voting rights, the agreements mentioned above can only be validly adopted with the vote in favor of two thirds of the share capital present or represented at the General Meeting.

Section 8.b) of article 15 of the General Meeting Regulation establishes the same requirements.

B.4. State the data of attendance to the general meetings of shareholders held in the reporting period and of the two prior periods:

Date general meeting	Attendance				Total
	% of attendance	% of representation	% distance vote		
			Electronic vote	Other	
21/06/2016	0.31	71.76	0.00	0.12	72.19
Of which free-float	0.02	4.52	0.00	0.12	4.66
27/06/2017	37.07	38.59	0.00	0.09	75.75

Of which free-float	0.05	4.06	0.00	0.09	4.20
27/06/2018	37.09	8.29	0.00	31.57	76.95
Of which free-float	0.00	8.14	0.00	0.00	8.14

B.5. State whether there has been any item in the agenda of the general meeting held during the period that, for whatever reason, has not been approved by the shareholders:

- () Yes
(√) No

B.6. State whether there is any restriction in the bylaws than establishes a minimum number of shares necessary to attend the general meeting, or to take a distance vote:

- () Yes
(√) No

B.7. State whether it has been established that some decisions, other than those established by Law, that entail an acquisition, pledge, contribution to another company of essential assets or other similar corporate operations, must be subject to the approval of the general meeting of shareholders:

- () Yes
(√) No

B.8. State the address and the access route to the company's web site that provides information on corporate governance and additional information on the general meetings that must be made available to the shareholders through the Company's web site:

At Realia Business S.A.'s website (www.realia.es) there is a section dedicated to Corporate Governance, that can be accessed via the homepage, through the section "Shareholders and Investors". This page includes the information on Governance Bodies, the General Meeting of Shareholders, the Social Regulations, the Annual Corporate Governance Reports, the Reports on the Remuneration of Directors and Internal Policies.

C. GOVERNANCE STRUCTURE OF THE COMPANY

C.1. Board of Directors

C.1.1 Maximum and minimum number of directors contemplated in the bylaws and number established by the general meeting of shareholders:

Maximum number of directors	15
Minimum number of directors	5
Number of directors established by the AGM	7

C.1.2 Complete the following table with the members of the board:

Name or corporate name of the director	Representative	Type of director	Position in the board	Date first appointment	Date last appointment	Election procedure
MRS. MARIA ANTONIA LINARES LIÉBANA		Independent	DIRECTOR	15/04/2007	27/06/2018	AGM AGREEMENT
MRS. CARMEN IGLESIAS CANO		Independent	DIRECTOR	12/04/2007	27/06/2017	AGM AGREEMENT
MELILOTO, S.L.	MRS. ALICIA ALCOCER KOPOLOWITZ	Proprietary	DIRECTOR	05/06/2015	27/06/2015	AGM AGREEMENT
EAC INVERSIONES CORPORATIVAS S.L.	MRS. ESTHER ALCOCER KOPOLOWITZ	Proprietary	DIRECTOR	27/02/2015	22/06/2015	AGM AGREEMENT
MR. GERARDO KURI KAUFMANN		Executive	CEO	27/02/2015	22/06/2015	AM AGREEMENT
MR. JUAN RODRÍGUEZ TORRES		Proprietary	CHAIRMAN	06/10/2015	21/06/2016	AGM AGREEMENT
MR. CARLOS MANUEL JARQUE URIBE		Proprietary	DIRECTOR	06/10/2015	21/06/2016	AGM AGREEMENT

Total number of directors	7
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State the exits, due to resignation, dismissal or any other cause, that have taken place in the board of directors during the reporting period:

Name or corporate name of the director	Category of the director at the time of exit	Date of last appointment	Date of resignation	Specialized committees of which they were a member	State whether the exit took place before the end of the term
No data					

C.1.3 Complete the following tables about the members of the board and their qualifications:

EXECUTIVE DIRECTORS		
Name or corporate name of the director	Position in the organizational chart of the company	Profile
MR. GERARDO KURI KAUFMANN	CEO	Degree in Industrial Engineering from the Universidad Anáhuac (Huixquilucan, Mexico) with extensive experience in the real sector, where he

		has held and holds relevant positions. Former Procurement Manager of Carso Infraestructura y Construcción, S.A. de C.V. and currently member of the board of the company. After the establishment of Inmuebles Carso, S.A. de C.V., he was CEO of the company from 2010 to 2015, and he is also a member of the board of the company and of all of its subsidiaries. Additionally, he is a member of the boards of Minera Frisco, S.A.B. de C.V. and Elementia, S.A.B. de C.V. Member of the Board and CEO of Telesites, S.A.B. de C.V. and its subsidiaries. In Spain, he is a Member of the Board of Fomento de Construcciones y Contratas, S.A., where he is also a member of its Executive Committee. Member of the Board and CEO of Cementos Portland Valderrivas, S.A.
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Total number of executive directors	1
% of the total number of directors	14.29

EXTERNAL PROPRIETARY DIRECTORS		
Name or corporate name of the director	Name or corporate name of the significant shareholder whom they represent or who proposed their appointment	Profile
MR. CARLOS MANUEL JARQUE URIBE	FOMENTO DE CONSTRUCCIONES Y CONTRATAS. S.A.	Degree in Actuarial Sciences from Universidad Anáhuac (Huilquilucan, Méjico). Post-graduate degrees from the London School of Economic, Oslo University, National University of Australia and Harvard University. Held several positions in Mexico, both in the public and private sectors. Former Head of Economic Research of Teléfonos de México; Chairman of the Inter-Secretarial Committee of Training and Oversight of Public Finance of Mexico; Chairman of the Instituto Nacional de Estadística, Geografía e Informática (INEGI); Secretary of the National Development Plan of Mexico for 1995-2000; former Minister of Social Development; Head of the Sustainable Development Department of the Interamerican Development Bank, Secretary and Representative of the Bank in Europe; former Executive Director of América Móvil, responsible for Corporate, Government and International Relations. From 18 August 2015 until 12 September 2017, he was the chief executive officer at Fomento de Construcciones y Contratas, S.A.
MR. JUAN RODRÍGUEZ TORRES	INVERSORA CARSO, S.A. DE C.V.	Civil Engineer from the Universidad Autónoma de México (UNAM), Master of Mathematicians, Stage in France at the Beton Precontraint, Master in Engineering and Operational Research AD-2 at the Instituto Panamericano de Alta Dirección de Empresas (IPADE Business School). Former Head of Production and Controller at Presforzados Mexicanos, S.A. de ICA and General Manager of the Domit Group, in the shoe sector. Consultant Director at the Banamex Financial Group, Director of Procopor, S.A. de C.V., Sociedad de Inversión de Capitales, Director at Minera Frisco, S.A.B. de C.V. and Chairman of its Audit Committee. Additionally, he is Director at the Sanborns Group, S.A.B. de C.V., Member of the Board and Chairman of the Audit Committee at Elementia. Member of the Board of Cementos Portland Valderrivas, S.A. and

			member of its different Committees, and Member of the Board of Fomento de Construcciones y Contratas, S.A.
MELILOTO, S.A.	FOMENTO DE CONSTRUCCIONES CONTRATAS, S.A.	DE Y	Mrs. Alicia Alcocer Koplowitz (representative of Meliloto, S.L.); Graduated in Law, started her professional activity at the Banco Zaragozano, where she worked for four years in the Financial Department and at the treasury desk. Former Member of the Board of the Banco Zaragozano and the company Gesinar. Chairwoman of the Board of Cementos Portland Valderrivas, S.A., member of its Executive Committee and of the Audit and Control, Appointments and Remuneration and Corporate Governance Committees (she is the Chair of the latter), and the Strategy Committee. Member of the Board of Fomento de Construcciones y Contratas, S.A. de FCC Construcción, S.A. and of ProA Capital. Member of the Innovation Committee, reporting to the Secretary of State of Research, Development and Innovation. Furthermore, she is a member of the Board of Trustees of the Esther Koplowitz Foundation and the Valderrivas Foundation.
EAC INVERSIONES CORPORATIVAS, S.L.	FOMENTO DE CONSTRUCCIONES CONTRATAS, S.A.	DE Y	Mrs. Esther Alcocer Koplowitz (representative of EAC Inversiones Corporativas, S.L.): Degree in Law and Business Management from IESE. Chairwoman of the Board of Directors at Fomento de Construcciones y Contratas, S.A. and member of its Executive Committee and the Strategy and Audit and Control Committees. Member of the Board at Cementos Portland Valderrivas. She has international experience as a Member of the Board of FCC Environment, a subsidiary of FCC in the UK in the environmental service area, and Member of the Board of SmVaKOstravaa.s (integral water cycle, Czech Republic) and as a member of the Oversight Committee of A.S.A. AbfallService AG (Infrastructures, Central and Eastern Europe).

Total number of proprietary directors	4
% of the total number of directors	57.14

INDEPENDENT EXTERNAL DIRECTORS	
Name or corporate name of the director	Profile
MRS. CARMEN IGLESIAS CANO	Ph.D. in Political Science and Sociology. Professor of History of Ideas and Political Forms at the Universidad Complutense. Recipient of the Montesquieu Prize from the Académie Française. Gran Cruz de Alfonso X el Sabio. Forum Alta Dirección Prize. "Julián Marías" Research Prize. Director of the Center for Political and Constitutional Studies. Member of the State Council. Former member of the Advisory Committee (consulting committee) of FCC, Member of the Board of the Instituto Cervantes, member of the Council for the Debate about the Future of the European Union, member of the Board of Trustees of the ICO Foundation, member of the Mesa Directiva of the Instituto de España, among other boards and trusteeships. Former Chairwoman of the Board of the Unidad Editorial Group, which belongs to RCS Corriere de la Sera. Current Member of the Board of Patrimonio Nacional. Founding member of the Foro Iberoamérica. Full Member of the Real Academia Española and Director of the Real Academia de la Historia; member of the Advisory Board and Boards of Trustees of several Foundations.
MRS. MARÍA ANTONIA LINARES LIÉBANA	Graduate in Law from the Univesidad Complutense of Madrid. Former Head of the Diversification Area of the Legal Department of Endesa, S.A. Former Secretary General of Endesa Diversificación, S.A. and Secretary of its Board of Directors; Member and Secretary of the Board at Viesgo, S.A., Member of the Board and Secretary at Puerto de Carboneras, S.A., Undersecretary of SEPI; Secretary of

	the Board at Grupo Eléctrico de Telecomunicaciones, S.A., Member of the Board and Secretary of Netco Redes, S.A. and Secretary of the AIE of Endesa, Unión Fenosa and Telecom Italia.
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Total number of independent directors	2
% of the total number of directors	28.57

State whether any of the directors qualified as independent receives from the company, or any company of the same group, any amount or benefit for a concept other than the remuneration of the directors, or holds or has held during the last period, a business relationship with the company or any of the companies in its group, either in its own name or as a significant shareholder, director or senior manager of an entity which has or has had such a relationship.

Where appropriate, a reasoned statement by the director must be included on the reasons why he/she considers that they can perform their duties as an independent director.

Name or corporate name of the director	Description of the relationship	Reasoned statement
No data		

OTHER EXTERNAL DIRECTORS			
All other external directors will be identified, and the reasons why they cannot be considered proprietary or independent will be detailed, as well as their links with the company, its managers or shareholders			
Name or company name of the director	Reason	Company, manager or shareholder related	Profile
No data			

Total number of external directors	N/A
% of the total number of directors	N/A

State the changes, if any, during the period in the category of each director:

Name or corporate name of the director	Date of the change	Former category	Current category
No data			

C.1.4 Complete the following table with the information on the number of women directors at the end of the last 4 reporting periods, and their category:

	Number of female directors				% of the total number of directors in each category			
	2018	2017	2016	2015	2018	2017	2016	2015
Executive					0.00	0.00	0.00	0.00
Proprietary	2	2	2	2	28.57	28.57	28.57	20.00
Independent	2	2	2	2	28.57	28.57	28.57	20.00

Other external					0.00	0.00	0.00	0.00
Total	4	4	4	4	57.14	57.14	57.14	40.00

C.15. State whether the company has diversity policies in the board of directors regarding questions such as, for example, age, gender, disability or qualifications and professional experience. Small and medium sized companies, pursuant to the definition contained in the Law on Account Auditing, must report, at least, of their gender diversity policy.

- () Yes
() No
(✓) Partial policies

If the answer is yes, describe these diversity policies, their goals, the measures and the way they have been applied, and their results in the year. State also the specific measures adopted by the board of directors and the appointments and remunerations committee to achieve a balanced and diverse presence of directors.

In case the company does not apply a diversity policy, explain the reasons for this.

Description of the policies, goals, measures and way in which they have been applied, and the results achieved

Indeed, one of the characteristics of the governance body of Realia is its diversity. The company has a Board with a majority of women (four versus three men), with ages ranging from the 34 of the CEO to the 80 of the Chairman, and where the professional experience of its members covers sectors as diverse as real estate, shoes, energy or new technologies, and includes lawyers and senior managers, and executives of the economy and finance sectors, who have spent their professional lives in the public and private spheres. Therefore, even though the Company does not have a formalized diversity policy in its governance body, which refers to issues such as age, gender, disability, qualification and professional experience, it is obvious that diversity policies have been applied to determine the composition of the Board of Directors.

C.1.6. Explain the measures, if any, adopted by the appointments committee to ensure that the selection procedures do not suffer from inherent bias that hinder the selection of women directors, and that the company seeks deliberately and includes among the potential candidates, women with the desired professional profile, and which allows to achieve a balanced presence of men and women.

Explanation of measures

Due to the gender diversity that characterizes the Board of Director of Realia Business, S.A. (where the presence of women has represented 40% of the board in the last five years, and is currently a majority - 4 female directors over a total of 7 -, the Appointments and Remuneration Committee did not deem it necessary to approve any specific measure to promote the recruitment of female directors.

When, despite the measures adopted, if any, the number of female directors is low or nonexistent, explain the reasons:

Explanation of reasons

Considering that in the last five years, the representation of women in the Board has been 40%, and they are currently a majority (4 of the 7 Members of the Board are women), the number of female directors is not deemed to be low.

C.1.7. Explain the conclusions of the appointments committee on the verification of compliance with the policy of selection of directors. Specially, explain how this policy is promoting the goal that by 2020, the number of female directors represents at least, 30% of the members of the board.

Given the board is composed, at the end of the reporting period, by a majority of women directors, and that there have been no changes in its composition during the year, the Appointments and Remuneration Committee did not need to verify compliance with the policies, which have not been expressly formulated, for the selection of directors.

C.1.8. Explain, where appropriate, the reasons why proprietary directors have been appointed at the request of shareholders with ownership interests below 3% of the share capital.

Name or corporate name of the shareholder	Explanation
No data	

State whether formal requests have been received for the presence in the board made by shareholders whose ownership interest is equal or higher than others at whose request proprietary directors have been appointed. Where applicable, explain the reasons for not responding to these requests.

- () Yes
 (√) No

C.1.9. State the powers and authority, if any, granted by the board of directors to directors or board committees:

Name or corporate name of the director or committee	Brief description
GERARDO KURI KAUFMANN	1. To open and cancel accounts. 2. To make use of accounts. 3. To direct debit payments. 4. To contract credit and loans. 5. Credit and loans as lender. 6. To endorse certificates, 7. To make deposits. 8. To collect payments. 9. To collect payments through nominative documents. 10. To issue and negotiate bills of exchange. 12. To prepare bank statements. 13. To contract entrenchment of the principal. 14. To entrench the principal and its investees, 15. To accept bills of exchange and to sign promissory notes. 16. To constitute and cancel deposits. 17. To make payments. 18. To make offers and submit bids. 19. To represent in the opening of tenders. 20. To contract the execution of works, provision of services and sale of supplies. 21. Redesign of works. 22. To buy and to contract. 23. Water, electricity and telephone supply. 24. Insurance. 25. Foreign trade licenses. 26. To receive correspondence. 27. To write correspondence. 28. To issue certifications. 29. Collective bargaining. 30. Labor relations. 31. Working procedures. 32. To develop and consolidate property. 33. Royalties on real estate properties. 34. To lease property from third parties. 35. To transfer properties on lease. 36. Real Estate Financial Leasing (Leasing). 37. Purchase and sale of vehicles and fittings. 38. Lease of vehicles and furniture from third parties. 39. To

	transfer leased vehicles and fittings. 40. Financial Leasing on Fittings. 41. Royalties on property, plant and equipment. 42. Purchase of credit and related rights. 43. Sale of credit and related rights. 44. Incorporation of companies. 45. Establishment of Temporary Joint Ventures and other partnerships. 46. Representation before Governance Bodies of Companies and other Associations. 47. Representation. 48. Transaction. 49. Arbitration. 50. Proxies to lawyers and prosecutors. 51. To accept recognition of debts and payment in lieu. 52. Attendance to creditors' meetings. 53. To draw up a notarial deed. 54. To file tax returns. 55. To buy property securities. 56. To sell property securities. 57. Purchase of treasury shares. 58. Sale of treasury shares. 59. To grant securities and collaterals to third parties. 60. Purchase of property. 61. Sale of home units. 62. Sale of property developments. 63. Replacement of proxies. These powers are described in the deed authorized by Notary of Madrid Mr. Emilio Recoder de Casso, on 20 of October 2015, under number 2,320 of his protocol, registered at the Mercantile Registry of Madrid, volume 33,719, folio 142, page M-197,745, entry 326.
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C.1.10. Identify, where appropriate, the members of the board who take on positions as directors, directors' representatives or managers in other companies belonging to the group of the listed company.

Name or corporate name of the director	Corporate name of the company of the group	Position	With executive duties?
MR. GERARDO KURI KAUFMANN	HERMANOS REVILLA, S.A.	REPRESENTATIVE OF THE CHAIRMAN OF THE BOARD	NO
MR. GERARDO KURI KAUFMANN	PLANIGESA, S.A.	REPRESENTATIVE OF THE CHAIRMAN OF THE BOARD	NO
MR. GERARDO KURI KAUFMANN	BOANE 2003, S.A.U.	REPRESENTATIVE OF THE CHAIRMAN OF THE BOARD	NO
MR. GERARDO KURI KAUFMANN	REALIA PATRIMONIO, S.L.U.	REPRESENTATIVE OF THE SOLE DIRECTOR	YES
MR. GERARDO KURI KAUFMANN	AS CANCELAS SIGLO XXI, S.L.	REPRESENTATIVE OF THE CHAIRMAN OF THE BOARD	NO

C.1.11 State, where appropriate, the directors or representatives of legal entities that are directors in the company, who are members of the board or representatives of legal entities that are directors in other companies listed in official stock markets other than the companies in the group, which have been reported to the company:

Name or corporate name of the director	Corporate name of the listed company	Position
EAC INVERSIONES CORPORATIVAS, S.L.	FOMENTO DE CONSTRUCCIONES CONTRATAS	BOARD MEMBER
MR GERARDO KURI KAUFMANN	ELEMENTIA, S.A.B. DE C.V.	BOARD MEMBER
MR GERARDO KURI KAUFMANN	TELESITES, S.A.B. DE C.V.	BOARD MEMBER
MR GERARDO KURI KAUFMANN	FOMENTO DE CONSTRUCCIONES CONTRATAS	BOARD MEMBER

MR JUAN RODRIGUEZ TORRES	FOMENTO CONSTRUCCIONES CONTRATAS	DE Y	BOARD MEMBER
MR CARLOS MANUEL JARQUE URIBE	FOMENTO CONSTRUCCIONES CONTRATAS	DE Y	BOARD MEMBER

Additionally:

- Mrs. Esther Alcocer Kopolowitz, representative of the Director EAC Inversiones Corporativas, S.L. is the representative of the Chairman of the Board (a legal entity) of Fomento de Construcciones y Contratas, S.L.
- Mrs. Alicia Alcocer Kopolowitz, representative of the Director Meliloto, S.L., is the representative of a Director (legal entity) of Fomento de Construcciones y Contratas, S.A.

C.1.12 State and where appropriate, explain whether the company has established rules about the maximum number of companies that its directors can have a presence, and identify, if any, where is this regulated:

Yes

No

C.1.13 State the following amounts corresponding to the global remuneration of the board of directors:

Remuneration accrued in the year by the board of directors (thousands of euros)	748
Amount of the rights accrued by the current directors in pension benefits (thousands of euros)	
Amount of the rights accrued by the former directors in pension benefits (thousands of euros)	

C.1.14 Identify the members of the senior management which are not executive directors at the same time, and state the total remuneration accrued in their favor during the year:

Name or corporate name	Position/s
MRS. ANA HERNÁNDEZ GÓMEZ	CHIEF BUSINESS OFFICER
MR JUAN ANTONIO FRANCO DÍEZ	CORPORATE MANAGER
MR ANTONIO ROMÁN CALLEJA	HEAD OF INTERNAL AUDIT
Total remuneration of senior management (thousands of euros)	613

C.1.15 State whether there has been any change in the Board Regulations during the year:

Yes

No

C.1.16 State the procedures for selection, appointment, reelection and removal of board members. State the competent bodies, the procedures and the criteria to be used in each of the procedures.

Selection of Board members:

The Appointments and Remuneration Committee is responsible for the evaluation of skills, knowledge and expertise required by the Board and to define, ultimately, the qualifications and skills that the candidates to fill any vacancy must have, and to evaluate the time and dedication required to enable them to carry out their tasks efficiently.

Appointment of Board members:

According to article 16 of the Board Regulations, the proposal for the appointment of Directors submitted by the Board of Directors to the consideration of the General Meeting of Shareholders, and the decisions made by that body pursuant to the co-opting powers to which it is entitled, the appointees must be individuals of proven integrity, solvency, technical competence and experience, after a report from the Appointments and Remuneration Committee, in the case of executive and proprietary directors, and after a proposal from this Committee, in the case of independent directors.

The directors affected by the proposals for appointment, reelection or removal will abstain from intervening in the discussions and votes that refer to them.

Reelection of Directors:

Directors shall hold office for the term established in the Articles of Association; i.e. for a period of four (4) years, and they can be reelected one or more times for periods of the same length (article 22 of the Articles of Association). However, according to article 19 of the Board Regulations, before any reelection of Directors that is submitted to the General Shareholders' Meeting, the Appointments and Remuneration Committee must issue a report evaluating the quality of the performance and the dedication to their duties of all Directors proposed for reelection during the previous term.

Removal of Directors:

Directors shall cease to hold office when the period for which they were appointed has elapsed or when so decided by the General Shareholders' Meeting using the powers conferred on it by law and the Articles of Association. The Board shall not propose the removal of any independent director before the end of the statutory period for which it was appointed, except when just cause is found by the Board following a report from the Appointments and Remuneration Committee. In particular, just cause shall be understood to exist when the director has failed to comply with the duties inherent to his office or incurred in any of the circumstances that would have prevented his appointment as an independent director.

The removal of independent directors may also be proposed as a result of takeover bids, mergers or other similar corporate operations that involve a change in the company's capital structure when such changes in the structure of the Board are brought about by the criterion of proportionality of proprietary and independent directors according to the capital represented on the Board.

When, through resignation or for any other reason, a Director leaves office before the end of his mandate, they must explain the reasons in a letter that they will send to all the members of the Board.

C.1.17 Explain to what extent the annual Board review has resulted in major changes in its internal organization and in the procedures applicable to its activities.

Description of the changes

The self-evaluation has not brought about major changes in its internal organization or in the procedures applicable to its activities.

In the current composition of the Board, the great majority of its members (six out of seven) are external; two are independent and there is only one executive director. Taking into account the shareholding structure of the company, this composition is deemed to be reasonable.

Independent directors meet the requirement of being able to perform their duties without being influenced by their relations with the Company, its significant shareholders or its managers. Proprietary directors meet the requirement of representing significant shareholders. And the executive director meets the requirement of performing the senior management duties of the Company.

Therefore, the Board of Directors meets the requirements of composition and qualification established in its own Board Regulations, and they are considered as adequate and optimal for the efficient and diligent fulfilment of its competencies.

Directors have fulfilled their duties as required by the laws, the Bylaws and the Company Regulations, in keeping with the interests of the company. In carrying out their duties, each and every member of the Board has acted with the diligence of an orderly businessman and with the loyalty of a faithful representative, always acting in good faith and in the best interests of society.

As a result of the evaluation, in 2018 the Board performed its duties with unity of purpose and in accordance independence of criteria, giving equal treatment to all shareholders and being guided by the interests of the company, understood as to maximize, in a sustained manner, the economic value of the company. It has also ensured that, in its relations with the various stakeholders, the company respects laws and regulations; fulfills its obligations and contracts in good faith; respects the uses and good practices of the sectors and territories in which it operates; and observe any additional principles of social responsibility that it would have accepted voluntarily.

In accordance with the foregoing, it may be stated that the Board of Directors is organized and functions in an appropriate and efficient manner, complying at all times with the criteria established in the Bylaws and in its own Board Regulations; it assumes and responsibly performs the functions and powers attributed to it by said regulations, attending diligently and effectively to Company matters that require constant attention and monitoring.

Describe the evaluation process and the areas evaluated by the board of directors with the assistance, if any, of an external consultant, related to the operation and composition of the board and its committees and any other area or aspect subject to evaluation.

Description of the evaluation process and areas evaluated

The performance of the Board of Directors has been evaluated through a formal process of assessment of several aspects affecting the efficacy and quality of the actions and decision-making by the Board of Directors, and the contribution of its members to the fulfilment of its duties. On the other hand, the evaluation took into account, naturally, the Board Regulations and the Bylaws of the Company.

The evaluation, conducted on the basis of the report issued by the Appointments and Remuneration Committee, analyzed the duties and competences of the Board of Directors, its current composition, its operation and the actions carried out by it.

The conclusions of this evaluation are described in the previous section.

Similarly, the Board of Directors has evaluated the operation of the Executive Committee, the Appointments and Remuneration Committee, and the Audit and Control Committee, on the basis of the reports from each of these committees. Additionally, it evaluated the fulfilment of the duties of the Chairman of the Board and the Chief Executive Officer of the company, based on the reports issued by the Appointments and Remuneration Committee.

Regarding the three Committees of the Board, their duties and competencies have been analyzed, their current composition and their actions. Regarding the Chairman of the Board and the Chief Executive Office of the company, their duties were analyzed, as well as their dedication during the year, and their actions.

The conclusion of this evaluation is that the Committees assume and perform their duties and competences delegated to them by the Board of Directors responsibly, dealing diligently and efficiently with the Company matters that require constant attention and monitoring. Regarding the Chairman of the Board and Chief Executive Officer of the company, the conclusion is that they have performed their respective duties, in line with the principles of Good Corporate Governance contained in the Bylaws and the Board Regulations.

C.1.18 Detail, in the years when the evaluation was conducted with the assistance of an external consultant, the business relations that the consultant or any company of the group hold with the company or any company of the group.

In none of the periods has the evaluation been assisted by an external consultant.

C.1.19 State the cases where directors are obliged to resign.

Section 2 of article 20 of the Board Regulations establishes that Directors must offer their resignation to the Board and, if the Board deems it necessary, to formalize their resignation in the following cases;

- a) In case of executive directors, when they resign their positions, offices or functions to which their appointment as executive directors was related.
- b) In case of proprietary directors, when the shareholder whose interests they represent transfer fully or reduce their interest in the Company in the appropriate proportion.
- c) When they fall in any of the cases of incompatibility or prohibition contemplated by the Law.
- d) When the Board requests it by a majority of a minimum of two thirds of its members, in the following cases.
 - (i) If, for having breached their obligations as Directors, they are seriously reprimanded by the Board, following a proposal or report from the Appointments and Remuneration Committee; or
 - (ii) When their remaining on the Board could jeopardize the interests of the Company.

In any case, according to article 29.2 of the Board Regulations, if a Director is indicted or tried for any of the crimes indicated on article 213 of the Law on Corporations, the Board will examine the case as soon as possible and in view of the specific circumstances, shall decide whether or not is appropriate for the director to continue in office. The Board of Directors shall give a reasoned account of all the foregoing in the Annual Corporate Governance Report.

C.1.20 Are reinforced majorities, other than legal majorities, required in any kind of decision?

Yes

No

Where appropriate, describe the differences.

C.1.21 Explain whether there are specific requirements, other than those related to directors, to be appointed chairman of the board:

Yes

No

C.1.22 State whether the bylaws or the Board Regulations establish any age limit to directors.

Yes

No

C.1.23 State whether the bylaws or the board regulations establish a limitation of the term or other additional requirements to those legally established for independent directors, other than those established by the regulation:

Yes

No

C.2.13 State whether the bylaws or the board regulations establish specific rules for de delegation of votes in the board of directors in favor of other directors, the way to grant a proxy and specifically, the maximum number of delegations a director can have, and whether any limitation has been imposed on the categories where it is possible to vote by proxy, other than those established by the legislation. Where appropriate, describe these rules briefly.

Attending personally the meetings of the body of which they are members is one of the main duties of directors. Notwithstanding this, in case they cannot attend a meetings for reasons beyond their control, they can delegate the vote to another directors, through a written document addressed to the Chairman of the Board. In any case, non-executive directors can only delegate their vote to another non-executive director.

C.1.25 State the number of meeting the board of directors has held during the reporting period. State the number of times the board has met without the attendance of its chairman. The total number shall include proxies made with specific instructions as attendances.

Number of board meetings	10
Number of board meeting without the attendance of the chairman	0

State the number of meetings held by the director in charge of coordination with the rest of directors, without the assistance or representation of any executive director:

Number of meetings	0
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State the number of meetings held by the different board committees during the reporting period:

Meetings of the APPOINTMENTS AND REMUNERATION COMMITTEE	6
Meetings of the EXECUTIVE COMMITTEE	4
Meetings of the AUDIT AND CONTROL COMMITTEE	9

C.1.26 State the number of meetings held by the board of directors during the year, and the attendance of its members:

Number of meetings with the in-person attendance of at least 80% of directors	10
% of in-person attendance on the total number of votes during the year	95.71
Number of meetings with in-person attendance or proxies with specific instructions, of all the directors	7
% of votes issued with in-person attendance or proxies with specific instructions, of all the directors	95.71

C.1.27 State whether the annual individual and consolidated financial statements submitted to the Board for their preparation have been previously certified:

Yes

No

Identify, where applicable, the person/s who certified the annual individual and consolidated financial statements of the company, for their preparation by the board:

Name	Position
MR GERARDO KURI KAUFMANN	CHIEF EXECUTIVE OFFICER
MR FILOMENO ORTIZ ASPE	ADMINISTRATION AND FINANCE MANAGER

C.1.28 Explain the mechanisms established by the board of directors, if any, to avoid that the individual and consolidated financial statements drawn up by the board are presented at the general meeting of shareholders with reservations on the audit report.

According to article 44.4.a.i of the Board Regulations, the Audit and Control Committee has, among others, the duty of supervising the process of preparation and presentation of the mandatory financial information on the Company and the Group, and to submit recommendations or proposals to the Board of Directors, in order to protect its integrity. Likewise, according to section c. of article 44.4, the Audit and Control Committee is responsible for the supervision of the process of drawing up the individual and consolidated Financial Statements and Management Report for their drawing up by the Board according to the Law, and also to inform the Board, for their drawing up according to the law, about the accuracy and reliability of the individual and consolidated financial statements and management report, and the financial information that is periodically disclosed to the markets.

Additionally, according to section 3 of article 15 of the Board Regulations, this body will try to draw up the financial statements so that there are no reservations or qualifications in the audit report prepared by the auditor. However, when the Board deems that it must uphold its position, the Chairman of the Audit and Control Committee, just like the auditors, must explain to the shareholders the content and the extent of the qualifications or reservations.

C.1.29 Is the secretary of the Board a director?

Yes

No

If the secretary is not a member of the board, complete the following table:

Name or corporate name of the secretary	Representative
MR JESÚS RODRIGO FERNÁNDEZ	

C.1.30 State the specific mechanisms established by the company to preserve the independence of the external auditors and the mechanisms, if any, to preserve the independence of the financial analysts, the investment banks and rating agencies, including the implementation in practice of the applicable statutory provisions.

The Audit and Control Committee is responsible of ensuring the independence of the external auditor. The mechanisms used for this purpose are detailed in article 44 of the Board Regulations, which establishes that, regarding the external auditor, and in order to ensure its independence:

- Will establish the appropriate relationships with the external auditor to receive any information about matters that can threaten his independence, to be reviewed by the Committee, and on any other matters related to the process of drawing up of the audit and, where appropriate, the authorization

of services other than those which are prohibited, according to the terms contemplated in the regulation of the account audit activity, and in any other communication related to it.

- It will request annually from external auditors a statement of independence from the entity or entities related directly or indirectly to it, as well as detailed information of the additional services of any kind provided, and the corresponding professional fees paid by these entities to the external auditor or the persons or entities related to him, according to the provisions of the regulation of the account audit activity.
- The company will report as relevant event to CNMV the change of auditor, and will complement it with a statement about the possible existence of disagreements with the outgoing auditor and, where applicable, of their content.
- In case of resignation of the external auditor, the Committee shall review the circumstances that caused it. Additionally, this Committee shall issue annually an opinion about the independence of the account auditors. This report must contain, in any case, an assessment of the additional services of any kind provided by the auditor, considered individually and globally, other than those related to the mandatory audit, and related to their independence or the audit regulation.

The Committee is also responsible for:

- The supervision of the process of drawing up the individual and consolidated Annual Financial Statements and Management Report, for their drawing up by the Board, according to the Law
- To report to the Board, for their drawing up according to the Law, about the accuracy and reliability of the individual and consolidated financial statements and management report, and about the financial information that is periodically provided to the markets.
- To ensure the independence and efficacy of the internal audit function;
- To report to the Board, prior to the adoption of the corresponding decisions, on the financial due to its status as a listed company, the company must disclose periodically.
- For the best performance of its functions, the Committee may seek the advice of outside professionals.

C.1.31 State whether the Company has changed its external auditor during the year. Where appropriate, identify the incoming and outgoing auditors:

Yes

No

If there were disagreements with the outgoing auditor, explain the contents of the disagreements:

Yes

No

C.1.32 State whether the auditing firm performs other work for the company and/or its group /other auditing and, if so, state the amount of the fees received for such work and the percentage it represents of the fees invoiced to the company and/or its group:

Yes

No

	Company	Companies of the group	Total
Amount of other work other than auditing (thousands of euros)	0	6	6
Amount of work other than auditing / Amount of auditing work (in %)	0.00	5.36	5.36

C.1.33 State whether the audit report on the previous year's annual accounts contains any reservations or qualifications. If so, indicate the reasons given to shareholders at the General Meeting by the chairman of the audit committee to explain the content and scope of such reservations or qualifications.

- () Yes
 (√) No

C.1.34 Indicate the number of years that the current auditing firm has been auditing the company's individual and/or consolidated annual accounts without interruption. Also indicate the percentage represented by the number of years audited by the current auditing firm out of the total number of years in which the annual accounts have been audited:

	Individual	Consolidated
Number of years without interruption	2	2

	Individual	Consolidated
Number of years audited by the current audit firm/ Number of years that the company or its group have been audited (in %)	12.50	12.50

C.1.35 State and where appropriate, detail whether there is a procedure for directors to have all the necessary information required to prepare the meetings of the governance body with sufficient notice:

- (√) Yes
 () No

Detailed procedure

Article 41 of the Board Regulations establishes that, in relation to the calling of such body, efforts shall be made to ensure that such calls are made no less than ten days in advance. Together with the notice of each meeting, the agenda of the meeting and the documentation will always be included so that the members of the Board of Directors have the power to express their own opinion and, where appropriate, cast its vote on the matters submitted for its consideration.

In addition, the same article provides that when, at the request of the Directors, items are included on the agenda, and the Directors who have requested they be included shall either send the relevant documentation with the application or identify the application in order to send it to the rest of the members of the Board.

At the same time, Article 23 of the Bylaws states that one of the duties of the Chairman is to ensure that the Directors receive in advance the necessary information to deliberate on the items on the agenda; the Secretary has the duty of assisting the Chairman in the performance of that function.

C.1.36 State and where appropriate, detail whether the company has established rules that oblige the directors to report and, where appropriate, to resign in those cases that might harm the standing and the reputation of the company:

- (√) Yes
 () No

Explain the rules

Section 2 of Article 20 of the Board Regulations states that the Directors are obliged to resign and formalize their resignation to the Board, if the Board deems it convenient, in the following cases:

(...)

(ii) when their presence in the Board may jeopardize the interests of the company.

Likewise, in accordance with section 2 of article 29 of the Board Regulations, relating to the directors' duty to provide information, the directors are obliged to inform of the criminal cases in which he appears as a defendant, as well as any subsequent court or legal proceedings. If a director is indicted or tried for any of the crimes listed on article 213 of the Law on Corporations, the Board shall review the case as soon as possible, and in view of the specific circumstances, will decide whether or not it is appropriate for the director to continue in office. The Board shall reasonably report all of the foregoing in the Annual Corporate Governance Report.

C.1.37 State whether any member of the board has informed the company that he has been indicted or trial proceedings have been initiated against him, for any of the crimes listed in article 213 of the Law on Corporations:

Yes

No

C.1.38 Detail the significant agreements entered into by the company that come into force, are amended or terminate, in case of changes in the control of the company as a result of a takeover bid, and its effects.

No such agreements exist.

C.1.39 Identify individually, in the case of directors, and collectively in all other cases and state in detail the agreements between the company and its directors and managers or employees that establish compensations, guarantees or ironclad clauses, in case of resignation or wrongful dismissal or if the contractual relationship is terminated due to a takeover bid or other operations.

Number of beneficiaries	
Type of beneficiary	Description of the agreement
SENIOR MANAGER	A compensation of forty five (45) days for every year worked is contemplated, with a minimum of 24 and up to a maximum of 42 months, regardless of the provisions of the applicable legislation at the time.

State whether, beyond the cases contemplated in the regulations, these contracts must be reported/approved by the governance bodies of the company or its group. If so, specify the procedures, cases contemplated, and the nature of the bodies responsible for their approval or reporting:

	Board of Directors	General Meeting
Body that authorizes the clauses	√	

	Yes	No
Is the general meeting informed about the clauses?	√	

C.2 Committees of the Board

C.2.1 List all the committees of the board of directors, their members and the proportion of executive, proprietary, independent and other directors who compose them:

APPOINTMENTS AND REMUNERATION COMMITTEE		
Name	Position	Category
MRS MARIA ANTONIA LINARES LIÉBANA	CHAIRWOMAN	Independent
MR JUAN RODRÍGUEZ TORRES	MEMBER	Proprietary
EAC INVERSIONES CORPORATIVAS, S.L.	MEMBER	Proprietary
MELILOTO, S.L.	MEMBER	Proprietary
MRS CARMEN IGLESIAS CANO	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	60.00
% of independent directors	40.00
% of other external directors	0.00

Explain the duties, including, if any, those other than the mandatory duties, attributed to this committee, and describe the procedures and rules of its organization and operation. For each of these duties, state the most relevant actions during the period, and how it has exercised in practice each of its duties, attributed by law or by the bylaws or other corporate agreements.

The Company shall have an Appointments and Remuneration Committee, composed by a minimum of three and a maximum of six Directors, appointed by the Board of Directors for a term no longer than their mandate as Directors, and notwithstanding the possibility of being reelected indefinitely, to the extent that they are also reelected as Directors. The Committee shall be composed exclusively by non-executive directors, two of which, at least, must be independent directors, and they will be elected taking into account their knowledge, skills and expertise.

The Committee shall elect a Chairman among its members, and can also elect a Vice chairman. The Secretary, and where applicable, the Vice chairman, will be the person appointed by the Committee for this office, and does not need to be a Director.

Its duties are described below. These duties are described in further detail in article 45 of the Board Regulations.

1. To evaluate the competences, knowledge and experience needed at the Board of Directors. To this end, it will define the duties and skills required from the candidates who must cover each vacancy and will evaluate the time and dedication needed to perform their duties efficiently.
2. To establish a target for the representation of the least represented gender at the Board of Directors, and to prepare guidelines on how to reach that goal.
3. To submit to the Board of Directors the proposals for appointment of independent directors for their appointment by co-opting or to submit its decision to the General Meeting, as well as the proposals for reelection or removal of directors by the General Meeting of Shareholders.
4. To inform about the proposals for appointment of the remaining directors for their appointment by co-opting or to submit its decision to the General Meeting, as well as the proposals for reelection or removal of directors by the General Meeting of Shareholders.

5. To report on the proposals for appointment or removal of senior managers and the basic terms of their contracts.
6. To review and organize the succession of the Chairman of the Board and the Chief Executive Officer of the Company and, where appropriate, to submit proposals to the Board of Directors for such succession to take place in an orderly and well planned manner.
7. To propose to the Board of Directors the remuneration policy of the directors and general managers or the senior managers who work under the direct supervision of the Board, the Executive Commission or the Chairman of the Board, as well as their individual remunerations and the rest of contractual conditions of executive directors, ensuring compliance.

The members of the Appointments and Remuneration Committee may be assisted during their sessions, by such persons as they deem appropriate, in the capacity of advisors, and up to a maximum of two for each member of said Committee. These advisors may speak, but not vote.

The Appointments and Remuneration Committee may seek the advice of external professional for a better performance of its duties.

The Committee shall meet with the frequency determined and every time the Chairman calls it, or is requested by two of its members. The Committee shall prepare an annual action plan for the period and will report its results to the Board.

All the members of the senior management and all the employees of the REALIA Group so requested, are obligated to attend the sessions of the Committee, and to provide their assistance and access to any information they possess.

The Appointments and Remuneration Committee shall have access to the information and documentation necessary to perform its duties.

The Appointments and Remuneration Committee shall consult with the Executive Chairman of the company, especially on matters related to executive directors and senior managers. Any director can request the Appointments and Remuneration Committee to consider, if they deem it appropriate, potential candidates to cover vacant directors' positions.

The Chairman of the Committee shall, at the first session of the Board after the meeting of the Committee, report on its activity and respond about the work done. The Committee will submit an annual report to the Board about the work done.

(Additional information on this Committee is provided on section H.1 of the attached document)

EXECUTIVE COMMITTEE		
Name	Position	Category
MR JUAN RODRÍGUEZ TORRES	CHAIRMAN	Proprietary
MR GERARDO KURI KAUFMANN	MEMBER	Executive
EAC INVERSIONES CORPORATIVAS, S.L.	MEMBER	Proprietary
MELILOTO, S.L.	MEMBER	Proprietary

% of executive directors	25.00
% of proprietary directors	75.00
% of independent directors	0.00
% of other external directors	0.00

Explain the duties attributed to this committee, and describe its organizational and operational procedures and rules. For each of these duties, state their most important actions during the year and how it has performed in practice each of the duties attributed either by law or in the bylaws or other corporate agreements.

The Board may delegate permanently on the Executive Committee all the duties of the Board of Directors, except those whose competence is reserved to the Board by virtue of the Law, the Bylaws or the Board Regulations. The Executive Committee shall be composed by a minimum of three (3) and a maximum of ten (10) members, including the Chairman, all of whom shall be Members of the Board.

Generally, it is responsible for the monitoring and supervision of the day-to-day management of the Company that require continued attention and, where appropriate, a prompt and diligent performance, as well as those matters that can influence the positioning and future prospects of the Company and its Group in the Market.

Specifically, according to the provisions of article 43.1 of the Board Regulations, it is responsible to make decisions on investments, disinvestments, credit, loan, guarantee or credit lines or any other financial facility for a unit amount no higher than eighteen million euros.

The Executive Committee will meet whenever is so required by the corporate interests, as many times as it is called by its Chairman or, where appropriate, its Vice president replacing him, and any person, related or unrelated to the company can attend its sessions, when called to attend by the Committee or its Chairman, for the purposes determined, depending on the purpose of the matter in question.

The Executive Committee will be called by the Chairman, at his own initiative, and necessarily in the case in which it is so requested by a minimum of two thirds of its members.

The calls shall be made by letter, email, telegram, telefax or fax that acknowledges receipt by the director called with a minimum of 24 hours in advance of the meeting. Along with the call for each meeting, the appropriate documentation will be sent to the members of the Executive Committee so that they can form an opinion and cast their vote.

The Chairman and Secretary of the Committee shall be the Chairman and the Secretary of the Board of Directors, respectively. In the absence of the Chairman of the Executive Committee, his functions will be exercised by the member elected for that purpose.

The Executive Committee shall be validly constituted with the attendance, present or represented, of at least the majority of its members; and shall adopt its resolutions by an absolute majority of its members. The members of the Committee may delegate their representation to another of them, but none of them may assume more than two representations, in addition to their own.

The resolutions of the Committee shall be kept in a book of minutes, which shall be signed, for each of them, by the Chairman and the Secretary or, as the case may be, by those who have carried out these functions, in the session in question.

The Executive Committee has held four (4) sessions during 2018, in the months of February, April, August and December. The actions carried out were the following:

1. Self-assessment. In its first session of 2018, the Committee evaluated its own performance during 2017, and analyzed the matters discussed, the meetings held and all other circumstances related to its activity, according to the provisions of article 41.6 of the Board Regulations.
2. Supervision of the Committee resolutions. In its February meeting, the Committee carried out the periodic review of the resolutions adopted in the previous year, in order to check their degree of compliance and adopt, where appropriate, the necessary measures.
3. Decision on the position to adopt on the resolutions submitted to the Committee. In each of the sessions, the Chairman of the Committee will inform the participants about the affairs of the company, and on the matters to be discussed at the next session of the Committee, in order to define a position regarding the possible resolutions to adopt.

AUDIT AND CONTROL COMMITTEE		
Name	Position	Category
MRS CARMEN IGLESIAS CANO	CHAIRPERSON	Independent
MR JUAN RODRÍGUEZ TORRES	MEMBER	Proprietary
MRS MARÍA ANTONIA LINARES LIÉBANA	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	33.33
% of independent directors	66.67
% of other external directors	0.00

Explain the duties attributed to this committee, and describe its organizational and operational procedures and rules. For each of these duties, state their most important actions during the year and how it has performed in practice each of the duties attributed either by law or in the bylaws or other corporate agreements.

The Company shall have an Audit and Control Committee, composed by a minimum of three and a maximum of six Directors, appointed by the Board of Directors for a term no longer than their mandate as Directors, and notwithstanding the possibility of being reelected indefinitely, to the extent that they are also reelected as Directors. The Committee shall be composed exclusively by non-executive directors, the majority of which, at least, must be independent directors, and one (1) of them will be appointed taking into account their knowledge and expertise in accounting, auditing or both. Generally, the members of the Audit and Control Committee must have relevant technical knowledge of the sector of activity in which the company operates.

The Committee shall elect a Chairman among its independent members, and can also elect a Vice chairman. The term for these positions, as their term as members of this Committee, may not exceed four years, and they can be reelected once after at least one year has elapsed since their termination.

The Secretary, and where appropriate, the Vice secretary shall be the person appointed by the Committee for this office, and it is not required that he is a Director.

The members of the Committee may be assisted during their sessions, by such persons as they deem appropriate, in the capacity of advisors, and up to a maximum of two for each member of said Committee. These advisors may speak, but not vote

The primary function of the Committee is to provide support to the Board in matters of oversight, through the periodic review of the process of drawing up of the economic-financial information, the internal audit function and the independence of the external auditor. Additionally, it will supervise the internal audit function, which will monitor the proper functioning of the information and internal control systems.

The duties of the Committee include those listed below. Additional detail on these duties is provided on article 44 of the Board Regulations:

1. To inform the General Meeting about the matters raised by the shareholders during such meetings on matters within its competence and specifically, on the result of the audit, explaining how the audit contributed to the integrity of the financial information and the role that the Committee had in this process.
2. To supervise the efficacy of the internal control of the Company, the internal audit function and the risk management systems; to discuss with the account auditor significant weaknesses in the internal control system detected during the audit, respecting the independence of the auditor at all times.
3. To supervise the process of drawing up and presentation of the mandatory financial information, and to submit recommendations or proposals to the Board of Directors, in order to preserve its integrity.
4. To present to the Board of Directors proposals for the selection, appointment, reelection and replacement of the account auditor, taking responsibility for the selection process, according the applicable legislation, and of the conditions of its hiring, and to obtain regular information from the auditor about the audit plan and its implementation, and to preserve the auditor's independence in the performance of his duties.
5. To establish the appropriate relationships with the external auditor to receive information on all matters that may represent a threat for his independence, to be reviewed by the Committee, and on any other matters related to the account auditing process and, where appropriate, to authorize services other than those prohibited, according to the terms of the regulations on account auditing, and on any other communications contemplated by such regulations. In any case, they must receive annually from the external auditors their statement of independence in relation to the entity or directly or indirectly related entities, and the detailed and separate information on additional services of any kind provided and the corresponding professional fees paid by these entities to the external auditor or to the individuals or entities related to the auditor, according to the provisions of the regulation on account auditing.

(The information on this Committee is provided in greater detail on section H.1 of the attached document).

Identify the directors who are members of the audit committee who have been appointed based on their knowledge and experience in matters of accounting, auditing or both, and state the date of the appointment of the Chairman of this committee to the office.

Name of the experienced directors	MR JUAN RODRÍGUEZ TORRES
Date of appointment of the Chairman to the office	27/06/2017

C.2.2 Complete the following table with information related to the number of women directors who are members of the committees of the board of directors at the reporting date for the last four years:

	Number of women directors							
	2018		2017		2016		2015	
	Number	%	Number	%	Number	%	Number	%
APPOINTMENTS AND REMUNERATION COMMITTEE	4	80.00	4	80.00	4	80.00	4	80.00
EXECUTIVE COMMITTEE	2	50.00	2	50.00	2	50.00	2	40.00
AUDIT AND CONTROL COMMITTEE	2	66.67	2	66.67	2	66.67	2	66.67

C.2.3 State, if any, the existence of regulations on the board committees, where they can be consulted, and the changes made to them during the year. State also whether any annual report has been drawn up voluntarily on the activities of each committee.

EXECUTIVE COMMITTEE:

The Executive Committee is regulated under article 43 of the Board Regulations, and art. 25 of the Bylaws. Both documents can be consulted at the company's website (www.realia.es).

According to the provisions of art 41.6 of the Board Regulations, the Board reviewed on 25 February 2019 the functioning of the Executive Committee during 2018, based on the report presented to the Board by said committee.

Conclusions: The Executive Committee assumes and performs responsibly the duties and competences delegated by the Board, diligently and efficiently dealing with Company matters that require constant attention and monitoring.

AUDIT AND CONTROL COMMITTEE:

The Audit and Control Committee is regulated by art. 44 of the Board Regulations, article 27 of the Bylaws and Title VIII of the Internal Code of Conduct. These documents are available at the company's website (www.realia.es)

In accordance with the provisions of art 41.6 of the Board Regulations, on 25 February 2019 the Board evaluated the operation of the Audit and Control Committee during 2018, based on the report submitted by said committee to the board.

Conclusions: The Committee has been in permanent contact with the head of internal audit and the external auditors, and has accordingly been able to check the quality and transparency of the financial information disclosed to the markets, and the efficiency of the internal control and risk management systems. In summary, it can be stated that the Committee assumes and performs responsibly the duties and competences delegated by the Board, diligently and efficiently dealing with Company matters that require constant attention and monitoring.

APPOINTMENTS AND REMUNERATION COMMITTEE:

The Appointments and Remuneration Committee is regulated by article 45 of the Board Regulations, and article 28 of the Bylaws. These documents are available at the company's website (www.realia.es).

In accordance with the provisions of art 41.6 of the Board Regulations, on 25 February 2019, the Board evaluated the operation of the Appointments and Remuneration Committee during 2018, based on the report submitted by said committee to the board.

Conclusions: The Committee assumes and performs responsibly the duties and competences delegated by the Board, diligently and efficiently dealing with Company matters that require constant attention and monitoring.

D. RELATED PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 Explain, if any, the procedure and competent bodies to authorize operations with related parties and transactions within the group.

Article 25 of the Board Regulations states that the transactions that the company carried out with directors, significant shareholders or shareholders with representation at the Board or individuals related to them, must be authorized by the Board of Directors, following a report from the Audit and Control Committee.

The article continues saying that the directors affected by these transactions not only will not be able to exercise their right to cast or delegate their vote, but must also the meeting room while the Board discusses and votes on them. In any case, relevant transactions of any type carried out by any director with the company REALIA, its subsidiaries or investees, must be reported in the Annual Corporate Governance Report. This obligation covers also relevant transactions between the Company and its significant shareholders – direct and indirect.

D.2 List the significant transactions as a result of their amount or relevant for their nature, carried out between the company or entities in its group, and significant shareholders of the company:

Name or corporate name of significant shareholder	Name or corporate name of the company or entity of the group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
F C Y C, S.L.U.	REALIA BUSINESS, S.A.	Contractual	Reception of services	1,306
FCC INDUSTRIAL E INFRAESTRUCTURAS ENERGÉTICAS, S.A.U.	HERMANOS REVILLA, S.A.	Contractual	Provision of services	489
FCC INDUSTRIAL E INFRAESTRUCTURAS ENERGÉTICAS, S.A.U.	REALIA PATRIMONIO, S.L.U.	Contractual	Provision of services	889
FCC CONSTRUCCIÓN, S.A.	REALIA BUSINESS, S.A.	Contractual	Provision of services	1,179
SOINMOB INMOBILIARIA ESPAÑOLA, S.A.	REALIA BUSINESS, S.A.	Contractual	Reception of services	464

The companies listed under “Name or corporate name of the significant shareholder” in section D.2 are companies of the FCC Group and the Carso Group, both of them significant shareholders of Realia Business, S.A.

A transactions is considered to be significant when its amount exceeds EUR 250 thousand.

D.3 List the significant transactions as a result of their amount or relevant for their nature, carried out between the company or entities in its group, and the managers or directors of the company:

Name or corporate name of directors or managers	Name or corporate name of the related party	Relationship	Nature of the transaction	Amount (thousands of euros)
N/A				N/A

D.4 Report the significant transactions carried out by the company with other entities of the same group, provided they are not eliminated in the process of consolidation and are not part of the company's routine business as regards its objects and conditions.

In any case, any transactions within the group carried out with entities established in countries or territories which are considered as tax havens must be reported:

Name or corporate name of the entity of the group	Brief description of the transaction	Amount (thousands of euros)
N/A		N/A

D.5 List the significant transactions between the company or entities of its group and other related parties, not reported in the previous sections:

Name or corporate name of the entity of the group	Brief description of the transaction	Amount (thousands of euros)
N/A		N/A

D.6 List the mechanisms established to detect, determine and resolve potential conflicts of interest between the company and/or its group, and its directors, managers or significant shareholders.

Article 25 of the Board Regulations, regarding conflicts of interest and related party transactions, states the following:

1. The Director shall abstain from participating in the discussion and vote on resolutions or decisions on which he or a related party has a conflict of interest, direct or indirect. Resolutions or decisions that affect him in his capacity as director, such as his appointment or revocation for office in the governing body or others of analogous meaning, will be excluded from the above obligation to abstain.
2. The Director must report to the Board, well in advance, of any situation that could potentially represent a conflict of interest of the Group and companies of REALIA or related companies.
3. The transactions carried out between the company and directors, significant shareholders or shareholders with representation on the Board, and individuals related to them, must be authorized by the Board, following a report from the Audit and Control Committee.
4. The Board shall decide on related party transactions following a report from the Audit and Control Committee. The directors affected by these transactions will not be able to exercise or delegate their right to vote, and must also leave the meeting room during the discussion and vote of the Board on said transactions.
5. In any case, relevant transactions of all types carried out by any director with REALIA, its subsidiaries or investees, must be reported in the Annual Corporate Governance Report. This obligation also includes relevant transactions carried out between the Company and its significant shareholders – direct and indirect.

Similarly, the Internal Code of Conduct, on section 4.7, on information related to conflicts of interest, states that the persons subject to the code (which include directors and senior managers of the Company), are obliged to report to the Chairman of the Audit and Control Committee the potential conflicts of interest they are subject to due to their family relations, their personal assets, or for whatever other reason, with any company of the Realia Group, through a document addressed to the Chairman explaining such conflicts of interest in sufficient detail. Any doubt about this matter must be consulted through a document addressed to the Chairman of the Audit and Control Committee before adopting any decision that may be affected by the potential conflict of interest.

A conflict of interest due to family relations shall not be considered to occur when, not affecting Related Persons, the relationship exceeds the fourth degree by consanguinity or affinity.

In any case, a possible conflict of interest deriving from personal assets shall be deemed to exist when it arises in relation to a company in whose capital the Person Subject has a stake, either alone or in conjunction with persons with whom he is related as defined in the preceding paragraph, by more than 15% of the political or economic rights, or when, without reaching such a percentage, it can appoint at least one member of its governing body.

The aforementioned information must be kept up to date, reporting any modification or cessation of the previously communicated situations, as well as of the emergence of new possible conflicts of interest.

D.7 Is more than company of the Group listed in Spain?

Yes

No

E. CONTROL AND RISK MANAGEMENT SYSTEMS

E.1 Explain the scope of the Control and Risk Management System of the company, including fiscal risks:

The Realia Group has developed a risk management system that takes into account the characteristics of the Group itself, and those of the environments, both geographical and regulatory, in which it carries out its activities. The system is based on three aspects:

- 1) An organizational structure implemented by the CEO of the Group, in his capacity as Chief Executive Officer, under delegation from the Board of Directors, that clearly details the roles and functional responsibilities;
- 2) A framework for the identification, quantification and evaluation of the risks which may affect the Group; and
- 3) A response against the risks identified, supervised by the Audit and Control Committee.

The Group's risk management system is currently in place at corporate level and work is underway to ensure that it operates in a comprehensive and continuous manner.

In 2018, the company started designing and planning a Model of Criminal Compliance and Prevention. In this context, a process for the "Identification, Analysis and Evaluation of Criminal Risks" is being developed in order to manage this type of risks. The purpose is that this model complies with the requirements of Article 31.5 of the Criminal Code, and may even exonerate the Organization in the case of commission of a criminal offence committed within the company that could result in criminal liability for the company.

E.2 Identify the bodies of the company responsible for the production and implementation of the Control and Risk Management System, including fiscal risks:

In accordance with article 10 of the Bylaws, the Board of Directors is responsible for the management, administration and representation of the Company. Subparagraph 2 of article 7 of the Board Regulations grants the Board of Directors the duty of defining the risk management and control strategy, including the risks which may specifically affect the financial information that the Company must disclose as a listed company. The Head of each of the functional areas, by delegation from the Board of Directors, will be responsible for its development and implementation, and the Risk Control and Management System will be supervised by the Audit and Control Committee, as provided by article 44 of the Board Regulations.

E.3 State the main risks, including fiscal risks, and the extent in which the risks resulting from corruption (according to the scope of the Royal Decree Law 18/2017) are significant, which may affect the achievement of the business objectives:

In the performance of its activity, both residential homebuilding and property, we can come across different types of risk.

1. Financial risks.

Given its activity and the transactions through which it carries out these activities, the Group is currently exposed to the following financial risks:

a) Credit risk.

The main activities of the Company are property development, the sale of land and the lease of properties through its subsidiaries and investees. The first of them does not entail any credit risk, since the delivery of the property automatically entails collection. As to the sale of land, it is customary to grant clients payment deferrals. Currently, unguaranteed commercial loans for the sale of land amount to EUR 8.2 Million, which the company has fully written off. Finally, in relation to the lease of property assets, the risk is not significant, and is maintained at levels similar to the previous year. The management of the Company has provisioned all these contingencies, according to the period of default or insolvency.

b) Interest rate risk

Realia Business does not have hedges to manage its exposure to interest risk fluctuations.

The purpose of interest rate risk management is to reach a balance in the debt structure that allows to minimize borrowing costs in a multiannual horizon, with reduced volatility in the profit and loss account. The comparative analysis of the financial cost reported in its budget and the yield curve trends led the company to decide not to hedge interest rate risk, with the purpose of minimizing borrowing costs for the period.

The company management monitors closely the short and long-term yield curves and does not rule out the possibility of hedging against interest rate fluctuations in the future.

c) Liquidity risk

Nearly 10 years after the beginning of the real estate crisis, some signs of improvement in the sector appeared back in 2015, albeit highly concentrated on the demand for product of the medium-high segment on prime locations, and access to lending also improved for new developments with positive commercial prospects. This trend has been ratified during 2018, with continued strong liquidity of the financial system and low interest rates, which creates financing opportunities for individuals and developers with proven financial solvency and economically and commercially viable projects; barring these requirements, access to borrowing continues to be very restricted.

Additionally, at 2018 year-end, Realia Business has positive working capital for EUR 369 Million, a 95.7% increase over 2017 year-end.

The main aggregates of the cash projections of Realia Business for the next twelve months, based on a minimum basis of recurring business, dividends and other payments received for services rendered to Group companies, led to estimated collections of EUR 57.4 Million which, together with estimated payments of EUR 67.5 Million, give rise to a negative net cash flow of EUR 10.1 Million, which together with new investments in land, will be covered by the current cash available.

d) Foreign exchange risk

The Company is not exposed to a significant foreign exchange risk.

At 31 December 2018, Realia Business, S.A. has no bank borrowings, and has cash and cash equivalents amounting to EUR 60,322 thousand and has improved its solvency compared to 2017, when it had bank borrowings for EUR 78,049 thousand.

(The details of the remaining Risks can be found on the document attached to this Report).

E.4 Identify whether the entity has risk tolerance levels, including fiscal risks:

The Realia Group is currently working on the formal update of its tolerance levels to the different risks that affects its activities (financial, operational, technological risks among others) as part of its value creation strategy. These tolerance and risk appetite levels, based on quantitative and qualitative criteria, are reviewed taking into account that the factors that contributed to their determination may have varied over time.

E.5 State which risks, including fiscal risks, have materialized during the year:

Market risks:

Despite the pickup in demand in recent years, the property stock remains high in most of the Spanish territory. Due to this, the recovery in prices over the start of the crisis is selective and concentrates on areas with greater demand, and access to lending, both to developers and to buyers, is still quite restricted.

Despite this, Realia has reactivated the launch of new developments where the supply of product is very scarce, in some areas of cities like Barcelona and Madrid, and other cities where there is an interesting demand for residential products.

E.6 Explain the response and supervision plans for the main risks of the entity, including fiscal risks, and the procedures followed by the company to ensure that the board of directors responds to the new challenges:

Risk management and control in the Realia Group is structured on the basis of a number of policies and procedures adapted to the different risks that affect it or may affect it.

The Board of Directors of the company is committed to the risk management and control processes, adopting policies, procedures, limits and structure.

Corporate Management and Business Management analyze the situation and evolution of the main risks that affect the Group, taking corrective actions if deemed necessary; and discuss these matters in their regular meeting with the Chief Executive Officer.

The Internal Audit Area, under the supervision of the Audit and Control Committee, provides an independent evaluation of the adequacy, sufficiency and efficacy of the internal control and risk management system; proposing corrective or mitigating measures if necessary. These measures are discussed in the Audit Committee, and the decision to implement them is presented to the Board of Directors.

Any risk considered as critical is discussed in the regular meetings of the Corporate Management and the Business Management with the Chief Executive Officer; proposing both to the Audit and Control Committee and the Board of Directors, the specific response plans against any critical risk. The Board of Directors ultimately considers the proposal, modifying or accepting it where appropriate,

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATED TO THE ISSUANCE PROCESS OF FINANCIAL INFORMATION (SCIIF)

Describe the mechanisms of the risk management and control systems related to the issuance of financial information of the entity.

F.1 Control environment of the entity

Detail, describing their main characteristics:

F.1.1 Bodies and/or functions responsible for (i) the existence and maintenance of an adequate SCIIF system; (ii) its implementation; and (iii) its supervision.

In accordance with article 10 of the Bylaws, the Board of Directors is responsible for the management, administration and representation of the Company. Section 2 of article 7 of the Board Regulations grants the Board of Directors the power to define the risk management and control strategy, including those that can specifically affect the financial information that the Company must issue, due to it being a listed company. The Direction of each of the functional areas, by delegation from the Board of Directors, will be responsible for its development and implementation, and the Risk Control and Management System shall be supervised by the Audit and Control Committee, according to article 44 of the Board Regulations.

F.1.2 Whether the following elements exist, especially in relation to the process of drawing up of the financial information:

- Departments and/or mechanisms in charge of: (i) the design and review of the organizational structure, (ii) defining clearly the lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) providing the necessary procedures for its adequate dissemination in the entity:

The person in charge of the design and review of the organizational structure is the Chief Executive Officer, under delegation from the Board of Directors. The organization of the Group was updated in December 2011, through the issuance of a Memorandum by the former Chairman that defined the specific responsibilities of the Heads of Departments and/or Business Areas regarding the management of the SCIIF.

In January 2018, a new organizational chart was approved, with two large Directorates reporting directly to the Chief Executive Officer: the "Corporate Management" and the "Business Management". The former comprises the directorates of "Administration, Finance and Human Resources", "Legal Advice" and "Planning, Strategy, Investor Relations, Communications and IT". The Business Management comprises "Property" and "Developments".

Additionally, there is a policy of granting of powers defined within the Group.

- Code of conduct, approving body, degree of dissemination and guidance, principles and values included (stating whether there are specific mentions to the transaction log and the drawing up of financial information), body in charge of analyzing non-compliances and to propose corrective actions and sanctions:

Ethical conduct and respect and compliance with the regulation, both internal and external, are the pattern of action of the REALIA Group, materialized in its Ethical Code. The commitment of the Senior Management with ethical values and regulatory compliance is reflected in its Ethical Code, one of the main pillars and the basis for the compliance and criminal prevention model and the compliance risk management system (especially criminal risks), the implementation of which the Group is currently designing and planning.

Since the first edition was drawn up (Nov 2010), there have been substantial changes in the regulation (especially relevant in the reform of the Criminal Code of 2015, with the introduction of the "criminal liability of legal entities"), and in the social, economic and technological context. As a result, the Board of Directors of the REALIA Group, through the Audit and Control Committee, promoted a review and update of the Ethical

Code to adapt it to the new business, regulatory and corporate reality; and to place it as the pillar of the compliance risk prevention system.

The Board of Directors adopted REALIA's new Ethical Code on 4 April 2018.

The Ethical Code is addressed to all directors, managers and employees of the REALIA Group, regardless of the contractual arrangement that determines their employment relationship, their position, or the geographical area where they perform their work. 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 regulations, compose the framework that must govern the conduct of its managers and employees.

For this reason, the Ethical Code is mandatory, and every Realia employee must formally accept it, and is given a copy of said Code, which is also available through REALIA's intranet and its website. It is written in clear and concise language, easy to understand by all (senior managers, employees, business partners...).

The main goals of the Ethical Code are:

- To establish the principles, values and rules of conduct that must govern the actions of the companies of the REALIA Group and all its employees, in order to promote ethical and responsible conduct in the performance of their professional duties; additionally, it reflects the commitment of the company with the principles of corporate ethics and transparency, consolidating a shared culture and patterns of conduct, accepted and respected by all its employees.
- To define the criteria for the conduct of managers and employees, and set the lines that cannot be crossed even when they can generate profits for the company, to prevent and avoid conducts that may give rise to fraud, scam and corruption in business.
- The Code is the axis and the pillar of the regulatory compliance system: the basic rule that guides the conduct of all employees of the group in their activities and relations with third parties.

The Ethical Code is based is inspired by the values that define the REALIA Group: Customer Service, Transparency, Leadership Vocation, Innovation and Dialogue.

The patterns of conduct mentioned by the Ethical Code are classified into the following categories:

- Regulatory compliance and respect for ethical values. Integrity and honesty.
- Respect and commitment to people. Equal opportunities, professional development and non-discrimination. Commitment with health and safety of people.
- Prevention and fight against fraud and corruption. Zero tolerance for fraud, corruption and bribery. Policy for the acceptance of gifts and invitations. Money laundering prevention. Reliability of information (including specific mentions to the transactions log and the drawing up of financial information). Protection of the Organization's assets and resources.
- Protection and confidentiality of personal data.
- Commitment to clients.
- Commitment to the market, the company and the community.
- Commitment to society and the environment.

In this context, the managers are the role models in their conduct and degree of compliance with the Ethical Code ("Tone from the Top"). The Board of Directors, through the Audit and Control Committee, checks its compliance, and analyzes possible non-compliances, proposes the corrective measures and the sanctions appropriate to the extent and severity of the non-compliance.

- Whistleblowing channel that allows reporting to the audit committee financial and accounting irregularities, possible non-compliances with the code of conduct and irregular activities in the organization, reporting them confidentially.

The Realia Group has an Ethical Channel, or Internal Whistleblowing Channel open to all employees of the Realia Group, allowing them to:

- Report to the Audit and Control Committee inappropriate actions and conducts in light of the prescriptions of the Ethical Code (non-compliances of the Ethical Code).
- To report potentially relevant irregularities relevance, especially of financial and accounting nature, and those related to (or showing signs of) the crimes of fraud, corruption, bribery, influence

- peddling, crimes against urbanism and the environment, and any other illicit conduct that may have criminal consequences for the Organization.
- To report, even confidentially, relevant information on possible non-compliance of the applicable legislation on Money Laundering and terrorism financing.
- To prevent and/or report situations of workplace and sexual harassment, and discriminatory conduct for reason of gender, ideology or race.
- To make proposals for the improvement of internal control procedures and systems in force in the Realia Group of the previous subjects.
- To raise questions about the implementation of the patterns of conduct described in the Code.

The principles governing this procedure are: confidentiality, no reprisals and the right to personal honor.

At the end of 2018, the draft of the new "Regulation for the Procedure of the Internal Whistleblowing Channel (Ethical Channel)" was reviewed and written to adapt it to the new Ethical Code, the current regulatory context and the Compliance and Criminal Prevention Code, currently under implementation. Its adoption is planned for the beginning of 2019.

The Audit and Control Committee receives periodically information about the operation of the Channel, which includes the number of reports received detailed by source and type. If this happens, the Committee would receive information about the result of the enquiries and proposals for action, so that it if deems it necessary, proposes the appropriate actions to improve its operation and reduce the number of irregularities committed in the future.

- Regular training and refreshment programs for the personnel involved in the drawing up and review of financial information, and in the evaluation of the SCIIF which cover, at least, accounting standards, audit, internal control and risk management.

Several training events have taken place during the year in the Realia Group related to accounting, fiscal, working and business standards, for a total of 30 hours of training.

The Internal Audit Department has attended seminars and events related both to the internal audit profession and the role internal auditors must play in the new business and technological scenario; on regulatory compliance, criminal risk prevention systems, standard UNE-19601, and the duties of the compliance officer. The current Audit Plan describes the training that this officer must receive.

F.2 Financial information risk assessment

Report, at least:

F.2.1 The main characteristics of the risk identification process, including error or fraud risk, related to:

- Whether a process exists and is documented:

The risk identification process of the Realia Group starts with a preliminary identification of potential risks by the heads of the Functional Areas, and subsequently they are evaluated according to their likelihood of occurring and their economic impact if they were to materialize, generating risk maps. This procedure is performed for every key business and corporate process identified. This assessment prioritizes risks, analyzing the need for potential improvements and proceeding to their implementation by the functional area, this process is fully documented in writing. The evolution of the risks that require greater attention as a result of their evaluation (critical risks) is subject to closer monitoring, complemented by a sensitivity analysis. This procedure is performed annually, and whenever the risk environment has changed.

- Whether the process covers all of the goals of financial information (existence and occurrence; valuation; presentation; detail and comparability; and rights and obligations), whether it is updated and how frequently:

The risk identification process of the Realia Group covers all the goals of financial information and is updated at least once a year, and whenever the market and business circumstances demand it.

- The existence of a process of identification of the consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures, or special purpose vehicles or entities:

The adequacy of the consolidation perimeter is assessed periodically (such adequacy is formalized within the process of Accounting Close), considering the effective investment and the degree of influence in every investee. Currently there are no complex structures in the Realia Group.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, fiscal, reputational, environmental, etc.) insofar as they affect the financial statements:

The Risk Control and Management Policy takes into account not only financial risks, but other types of risks such as operational, regulatory, fiscal, technological, reputational, fraud, human resources management, compliance risks, etc.

Regulatory risks are especially relevant nowadays, specifically criminal risk management, as a result of the last reform of the Criminal Code that contemplates the criminal liability of legal entities. Thus, Realia's Audit and Control Committee has agreed to adopt a Regulatory Compliance function in the Group that includes criminal risk compliance; the head of internal audit shall be, in principle, responsible for this function. The Compliance and Criminal Prevention Model is currently under planning and design; its first step was the adoption of the new Ethical Code.

Work on the criminal risk management system has been underway during 2018, including the identification, analysis and evaluation of this type of risks, which will result in an inventory of criminal risks and a matrix detailing the effects of these risks on the different processes identified at the SCIIF, which will serve as the basis for the assessment of risks and the drawing up of criminal risk maps for the Organization. This assessment will consider not only the direct economic impact on Financial Statements, but also on the reputation of the Group, which will result in future economic consequences reflected in the Financial Statements.

- Which governing body in the entity supervises this process:

One of the duties of the Internal Audit area, under the supervision of the Audit and Control Committee, is to take responsibility for the supervision and periodic update of risk maps, in collaboration with the heads of each of the Functional Areas, who are ultimately responsible for the identification of the risks the Group is subject to, and evaluate them in relation to their likelihood of occurring and their economic impact in case they materialize.

Regarding the regulatory compliance risk management (especially criminal risk), the head of internal audit is in charge of reporting periodically to the Audit and Control Committee on the aspects related to regulatory compliance, and criminal risk management systems, and reports to the Committee the advances made and the results obtained, as well as the policies established in this matter.

F.3 Control activities

State, listing their main characteristics, whether there are at least:

F.3.1 Procedures for the review and authorization of financial information and description of the SCIIF, to be disclosed to securities markets, listing the persons in charge, and descriptive documentation of the flows of activities and controls (including those related to fraud risk) of the different types of transactions that may have a material impact on financial statements, including the accounting close procedure, and the specific review of the relevant forecasts, estimates and valuations.

The Realia Group has an internal review process of the financial information (including annual accounts, interim period accounts, management reports, and the Annual Corporate Governance Report) that monitors the process from its inception at the Administration and Finance Area and the Corporate Strategy and Investor Relations Department, until it is reviewed by the Audit and Control Committee, and finally approved by the Board of Directors, before its publication.

On the other hand, the Risk Control and Management Policy of the Realia Group, whose strategy must be defined by the Board of Directors, implemented by the Heads of each of the functional areas, and supervised by the Audit and Control Committee, incorporates the need to establish a Financial Information Control System that brings together the corresponding criteria, policies, controls and documentation. The implementation of such System was made on the basis of the identification of a number of "Key Processes" that distinguish the duality of the businesses converging on the Realia Group; real estate development on one hand and property business on the other, as well as its common processes:

Property business:

- 1) Asset management (offices)
- 2) Contracts with client and collection management (offices)
- 3) Contracts with suppliers and payment management (offices)
- 4) Asset management (shopping centers)
- 5) Contracts with clients and collection management (shopping centers)
- 6) Contracts with suppliers and payment management (shopping centers)
- 7) Legal and tax advice (Property)

Real estate development business:

- 1) Purchase of land and urban development
- 2) Project development and after-sales management
- 3) Sale of land
- 4) Contracts with clients and collection management
- 5) Contracts with suppliers and payment management
- 6) Legal and tax advice (development).

Common processes:

- 1) HR management
- 2) IT systems
- 3) Accounting close

Narratives and flowcharts have been developed for each of the processes identified, containing a description of the flows of activities and control that have material impact on financial statements, and risk matrices and controls that summarize the risks identified in the narratives and controls implemented to mitigate them. These matrices include information on the nature of each control (manual/automatic, preventive/detective...) and include an additional mention to the risk of fraud where appropriate.

The "asset management" processes in the Property business develop the procedures established in asset sale transactions, direct sale and in-house asset development (land purchase and construction), and apply both to offices and shopping centers and any other asset not for operational lease to third parties. The key "common" processes included are: the process of "accounting close" that includes not only the flow corresponding to the acquisition, standardization and drawing up of the financial information, but also other items such as financing, and the relevant forecasts, estimates and valuations affecting the financial information. Additionally, the process of "information systems management" is included in relation to the financial and management information, which is mainly responsible for matters related to maintenance, in collaboration with external suppliers, of the applications, software, hardware, physical and logical security of the information, and the management of access to information systems by the Group personnel. The process of "human resources management" is considered a common process, even though it is mainly related to the development business.

All the narratives, flowcharts and risk and control matrices have been validated by the owners of the processes. The areas and/or departments are, in the different narratives, responsible for their compliance and to communicate any changes that may affect their design. The Internal Audit department evaluates periodically the operational efficiency of controls and procedures, and reviews and if necessary updates, the narratives, flowcharts and risk and control matrices.

F.3.2 Internal control policies and procedures of information systems (including access security, change control, operation of changes, operational continuity and segregation of functions) supported by the relevant processes of the entity related to the drawing up and dissemination of financial information.

The internal control policies and procedures related to information systems are the responsibility of the Corporate Management.

The policies and procedures associated to information systems are formalized, and similarly to the rest of key processes, include narratives, flowcharts and risk and control matrices. The main risks contemplated by the Realia Group, and to which it responds, affect the physical security (back-ups, server maintenance and access...), logical security (access controls, authorization and cancellation procedures, protection against malware and other malware...), segregation of functions, recording and traceability of the information, privacy (LOPD), system development and systems maintenance. The Group has a Business Continuity Plan that details the current practices that allow it to respond to a potential disaster or accident that affects information systems. This Plan is currently being reviewed and updated, in order to adapt to the new environment of the Group's information systems.

On the other hand, and as a complement to the Annual Account audit, information and technological systems related to the drawing up of financial information are also subject to an audit, performed by a specialized team of the external auditor of the Group.

F.3.3 Internal control policies and procedures addressed at supervising the management of activities subcontracted to third parties, and the aspects related to evaluation, calculation or assessment commissioned to independent experts, which may have a material impact on financial statements.

The activity subcontracted to a third party with the greatest impact on financial statements is the asset valuation conducted by an independent expert. The corresponding procedure implemented in the Realia Group mainly reflects the recommendations of the CNMV to valuation companies and real estate listed companies regarding the valuation of property. Additionally, this process has its own narrative, flowchart and risk and control matrix that contain a description of the flows of activities and controls that have a material impact on financial statements.

F.4 Information and communication

Report, listing their main characteristics, if there is at least:

F.4.1 One function specifically in charge of the definition and update of accounting policies (accounting policies area or department) and the resolution of queries and conflicts about their interpretation, maintaining fluent communication with the persons in charge of operations in the organization, and an accounting policy manual updated and communicated to the units through which the company operates.

The Administration and Finance Department is in charge of the definition and updating of accounting policies and responding to queries and doubts in the Realia Group. The Company has an Accounting Policies Manual which, among other matters, define the criteria used in drawing up the Financial Statements. This manual is updated periodically, under the supervision of the Administration and Finance Department, according to new relevant regulations and/or legislation and the needs of the Realia Group itself.

F.4.2 Mechanisms for the acquisition and preparation of financial information with homogenous formats, to be applied and used by all units of the entity or group, which support the financial statements and notes, as well as detailed information about the SCIIF.

The Realia Group has several IT systems and resources planning systems ("erp's") for the preparation of the consolidated statements, which capture the information and homogenize it in a standard format through the SAP BPC software, based on which subsequent adjustments and eliminations inherent in the process of financial statement consolidation.

The Group has implemented a number of controls to ensure the reliability and adequate processing of the information received from each of the business units. These controls are associated to the "accounting close" and "information system" procedures.

F.5 System operation supervision

State, listing their main characteristics, if there is at least:

F.5.1 The supervisory activities of the SCIIF performed by the audit committee, and the entity, have an internal audit function whose competences include supporting the committee in its supervision of the internal control system, including the SCIIF. Additionally, the scope of evaluation of the SCIIF carried out during the year shall be reported, and the procedure through which the person responsible for the evaluation reports the results, and whether the entity has an action plan detailing possible corrective measures and its impact on financial information has been considered.

As described in article 44, section 4 of the Board Regulations, the Audit and Control Committee has, among other functions:

- The supervision of the process of the financial information on the company and its group, and its integrity, the regulatory requirements, the correct demarcation of the consolidation perimeters and the correct application of accounting criteria.
- To review periodically the internal control and risk management systems to identify, manage and communicate the main risks adequately.

The Company has an Internal Audit function that reports both to the Audit and Control Committee and the Chief Executive Officer of the Group, the Annual Audit Plan, the work done, and the control weaknesses detected. At year end, it issues a comprehensive report of the work done and the reports issued, the adjustment of the activities carried out with the initial planning and its updates, and a summary listing the incidences and control weaknesses detected, recommendations and proposed action plans.

As to the scope of the SCIIF evaluation, during 2018 additional work was carried out on the evaluation of the operational efficiency of the controls implemented, through the use of selective samples and specific analyses, and on the updating of the different activity cycles. The updating work mentioned above was performed with the collaboration of the different business areas, under the supervision of the Audit and Control Committee through the Internal Audit function. On the other hand, the control evaluation tasks have been carried out by the Internal Audit function. In both cases, the Internal Audit function has reported the work done to the Audit and Control Committee periodically, as well as the potential corrective actions to mitigate the control weaknesses detected.

F.5.2 Whether there is discussion procedure through which the account auditor (according to the provisions of the Technical Audit Standards), the internal audit function and other experts can report to the management and the audit committee or the directors of the company the significant internal control weaknesses detected during the process of reviewing the annual accounts or any other process they were entrusted with. Additionally, it will report whether it has an action plan that tries to correct or mitigate the weaknesses observed.

The Audit and Control Committee meets at least once every quarter and as many times as it deems appropriate to fulfil its main mission (it met nine times in 2018), i.e. to support the Board of Directors in its oversight role, through the periodic review of the process of preparation of the economic-financial information, the Internal Audit function and the independence of the External Auditor, carried out, among others, the following actions:

- 1) Continuous interaction with Internal Audit to:
 - Obtain information on the planning, scope and conclusions of the work done, checking that it focuses on the most relevant risks and activities. Gather information for the annual report
 - Obtain information about the status of the process of improvement of the weaknesses detected and the corresponding action plans.
 - Obtain an independent view of the financial function for specific matters.
 - Obtain the necessary information to check, according to the duties of the Audit and Control Committee, the independence of the Internal Auditor.
- 2) Relations with External Auditors (especially relevant when they have intervened: audit reports, limited reviews) to:

- Obtain information about their independence, planning, materiality figures, scope and conclusions of the work carried out.
- Obtain information about the most significant risks identified.
- Obtain information about the internal control weaknesses identified during their work.
- Inform the External Auditor of the matters that may affect their work.
- Discuss with the External Auditor the preliminary content of their reports. To request and review the report for the Audit Committee, commenting on the incidences detected, especially the discrepancies that may arise with the company management (without prejudice to independence). To request explanation on how the most sensitive areas were approached.
- Obtain the necessary information to check, in keeping with the duties of the Audit and Control Committee, the independence of the External Auditor.

Regarding this matter, it is worth mentioning that a specific procedure regulating the relations of the Audit Committee with the external auditor has been established, documented by a series of narratives, flowcharts and risk and control matrices. This procedure describes the actions of the Committee in the process of selection, proposal for appointment, hiring of services (paying special attention to “prohibited” services), and the relations with the account auditor during the performance of their work; the goal is to ensure compliance with the applicable regulation, and to follow as much as possible the recommendations contained in this respect on the Technical Guide of the CNMV dated March 2017 on Audit Committees in public interest entities. These actions are governed by the principle of independence of the account auditor, who ensures the greatest transparency and reliability in the issuance and publication of economic and financial information to the Markets.

Currently, the Audit and Control Committee may require additional information or the participation of experts in the analysis of matters related to the performance of its duties.

During 2018, the head of internal audit of the group presented the Audit and Control Committee the Planning of the work to be done during the year, and periodically: reports of the work done and the conclusions and where appropriate, follow up of the suggested corrective actions. Additionally, the Annual Report was presented, a document that summarizes the activities, tasks and reports made during the year, and a summary of the incidences and relevant events detected and, where appropriate, recommendations and actions plans included in the reports and work carried out.

Finally, during 2018 the Audit Committee held several meetings with the external auditor of the Group to review the independence report, to collect the special report for the audit committee, analyze the result of the audit work and conclusions from the report; to explain the planning of work, review the independence of the auditor, report on the most significant risks identified, the new structure of the account audit report, and present the preliminary conclusions of the audit. The Committee held two meetings with external auditors, on the occasion of the issuance of the annual account audit report (and the delivery of the complementary report for the Committee), and the issuance of the presentation of results of the limited review of the mid-year financial statements.

F.6 Other relevant information

F.7 External auditor report

Report:

F.7.1 Whether the information of the SCIIF sent to the markets has been reviewed by the external auditor, and if so, the entity should include the corresponding report as an attachment. Otherwise, it should explain the reasons.

The Realia Group has not subjected the information on the Internal Control System of the Financial Information to review, since there is currently underway an internal evaluation of the operational efficiency of the controls implemented in the Group and, additionally, of the Internal Control System itself.

Notwithstanding the above, the External Auditor of the Company, in its additional report for the Audit and Control Committee, issued in accordance with art. 36 of the Account Auditing Law, has informed said Committee that it did not identify aspects that required reporting in its risk evaluations, regarding the internal control and the accounting system of the Company for the drawing up of the annual accounts.

G. DEGREE OF FOLLOW-UP OF THE CORPORATE GOVERNANCE RECOMMENDATIONS

State the degree of follow-up of the company of the good governance Code of listed companies.

In case any of the recommendations is not followed or is followed partially, a detailed explanation should be included of the reasons, so that shareholders, investors and the market in general have enough information to assess the conduct of the company. Explanations of a general nature are not accepted.

1. The Bylaws of listed companies do not limit the maximum number of votes that one shareholder can cast, or contain other restrictions that hinder the taking over control of the company through the acquisition of its shares in the market.

Compliant (X) Explain ()

2. When the parent company and a subsidiary are listed, they must define publicly and accurately:

- a) Their respective areas of activity and potential business relations between them, and between the listed subsidiary and the rest of companies of the group.

- b) The mechanisms foreseen to resolve potential conflicts of interests that may arise.

Compliant () Partially compliant () Explain () N/A (X)

3. During the general shareholders' meeting, as an addition to the written disclosure of the annual corporate governance report, the general manager must inform orally to the shareholders, in sufficient detail, of the most relevant aspects of the corporate governance of the company, especially:

- a) The changes occurred since the previous general meeting of shareholders.

- b) The specific reasons why the company does not follow any of the recommendations of the Corporate Governance Code and the alternative rules applied, if any.

Compliant (X) Partially compliant () Explain ()

4. The company must define and promote a policy of communication and contact with shareholders, institutional investors and voting advisors that is fully respectful of the rules against market abuse and treats the shareholders in the same position equally.

The company must publish that policy in its website, including information on the way it has been implemented, and identifying the persons responsible for it.

Compliant () Partially compliant (X) Explain ()

Indeed, the communication and relations policy with shareholders, institutional investors and voting advisors is fully respectful of the rules against market abuse and tries to treat equally shareholders who are in the same position. However, such policy has not been expressly approved and has not been published in the Company's web site. The company provides the information it considers that must be known by its shareholders through the publication of relevant events. Additionally, on the General Meeting, it provides the

information previously requested by shareholders exercising their right to information, as well as the information requested on site by the shareholders attending the general meeting. The Chairman and the Chief Executive Officer present the aspects considered as most relevant by the company at the General Meeting.

5. The board of directors does not submit to the general shareholders' meeting a proposal for the delegation of powers to issue shares or convertible bonds excluding preferential subscription rights for an amount higher than 20% of the share capital at the time of delegation.

When the board of directors approves any issue of shares or convertible bonds excluding preferential subscription rights, the company shall publish immediately on its website the reports on such exclusion that the mercantile legislation refers to.

Compliant () Partially compliant (X) Explain ()

In the General Shareholders' Meeting corresponding to the year 2017, the Board was delegated the power to increase share capital up to a maximum amount equal to half the share capital at the date of such authorization, and was also granted the power to exclude, totally or partially, the preferential subscription right. The delegation of the power to exclude such right is governed by the fact that in order for the Board to make efficient use of the delegation to increase capital, speed is essential, as well as the selection of the source of the resources that due to their immediate availability and temporary limitation, could make it necessary to exclude the preferential subscription right, in order to meet the objectives of the capital increase.

In any case, the delegation agreement contemplates the possibility that if the Board decides to exclude the preferential subscription rights, it will issue at the time of adopting the corresponding agreement, a detailed report describing the specific reasons of shareholding interest that justifies such measure, which will be the subject of the corresponding report by an account auditor other than the Company auditor, described in article 506 of the Law on Corporations. These reports must be provided to the shareholders and communicated to the first General Meeting of Shareholders held after the agreement to increase capital.

The Board of Directors of the company, in the session held on 15 November 2018, agreed a capital increase, exercising the power delegated by the General Meeting of Shareholders, in which it recognized shareholders their right of preferential subscription.

6. Listed companies that prepare the following reports, either voluntarily or mandatorily, must publish them in their websites with enough time in advance before the general meeting, even if their dissemination is not mandatory:

- a) Report on the auditor's independence
- b) Reports on the performance of the audit and appointment and remuneration committees.
- c) Report of the audit committee on related party transactions.
- d) Report on the corporate social responsibility policy.

Compliant () Partially compliant (X) Explain ()

In 2018, the Company drafted the reports mentioned in the previous sections, but it only published on its website those related to the auditor's independence and corporate social responsibility.

7. The company broadcasts live the general meetings of shareholders on its website.

Compliant () Explain (X)

At the time of holding the General Shareholders' Meetings corresponding to the year 2018, the company did not have the necessary technical resources to broadcast the meeting live on its website.

8. The audit committee shall make sure that the board of directors submits financial statements to the general shareholders' meeting without reservations or qualifications to the audit report and that, in the exceptional cases in which reservations exist, both the chairman of the audit committee and the auditors must explain clearly to shareholders the content and scope of the reservations or qualifications.

Compliant (X) Partially compliant () Explain ()

9. The company must permanently publish in its website the requirements and procedures accepted to prove the ownership of shares, the right of attendance to the general meeting of shareholders and the exercise or delegation of voting rights.

Such requirements and procedures should favor the attendance and the exercise of its rights to shareholders and are applied in a non-discriminatory manner.

Compliant (X) Partially compliant () Explain ()

10. When any shareholder entitled to do so has exercised, before the general shareholders' meeting, the right to complete the agenda or to submit new proposals for agreement, the company:

- a) Disseminates immediately such additional items and proposals for agreement.
- b) Publishes the attendance card or proxy form or distance vote form with the appropriate modifications so that the new items in the agenda and alternative proposals for agreement can be voted on in the same terms as those proposed by the board of directors.
- c) Submits all these agenda items or alternative proposals to a vote, and applies to them the same voting rules than those formulated by the board of directors, including specially the assumptions and inferences on the sense of the votes.
- d) After the general meeting of shareholders, a breakdown on the vote of the additional agenda items or alternative proposals must be provided.

Compliant () Partially compliant () Explain () N/A (X)

11. In case the company plans to pay attendance bonuses for attendance to general meetings of shareholders, it must establish beforehand a general policy on these bonuses, and said policy must be stable.

Compliant () Partially compliant () Explain () N/A (X)

12. The board of directors must perform its duties with unity of purpose and independence, treats equally all the shareholders in the same position, and is guided by the interest of shareholders, understood as the achievement of a profitable and sustainable business in the long term, that promotes its continuity and the maximization of the company's economic value.

Additionally, in the benefit of shareholders, apart from complying with the laws and regulations and having a conduct based on good faith, ethics and respect for commonly accepted uses and customs, seeks to conciliate the social interest with the legitimate interests of its employees, suppliers, customers and the rest of stakeholders that may be affected, as well as the impact of the company activities on the community and the environment.

Compliant (X) Partially compliant () Explain ()

13. The board of directors must be of an adequate size to achieve an efficient and participative operation, which makes it convenient for it to be composed of between five and fifteen members.

Compliant (X) Explain ()

14. The board of directors must approve a director selection policy that:

- a) Is specific and verifiable.
- b) Ensures that the proposals for appointment or re-election are based upon a prior analysis of the needs of the board of directors.
- c) Favors the diversity of knowledge, experiences and gender.

The result of the prior analysis of the needs of the board of directors must be included in the explanatory report from the appointment committee published upon the call for the general shareholders' meeting in which the re-election, appointment or ratification of each directors is proposed.

The director selection policy promotes the objective that by 2020, the number of women directors represents a minimum of 30% of the total number of members of the board of directors.

The appointment committee will verify annually the compliance with the director selection policy, which will be reported in the annual corporate governance report.

Compliant () Partially compliant (X) Explain ()

The Board is still drafting its director selection policy. In any case, the number of women directors represents more than 30% of the members of the Board of Directors. At 31 December 2018, the number of women Directors was 4 out of a total of 7 Directors; i.e. more than 57%.

15. Proprietary and independent directors should make up an ample majority of the board of directors and the number of executive directors is the minimum necessary,

in consideration of the complexity of the corporate group, and the percentage of ownership of executive directors in the capital of the company.

Compliant (X) Partially compliant () Explain ()

16. The percentage of proprietary directors on the total number of non-executive directors is no higher than the proportion existing between the share capital of the company represented by those directors and the rest of the share capital.

This criterion can be softened:

- a) In companies of a high capitalization in which there are few shareholding interests that are legally considered as significant.
- b) In the case of companies in which there is a large number of shareholders represented in the board of directors and there are no links between them.

Compliant (X) Explain ()

17. The number of independent directors represents at least one-half of the total number of directors.

However, when the company does not have a high capitalization or when, if even if it does, it has one or several shareholders acting jointly who control more than 30% of the share capital, the number of independent directors represents at least one third of the total number of directors.

Compliant () Explain (X)

The Board Regulations establish that an adequate number of independent directors must be in the board, and the number of external directors must represent a large majority.

The Board of Realia has two independent directors who, even though they do not represent 33% of the share capital mentioned in the recommendation, they do represent 28.57% and it is estimated that, given the high concentration of the current capital structure of the company, represent a sufficient number of independent directors to appropriately guarantee the protection of the interests of the free float.

18. The companies must publish and update the following information about its directors on its website:

- a) Professional and personal profile.
- b) Other boards of directors they are members of, regardless of whether they are listed companies or not, and all other remunerated activities they perform, whatever their nature.
- c) Type of director: in the case of proprietary directors, the shareholder they represent or are related to must be mentioned.
- d) Date of their first appointment as director in the company, and date of the subsequent re-elections.
- e) Company shares, and share options, they own.

Compliant () Partially compliant (X) Explain ()

At the date of this report, the directors do not report to the company the activities described in the last subparagraph of section b) above.

19. The annual corporate governance report, following the verification by the appointment committee, must explain the reasons why proprietary directors have been appointed at the request of shareholders with less than 3% of the share capital. Additionally, it must explain the reasons, when applicable, for not fulfilling formal requests of board representation from shareholders who represent an ownership interest equal or higher than that of others at whose request proprietary directors were appointed.

Compliant () Partially compliant () Explain () N/A (X)

20. Proprietary directors must resign when the shareholder whom they represent transfers fully its ownership interest. They must also resign, in proportional numbers, when such shareholder reduces its ownership interest down to a level that requires the reduction of the number of its proprietary directors.

Compliant () Partially compliant () Explain () N/A (X)

21. The board of directors does not propose the removal of any independent director before the end of the statutory term for which they have been appointed, unless there is just cause, appreciated by the board of directors after receiving the corresponding report from the appointment committee. Especially, a just cause is considered to exist when the director takes on new positions or acquires new obligations that prevent them from dedicating the time necessary to perform their duties as director, does not comply with their duties or incurs in any of the circumstances that will make them lose their independence, according to the applicable legislation.

The removal of independent directors may also be proposed as a consequence of takeover bids, mergers or other similar corporate operations that entail a change in the capital structure of the company, when such changes in the structure of the board of directors are the result of the proportionality principle described under recommendation 16.

Compliant (X) Explain ()

22. The companies must establish rules that mandate the directors to inform and, if applicable, resign, in cases that may harm the standing and reputation of the company, and specifically, make it mandatory to inform the board of directors of the criminal proceedings in which they have been indicted, and of any subsequent legal procedures.

If a director were to be indicted or tried for any of the offences contemplated in corporate law, the board of directors must examine the case immediately and, in view of the circumstances, decides whether the director should continue to hold their office. In addition, the board of directors must report on all this in a reasoned manner, in the annual corporate governance report.

Compliant (X) Partially compliant () Explain ()

23. All the directors must express their opposition clearly when they consider that any proposal submitted to the decision of the board of directors may be contrary to the interests of shareholders. The same applies especially to independent directors and other directors unaffected by the potential conflict of interest, when those decisions may harm the interests of shareholders not represented on the board of directors.

Additionally, when the board of directors adopts significant or repeated decisions about which the director has expressed serious reservations, the director must draw the appropriate conclusions and, if they choose to resign, explain the reasons for their resignation in the letter to which the following recommendation refers.

This recommendation also includes the secretary of the board of directors, even if they are not members of the board.

Compliant () Partially compliant () Explain () N/A (X)

24. In case that a director, due to their resignation or for any other reason, steps down from their office before their term of appointment is completed, they must explain the reasons in a letter sent to all the members of the board. Without prejudice of such removal being communicated as a relevant event, the reason for the removal must be reported in the annual corporate governance report.

Compliant () Partially compliant () Explain () N/A (X)

25. The appointment committee must make sure that non-executive directors have the necessary time available for the correct performance of their duties.

Additionally, the board regulations must establish the maximum number of company boards of which its directors can be members.

Compliant () Partially compliant (X) Explain ()

The Board Regulations of Realia do not set a limit on the number of boards of which its directors can be members. However, this does not mean that the directors cannot be required to dedicate the necessary time and effort to perform their duties correctly.

26. The board of directors must meet with the frequency required to perform their duties with efficacy, with a minimum of eight times a year, according to the schedule of dates and matters established at the beginning of the year, and each director may individually propose additional items to the agenda not contemplated initially.

Compliant (X) Partially compliant () Explain ()

27. Nonattendance of directors must be reduced to the minimum number possible, and must be quantified in the annual corporate governance report. When directors cannot attend, they should grant a detailed proxy.

Compliant () Partially compliant (X) Explain ()

Indeed, nonattendance of directors occurs in a minimum number of cases and have been quantified in this report (percentage of attendance), and proxies have been given in practically all cases to other directors, according to the rules established in the Board Regulations. However, it is uncommon for written directions to be given on how to vote.

28. When the directors or the secretary of the board express their concern about any proposal, or in the case of directors, on the running of the company and those concerns are not resolved at the board of directors, they must be recorded in the minutes, at the request of whoever expressed such concerns.

Compliant () Partially compliant () Explain () N/A (X)

29. The company must establish the appropriate channels for directors to receive the necessary advice for the performance of their duties including, if the circumstances so warrant it, external advice at the company's expense.

Compliant (X) Partially compliant () Explain ()

30. Regardless of the expertise required from directors for the fulfilment of their duties, the company must offer to directors knowledge update programs when the circumstances so warrant it.

Compliant () Explain () N/A (X)

31. The agenda of the sessions must indicate clearly the items on which the board of directors must make a decision or reach an agreement so that the directors may review or obtain beforehand the information required for their approval.

When, exceptionally, for reasons of urgency, the chairperson wants to submit to the approval of the board of directors, decisions or agreements not included in the agenda, it will be necessary to obtain the prior and express approval of a majority of the directors present, and it will be duly registered in the minutes.

Compliant (X) Partially compliant () Explain ()

32. The directors must receive information periodically about the changes in shareholding structure, and the opinion that principal shareholders, investors and rating agencies have on the company and its group.

Compliant (X) Partially compliant () Explain ()

33. The chairperson, as the person responsible for an efficient operation of the board of directors, apart from performing the duties established by the law and the bylaws, must prepare and submit to the board of directors a schedule of dates and matters to discuss; organize and coordinate the periodic evaluation of the board and the chief executive officer of the company; is responsible for the board and its efficient operation; makes sure the sufficient time is dedicated to the discussion of

strategic issues, and agrees and reviews the knowledge update programs for each director, when the circumstances so warrant it.

Compliant (X) Partially compliant () Explain ()

34. When one of the directors is a coordinator, the bylaws or the board regulations, grants the coordinator, apart from the duties they are legally entitled to, the following duties: to chair the board of directors in the absence of its chairperson and the vice-presidents, if any; to reflect the concerns of non-executive directors; to maintain contacts with shareholders and investors to find out their opinions for the purpose of forming an opinion about their concerns, especially in relation with the corporate governance of the company; and to coordinate the chairperson's succession plan.

Compliant () Partially compliant () Explain () N/A (X)

35. The secretary of the board of directors must take special care so that the board of directors takes into account in its actions and decisions the recommendations on good governance described in this good governance code that may be applicable to the company.

Compliant (X) Explain ()

36. All of the members of the board of directors must evaluate once a year and approve, if appropriate, an action plan that corrects the deficiencies detected related to:

- a) The quality and efficiency of the performance of the board of directors.
- b) The performance and composition of its committees.
- c) The diversity in the composition and duties of the board of directors.
- d) The performance of the chairperson of the board and the chief executive officer of the company.
- e) The performance and contribution of each directors, paying special attention to the directors who chair the different board committees.

The basis for the evaluation of the different committees will be the reports submitted by these committees to the board of directors and, in the case of the latter, the report submitted by the appointment committee.

Every three years, the board of directors will receive the assistance of an external consultant for the evaluation report. The appointment committee will verify the independence of the consultant.

The business relations that the consultant or any company of its group holds with the company or any company of its group must be detailed in the annual corporate governance report.

The evaluation process and the areas evaluated will be described in the annual corporate governance report.

Compliant () Partially compliant (X) Explain ()

Even though the company fulfils practically all the aspects contained in this Recommendation, the Board evaluation is conducted on all of its members in general, and not individually. On the other hand, even though three years have elapsed since the approval of this Recommendation that advises commissioning the services of an external consultant, the Board of Directors has not approved their recruitment yet.

37. When an executive committee exists, the structure of participation of the different categories of directors must be similar to that of the board of directors, and the secretary of the executive committee must be the secretary of the board of directors.

Compliant () Partially compliant (X) Explain () N/A ()

Both the Secretary and the Assistant Secretary of the Board hold the same positions in the Executive Committee. However, the structure of participation of the different categories of directors of the latter is not similar to that of the Board, as explained under section C.2.1 of this Report.

38. The board of directors must be informed at all times of the matters discussed and the decisions adopted by the executive committee, and all the members of the board of directors must receive copies of the minutes of the executive committee sessions.

Compliant (X) Partially compliant () Explain () N/A ()

39. The members of the audit committee, especially its chairperson, are appointed taking into consideration their knowledge and experience in matters of accounting, audit or risk management, and most of those members must be independent directors.

Compliant () Partially compliant (X) Explain ()

The members of the Audit and Control Committee have the necessary knowledge and experience in accounting, audit or risk management to perform their duties. Additionally, at least one of them has been appointed taking into account their special knowledge and experience in matters of accounting and audit. Therefore, despite the fact that the director appointed for their knowledge and experience in matters of accounting, audit or risk management is not the chairperson of the committee, the Committee fulfils the qualification requirements established in the Board Regulations, and they are considered as adequate for a prompt and efficient performance of their duties.

As to the category of its members, most of them are independent directors (2 out of 3).

40. Under the supervision of the audit committee, a unit must exist assuming the internal audit function that sees to the good operation of the information and internal control systems, functionally reporting to the non-executive chairperson of the board or of the audit committee.

Compliant (X) Partially compliant () Explain ()

41. The person in charge of the unit that assumes the internal audit function must submit its annual action plan to the audit committee, report directly of any incidence arising in its development, and submits an activity report at the end of each year.

Compliant (X) Partially compliant () Explain () N/A ()

42. Other than those contemplated by law, the audit committee must fulfil the following duties:

1. Regarding the information and internal control systems:

- a) To supervise the process of drawing up and the integrity of the financial information related to the company and, where applicable, to review compliance of regulatory requirements, the adequate demarcation of the consolidation perimeter and the correct application of accounting standards.
- b) To protect the independence of the unit taking on internal audit function; to propose the selection, appointment, reelection and removal of the head of internal audit; to propose the budget for this service; to approve the guidelines and action plan, making sure its activity is mainly focused on the relevant risks for the company; to receive periodic information about its activities; and to verify that the senior management takes into account the conclusions and recommendations in its reports.
- c) To establish and supervise a mechanism that allows employees to communicate, confidentially and, if possible and considered as adequate, anonymously, potentially relevant irregularities, especially of a financial and accounting nature, detected in the company.

2. Regarding the external auditor:

- a) In case of resignation of the external auditor, to examine the circumstances that have prompted it.
- b) To make sure that the remuneration of the external auditor for its work does not jeopardize its quality or independence.
- c) To supervise that the company communicates the change of auditor to the CNMV as a relevant event, with an attached statement about the possible existence of disagreements with the outgoing auditor and about the content of the audit, if any.
- d) To make sure that the external auditor holds an annual meeting with the shareholders' meeting to report on the work done and the evolution of the accounting situation and the risks of the company.
- e) To make sure that the company and the external auditor comply with the existing rules on the provision of services other than audit, the limits to the concentration of business of the auditor and, in general, the rest of rules on the independence of auditors.

Compliant ()

Partially compliant (X)

Explain ()

The Audit and Control Committee has assumed all the functions listed in this Recommendation, with the exception of the function described in section 2.d).

43. The audit committee may summon any employee or manager of the company, and even decide that they must appear without the presence of any other manager.

Compliant (X)

Partially compliant ()

Explain ()

44. The audit committee is informed about structural and corporate change operations planned by the company for their prior analysis and report to the board of directors about their economic conditions and accounting impact and, especially, if appropriate, about the exchange ratio proposed.

Compliant () Partially compliant () Explain () N/A (X)

45. The risk control and management policy should identify at least:

a) The different types of risk, financial and non-financial (including operational, technological, legal, social, environmental, political and reputational) that the company faces, including contingent liabilities and other off-balance risks among the financial and economic risks.

b) Establishment of the risk level considered acceptable by the company.

c) The measures planned to mitigate the impact of the identified risks, in case they materialize.

d) The information and internal control systems that will be used to control and manage the risks, including contingent liabilities or off-balance risks.

Compliant (X) Partially compliant () Explain ()

46. Under the direct supervision of the audit committee or, if appropriate, a specialized committee of the board of directors, there is an internal risks control and management function exercised by an internal unit or department of the company that has the following express duties:

a) To ensure the good performance of the risks control and management systems and, especially, that identify, manage and quantify appropriately all the major risks affecting the company.

b) To participate actively in the drawing up of the risks strategy and the relevant decisions about their management.

c) To make sure that the risks control and management systems mitigate risks adequately within the policy defined by the board of directors.

Compliant () Partially compliant (X) Explain ()

The company meets this Recommendation in all of its proposals, with the exception of the last subparagraph of section b), since the decisions about the risk management strategy corresponds, where applicable, to the Chief Executive Officer or the Board of Directors itself.

47. The members of the appointment and remuneration committee – or the appointment committee and the remuneration committee, if they are separate – are appointed based on their knowledge, skills and experience adequate to the duties they have to perform, and that most of the members are independent directors.

Compliant () Partially compliant (X) Explain ()

Even though the majority of the members of the Appointment and Remuneration Committee are not independent directors (2 out of 5), all of the independent directors in the Board are members of this Committee.

48. The companies with a high capitalization must have two separate committees, one for remunerations and the other for appointments.

Compliant () Explain () N/A (X)

49. The appointment committee must consult with the chairperson of the board and the chief executive officer of the company, especially on matters related to the executive directors.

Any director can request the appointment committee to consider, in case they find them suited for the job, potential candidates to cover vacant director positions.

Compliant (X) Partially compliant () Explain ()

50. The remuneration committee must perform its duties with independence and, besides the powers granted to it by law, must have the following powers:

- a) To propose to the board of directors the basic conditions of the contracts of senior executives.
- b) To check the compliance with the remuneration policy established by the company.
- c) To review periodically the remuneration policy applied to directors and senior executives, including the remuneration systems with shares and their application, and to guarantee that their individual remuneration is proportional to that paid to other directors and senior managers of the company.
- d) To make sure that potential conflicts of interest do not harm the independence of the external advice provided to the committee.
- e) To check the information on remunerations of directors and senior managers contained in the different corporate documents, including the annual report on directors' remuneration.

Compliant (X) Partially compliant () Explain ()

51. The remuneration committee must consult with the chairperson of the board and the chief executive officer, especially on matters related to executive directors and senior managers.

Compliant (X) Partially compliant () Explain ()

52. The rules for the composition and operation of the supervision and control committees must be included in the board regulations, and must be consistent with those applied to the legally mandatory committees, according to the aforementioned recommendations, including:

- a) The committees must be completely composed by non-executive directors, with a majority of independent directors.
- b) Their chairpersons must be independent directors.
- c) The board of directors must appoint the members of these committees, taking into account the knowledge, skills and experience of the directors and the duties of each committee, and must deliberate on their proposals and reports; and they must be accountable for their activity at the first board of directors session held after their own meetings, and they must respond for the work carried out.
- d) The committees can obtain external advice, when they deem it necessary for the performance of their duties.
- e) Minutes must be recorded of their meetings, and made available to all directors.

Compliant () Partially compliant () Explain () N/A (X)

53. The supervision of compliance with corporate governance rules, internal codes of conduct and the corporate social responsibility is assigned to one or distributed among several board of directors committees, which may be the audit committee, the appointment committee, the corporate social responsibility committee, if any, or a specialized committee that the board of directors decides to create in use of its self-organization powers, that are specifically assigned the following minimum duties:

- a) The supervision of compliance with the internal codes of conduct and the corporate governance rules of the company.
- b) The supervision of the communication and shareholder and investor relation strategy, including small and medium shareholders.
- c) The periodic evaluation of the adequacy of the corporate governance system of the company, so that it fulfills its mission to promote the social interest and takes into account, where appropriate, the legitimate interests of the rest of stakeholders.
- d) The periodic review of the corporate responsibility policy of the company, making sure that it is focused on value creation.
- e) The follow-up of the corporate social responsibility strategy and practices and the evaluation of their degree of fulfilment.
- f) The supervision and evaluation of the processes of relations with the different stakeholders.
- g) The evaluation of all aspects related to non-financial risks of the company – including operational, technological, legal, social, environmental, political and reputational risks.
- h) The coordination of the process of reporting non-financial information and information on diversity, according to the applicable legislation and the international standards of reference.

Compliant () Partially compliant (X) Explain ()

The company fulfils all the proposals included in this Recommendation, with the exception of that of section f.

54. The corporate social responsibility policy must include the principles and commitments that the company voluntarily assumes in its relations with the different stakeholders and identifies at least:

- a) The objectives of the corporate social responsibility and the development of support instruments.
- b) The corporate strategy on sustainability, the environment and social issues.
- c) The specific practices on matters related to: shareholders, employees, customers, suppliers, social issues, environment, diversity, fiscal responsibility, respect for human rights and prevention of illegal conduct.
- d) The methods or systems for the follow-up of results of the application of the specific practices mentioned in subparagraph c above, the associated risks and their management.
- e) The mechanisms for the supervision of the non-financial risks, ethics and business conduct.
- f) The channels of communication, participation and dialogue with stakeholders.
- g) The responsible communication practices that prevent the manipulation of information and protect integrity and honor.

Compliant (X) Partially compliant () Explain ()

55. The company must report, in a separate document or in the management report, about the matters related to corporate social responsibility, using some of the internationally accepted methodologies.

Compliant () Partially compliant (X) Explain ()

The Company reports matters related to corporate social responsibility in a separate document, even though the information is not verified by an independent provider of verification services.

56. The remuneration of the directors is sufficient to attract and retain the directors of the desired profile and to remunerate the dedication, qualification and responsibility required by the position, but not as high as to compromise the independent judgement of non-executive directors.

Compliant (X) Explain ()

57. Variable remuneration linked to the performance of the company and personal performance should be limited to non-executive directors, as well as the remuneration through shares, options or rights over shares or referenced instruments linked to the share price and long-term saving systems such as pension plans, retirement schemes or other social welfare systems.

Shares can be considered as a form of remuneration of non-executive directors when subject to the condition that they must hold the shares until they are no longer directors. This would not be applicable to the shares that the director needs to sell, where appropriate, to cover the costs of their acquisition.

Compliant (X) Partially compliant () Explain ()

In 2018, the remuneration of the directors was a fixed amount. There was no variable pay.

58. In the case of variable remuneration, the remuneration policies must incorporate the limits and the necessary technical safeguards to ensure that such remunerations are linked to the professional performance of its beneficiaries and are not solely the result of the general evolution of the markets or the sector of activity of the company or other similar circumstances.

Specifically, the variable part of the remuneration must:

- a) Be linked to performance criteria that are predetermined and measurable, and such criteria must consider the risks assumed for the achievement of results.
- b) Promote the company's sustainability and include non-financial criteria adequate for long-term value creation, such as the compliance with the internal rules and procedures of the company and its risks control and management policies.
- c) Are designed on the basis of a balance between the fulfilment of short, medium and long term objectives, that allow remuneration for a continued performance during sufficient time to appreciate its contribution to sustainable value creation, so that the criteria for the measurement of such performance do not only refer to one-off, occasional or extraordinary events.

Compliant () Partially compliant () Explain () N/A (X)

59. Payment for a relevant part of the variable components of the remuneration is deferred for a minimum period, sufficient to check that the previously established performance requirements have been fulfilled.

Compliant () Partially compliant () Explain () N/A (X)

60. Remunerations linked to the company's results must take into account the possible reservations included in the external auditor report that reduce those results.

Compliant () Partially compliant () Explain () N/A (X)

61. A high percentage of the variable remuneration of executive directors is linked to the delivery of shares or financial instruments referenced to their value.

Compliant () Partially compliant () Explain () N/A (X)

62. Once the shares or share options or rights on shares corresponding to the remuneration system have been allocated, directors cannot transfer the property of a number of shares equivalent to twice their fixed annual remuneration, or exercise the options or shares until a minimum of three years have elapsed from their allocation.

This will not apply to the shares that the director needs to sell, if any, to pay the costs of their acquisition.

Compliant () Partially compliant () Explain () N/A (X)

63. Contractual arrangements must include a clause that allows the company to demand the refund of the variable part of the remuneration when the payment has not fulfilled the performance conditions, or when payment has been made according to information that is subsequently proven inaccurate.

Compliant () Partially compliant () Explain () N/A (X)

64. Payments for contract termination must not exceed a pre-established amount equivalent to two years of the total annual remuneration, and must not be paid until the company has proven that the director has fulfilled the previously established performance criteria.

Compliant (X) Partially compliant () Explain () N/A ()

H. ADDITIONAL INFORMATION OF INTEREST

1. If there is a relevant aspect on the subject of corporate governance in the company or the group companies that is not included in the rest of sections of this report, but which is necessary to include to gather more complete and reasoned information on the government structure and practices of the company or its group; describe them briefly.
2. This section can also include any other information, clarification or qualification on the previous sections of the report in as far as they are relevant and not repetitive.

Specifically, state if the company is subject to a legislation other than the Spanish legislation on corporate governance and, where applicable, include the information it is required to report different to the information required by this report.

3. The company may also report if it has accessed voluntarily other international, sectoral or other ethical or good practice codes. In that case, the corresponding code must be identified, and the date of accession. Specific mention must be made of whether it has adhered to the Code of Good Tax Practices, of 20 July 2010:

C.1.8) No requests from the shareholders have been responded, for no requests were received. Finally, in relation to the new wording of subparagraph 6 of article 540.4.c of the Law on Corporations, it is reported that Realia Business, S.A. is a medium-sized company, according to the definition of article 3.10 of the Account Audit Law, and therefore it is only obliged to provide information on the measures adopted on matters of gender.

This, as mentioned before, due to the current composition of the Board of Directors, in which 4 of its members are women, the Company did not need to apply any specific measure in favor of gender diversity in its governing body, since the diversity already exists.

This annual corporate governance report was adopted by the Board of Directors of the company, in its session held on

(25/02/2019)

Have any directors voted against or abstained in the approval of this report?

Yes

No

THIS DOCUMENT COMPLEMENTS THE INFORMATION PROVIDED IN THE ANNUAL CORPORATE GOVERNANCE REPORT INCLUDED IN THE MANAGEMENT REPORT AS AN APPENDIX THAT HAS NOT BEEN INCORPORATED TO THE FORM FOR REASONS OF CONFIGURATION OF THE PROGRAM.

C.2.1.) Additional information on Board Committees

AUDIT AND CONTROL COMMITTEE:

(...)

6. To issue annually, before the issue of the financial statement audit report, a report expressing an opinion on the independence of the auditors. This report must contain, in all cases, the reasoned assessment of the provision of additional services mentioned in the previous section individually and globally considered, other than the legal audit and related to the independent status or the regulation on the activity of account audits.
7. To inform before the Board of Directors on all the subjects contemplated by the law, the Bylaws and the Board of Directors, especially on:
 - a) The financial information that the company must publish periodically;
 - b) The creation or acquisition of ownership interests in special purpose vehicles or entities residing in countries or territories considered as tax havens; and
 - c) Related party transactions.
8. Those, if any, allocated by these Bylaws or the Board Regulations.

The Secretary, or whoever performs secretarial duties, must record minutes that will be signed by the Chairperson, the Secretary and the Under-Secretary, if applicable. The Chairperson of the Audit and Control Committee will report to the Board of Directors on the matters discussed and the decisions adopted within the Committee since the last meeting of the Board.

The Committee will meet at least quarterly and every time it is called by its Chairperson, or at the request of two of its members. Annually, the Committee will draw up an action plan for the year and will present it to the Board of Directors.

Any member of the management team and any employee of the REALIA Group will be obligated to attend the Committee meetings and to provide their collaboration and access to whatever information is available to them when requested to do so, and the employees can be asked to appear before the Committee even without the presence of any other manager. The Committee may also request REALIA's financial statements auditor to attend its sessions.

The Committee will have access to the documentation and information required for the performance of their duties.

The members of the Audit and Control Committee can be assisted during its sessions by the persons whom, in an advisory capacity and up to a maximum of two for every member of the Committee, they deem appropriate. These advisors can speak at the meetings, but not vote.

As to their work during the year, the Committee has held nine (9) meetings during 2018, in the months of February (2), April, May, June, August, September, November and December. During its meetings, the Committee has dealt with matters related to their different areas of competence and, specifically, has undertaken the following actions:

1. Internal Audit. According to the provisions of the Bylaws and the Board Regulations, the Audit and Control Committee supervises the internal audit function of the Group. Thus, its competences include to protect the independence and efficiency of its work, to receive periodic information on its activities, and to verify that the senior management takes into consideration the conclusions and recommendations of its reports.

In keeping with the obligations mentioned above, in several sessions of the Audit and Control Committee, the head of Internal Audit of Realia has submitted and explained one or several reports on different aspects related to the activities of the company or the companies in the Group. The members of the Committee have taken note of the incidences and risks detected, if any, on those reports, and have proposed the corresponding corrective measures to the Board of Directors.

2. Self-assessment. In its first session of 2018, the Committee evaluated its own performance during 2017, analyzing the different matters discussed during the sessions and the rest of circumstances related to its activity, according to the provisions of article 44 of the Board Regulations.

3. External auditor. In 2018, Ernst and Young, S.L. was the external auditor of Realia Business, S.A. and the companies of its Group, pursuant to the provisions of article 44 of the Board Regulations, according to which the Audit and Control Committee will support the Group's auditor taking charge of the audit of the companies in the group.

In the Committee sessions held on February (second meeting of that month) and August 2018, the external auditor provided detailed information on the audit work performed. On these dates, the Committee, with the assistance of the auditor, analyzed the audit reports corresponding to the individual and consolidated financial statements of the year 2017, and the six-month limited review of June 2018, respectively. On the basis of this analysis, it reported to the Board of Directors, according to article 44 of the Board Regulations, on the accuracy and reliability of the individual and consolidated financial statements and management report, and on the financial information that is periodically provided to the markets.

Finally, on the second session held February, the Committee issued a report on the independence of the external auditor, with a favorable opinion, in which it remarked on the assessment of the additional services other than legal audit, and on the rest of aspects contemplated by the Board Regulations.

4. Financial information. The Audit and Control Committee has paid special attention to the review and analysis, before the review by the Board of Directors, of the individual and consolidated Financial Statements, the interim quarterly information and the financial information corresponding to the first semester of 2018, before they are disclosed to the markets.

In its sessions held on May and November 2018, the Audit and Control Committee gave its favorable opinion to the Board of Directors on the economic information related to the first and third quarters, respectively, to be disclosed to the markets.

Regarding the Financial Statements and the Management Report corresponding to 2017, the Committee, on its second session of February 2018, once the external auditor's report was analyzed in depth, issued without reservations, reported favorably to the Board on its accuracy and reliability.

Lastly, in August 2018, it issued a favorable report to the Board about the financial information of the first semester of 2018 (in this case, after the limited review by the external Auditor).

5. Internal control and risk management systems. In its second session of February 2018, the Audit and Control Committee analyzed the description of the main features of the internal control and risk management systems in relation with the process of issuance of financial reporting contained in the Annual Corporate Governance Report for 2017, and issued a favorable opinion to the Board.

The conclusion of the analysis is that the Realia Group has developed a risk management system that takes into account the characteristics of the Group, and those of the economic, geographical and regulatory environments in which it carries out its activities. The system is based upon three aspects:

- a) An organizational structure implemented by the Chief Executive Officer of the Group, under delegation from the Board of Directors, in which the roles and functional duties are clearly specified;
- b) A framework for the identification, quantification and evaluation of the risks which may affect the Group, and
- c) A response against the identified risks, supervised by the Audit and Control Committee.

The risk management system of the Group is implemented at a corporate level, and it aims to operate in a comprehensive and continuous manner.

6. Related party transactions. In its first session of 2018, the Committee drew up a report on related party transactions carried out during 2017. Additionally, during 2018, the Audit and Control Committee analyzed and proposed to the Board the authorization of several related party transactions.
7. Money laundering prevention. In relation with the prevention of money laundering, the Audit and Control Committee reviewed in 2018 the proposals for the update and improvement of the Internal Manual of the Group, and the plan for the correction of deficiencies detected by the auditors in this respect, and proposed its approval to the Board of Directors. In August 2018, the Committee analyzed the external report issued by the auditor on money laundering and terrorism financing prevention, before submitting it to the Board of Directors, as required by current regulations.
8. Other issues. In its meeting of April 2018, the Audit and Control Committee analyzed the draft of the new Ethical Code of the Group, and agreed to submit it to the Board of Directors for approval.

APPOINTMENT AND REMUNERATION COMMITTEE:

(...)

Regarding its activities during the year, the Committee met on six (6) occasions in 2018, in February (twice), May, June, September and December. During its sessions, the Committee discussed matters related to its areas of competence and carried out the following actions:

1. Self-evaluation. In the first meeting of the year, the Committee assessed its own performance during 2017, analyzed the matters discussed, the meetings held and all other circumstances related to its activity, in accordance with article 45 of the Board Regulations.
2. Evaluation of the Chairman of the Board and the Chief Executive Officer of the company. Also during the first session of the Appointments and Remuneration Committee in 2018, it evaluated the performance of their duties by the Chairman of the Board (Mr. Juan Rodríguez Torres) and the Chief Executive Officer of the company (Mr. Gerardo Kuri Kaufmann), according to the provisions of article 41.6 of the Board Regulations.
3. Verification of the Annual Reports. In its second session of February 2018, the Committee issued a favorable report, insofar as its competences are concerned, on the Annual Report on Directors' Remuneration for the year 2017, which was approved by the Board of Directors on its second session of February 2018.
4. Renewal of the Board of Directors and reelection of offices. In its session held on May 2018, the Committee proposed the Board to submit to approval at the next General Meeting of Shareholders the reelection of independent Director Mrs. María Antonio Linares Liébana. The proposal was approved by the Board of Directors in its 8 May session, and by the General Meeting on 27 June. As a result of this decision, the Committee, in session held in June 2018, approved the reelection of Mars. María Antonia Linares Liébana as their Chair.
5. Report on the Board of Directors' remuneration policy. Also, in May 2018, the Appointment and Remuneration Committee proposed that the Board submits for approval by the next General Meeting of Shareholders a Director Remuneration Policy for the years 2019, 2020 and 2021, on the same terms that the company held during the three previous years. This proposal was approved by the Board of Directors in its 8 May meeting, and by the General Meeting on 27 June.
6. Verification of the category of members of the Board of Directors. Finally, the Committee, in its September 2018 session, analyzed all of the Directors, to check whether any circumstance had changed their category as executive, proprietary or independent. It was confirmed that this had not been the case, and accordingly, all the members of the Board of Directors maintained their category.

E.3) Identify the main risks that can affect the achievement of the business objectives.

2. Market risks

The residential property market has deteriorated steadily since mid-2007 until 2014, when demand started to recover slightly in some areas and cities. This recovery was consolidated in 2015, 2016 and 2017, and continued during 2018, and even in some

areas of cities like Madrid or Barcelona, product supply is scarce, and new developments are starting. In view of this situation. Realia is considering the launch of new developments in these cities and in some others where there is an attractive demand for residential homes.

However, despite the improvement described above, there is still a high stock of product in most locations and regions, and therefore the recovery of prices compared to pre-crisis levels, is scarce, and access to financing by developers and buyers is highly restricted.

As to the rental market, where Realia Business, S.A. operates through its subsidiaries Realia Patrimonio, S.L.U. and Hermanos Revilla, S.A., a slight recovery of demand for space is visible, rental prices are stabilizing, and the incentives to settlement demanded by customers are reduced. On the other hand, investment activity in the property management sector continues its positive evolution, although it was lower than in 2017.

For all these reasons, Realia estimates that it must make every possible effort to generate value in its two business lines. In property management, where its exceptional portfolio gives it an outstanding position, it must optimize the management of its assets to increase operational margins and create value for its assets. In the development business, it must optimize the current value of its assets, through the increase in prices of finished products, the management of its land portfolio and construction of developments in locations of consistent demand.

3. Economic risks

In acquisitions, it is intended to control these risks through detailed analyses of the transactions, reviewing and foreseeing the problems that may arise in the future, and proposing possible solutions. In sales, the main risk is the inability to collect the prices agreed in the contracts, as a consequence of non-compliance from buyers. These risks are controlled through the establishment of all kinds of guarantees that allow, where applicable, the collection of the full price or the recovery of the property sold.

4. Legal and fiscal risks

The activities of the group are subject to legal and fiscal provisions, and urban development requirements. Local, regional, national and EU administrations may impose sanctions in case on noncompliance with these rules and requirements. A change in this legal and fiscal environment may affect the overall planning of the Group's activities. The group monitors, analyzes and, where appropriate, takes the necessary measures through its corresponding internal departments.

The risks associated with compliance of the specific legislation include the following:

a) Judicial and extrajudicial claims

Realia's activities may give rise to legal actions being taken related to the material used or the finishing of the properties sold, even those resulting from the actions of third parties subcontracted by Realia (architects, engineers, contractors and subcontractors of the construction works).

In order to mitigate this risk through Ten-Year Liability insurance, mandatory for property developers, before delivery of the properties to buyers. Furthermore, in all work contracts, a 5% withholding is agreed on every certification issued by contractors, to respond to the fulfilment of their duties and, especially, of the defects detected at the

provisional reception of the works, and of the repair costs resulting from deficient execution or quality defects of the works or installations during the warranty period from the date of the temporary delivery of the works. Additionally, during the execution of works, Realia's technicians monitor the progress of work in order to check that they are being carried out according to plan.

b) Realia's liability resulting from the actions of its contractors or subcontractors.

It may be the case that the contractors of Realia do not fulfil their commitments, delay deliveries, or go through financial difficulties that prevent them from meeting the deadlines agreed in the contracts, so that Realia may have to incur in new expenses in order to fulfil its commitments with third parties.

In order to reduce this risk, contracts for execution of works have been limited to contractors of recognized solvency.

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 has the corresponding Manual that establishes the internal rules on this matter and a Control, Information and Communication body that holds relations both with employees of the Company and with the Prevention Services. Additionally, there is a Technical Unit for the processing and analysis of the information, in charge of analyzing and channel communications about suspicious transactions. The Manual is updated annually, in order to adapt its text to the changes in legislation, the recommendations from the independent expert, or to implement the measures therein contained.

Just like in prior years, in 2018 the company was subject to an annual audit by an independent expert as established by the Law, and the conclusion was that there are no significant risks for the company related to money laundering and monetary offences prevention.

6. Personal Data Protection risks

These risks are controlled through special standard clauses included in the contracts for different situations which, in compliance with the Rule regulating this subject, allow for the limitation and even the extinction of any type of liability from Realia Business, S.A. In 2018, the Group completed the adaptation of its personal data protection system to the requirements of the General Data Protection Regulation (EU Regulation 2016/679 on Data Protection).

In 2017, the company was subject to a biennial audit by an independent expert as required by the Rule.

7. Consumer and user Protection risks

The Group meets the requirements of the different national and regional rules on consumer and user protection. In fact, it has specific contract templates for those Autonomous Communities with specific legislation on this matter. Furthermore, the Group has the rule of responding to any possible claims from public consumer bodies, in a spirit of conciliation and reparation.

Additionally, Realia Business, S.A. has equipped itself with a number of tools to ensure ethical conduct, the most important of which, besides those related to money laundering prevention mentioned above, are the following:

The Internal Code of Conduct was approved in April 2007 by the Board of Directors of Realia, which deals with matters related to the Stock Markets. The Internal Code of Conduct establishes the criteria for the conduct that must be followed in transactions, and the treatment, use and dissemination of relevant information, to promote transparency in its activities and the appropriate information and protection of investors. The Code is applied at least to the Directors and Managers of the Realia Group, external Advisors and the employees of the Stock Market and Investor Relations Departments.

The Ethical Code was adopted in November 2010, and a new version of this Code was adopted by the Board of Directors of the Company in its April 2018 session. Its main goal is to establish the principles, values and rules of conduct that must govern the actions 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 Group. This Code is mandatory.

The PRINEX System is a global business solution that combines the features of a universal business management software with the advantages of an ERP customized to the needs of the companies operating in the property sector. It is especially useful to guarantee ethical conduct, for it allows the commercial area to identify customers that have performed fraudulent transactions in the past, in order to avoid doing business with them.

The Financial Statements and the Management Report of the company REALIA BUSINESS, S.A. for 2018 have been drawn up by the Board of Directors of the company on 25 February 2019, and are described in the back of one hundred and thirty four (134) pages of stamped paper numbered sequentially from ON2259001 to ON2259013, from ON2259015 to ON2259062, page ON2259014, pages from ON2259063 to ON2259064, page ON2258996, pages from ON2259066 to ON2259107, page ON2258997, and pages from ON2259109 to ON2259134.

For the purposes of Royal Decree 1362/2007, of 19 October (art.8.1.b), the undersigned Directors of REALIA BUSINESS, S.A. make the following statement of liability:

That, to the best of their knowledge, the Financial Statements prepared in accordance with the applicable accounting principles, offer an accurate picture of the equity, the financial situation and the results of the company, and of all the companies included in the consolidation, and the Management Report includes the accurate picture of the evolution and the corporate results and the position of the company and all the companies included in the consolidation, together with the description of the main risks and uncertainties that they face.

The Directors, in witness whereof, have undersigned this page of stamped paper numbered ON2258998 on both sides.

MR. JUAN RODRIGUEZ TORRES

Non-Executive Chairman

Proprietary Director

Chairman of the Executive Committee

Member of the Appointments and

Remuneration Committee

Member of the Audit and Control Committee

MR. GERARDO KURI KAUFMANN

Chairman of the Board

Executive Director

Member of the Executive Committee

EAC INVERSIONES CORPORATIVAS, S.L.

Rep: MRS. ESTHER ALCO CER KOPOLOWITZ

Member of the Board

Proprietary Director

Member of the Executive Committee

Member of the Appointments and

Remuneration Committee

MELI LOTO, S.L.

Rep: MRS. ALICIA ALCO CER KOPOLOWITZ

Member of the Board

Proprietary Director

Member of the Executive Committee

Member of the Appointments and

Remuneration Committee

MRS. CARMEN IGLESIAS CANO

MR. CARLOS MANUEL JARQUE URIBE

Member of the Board

Member of the Board

Independent Director

Proprietary Director

Member of the Appointment and

Remuneration Committee

Chair of the Audit and Control Committee

MRS. MARÍA ANTONIA LINARES LIÉBANA

Member of the Board

Independent Director

Chair of the Appointment and Remuneration Committee

Member of the Audit and Control Committee