

**ACGR
Annual Corporate
Governance
Report
2014**

REALIA

ANNEX I**ANNUAL CORPORATE GOVERNANCE REPORT
LISTED LIMITED COMPANIES****IDENTIFICATION INFORMATION OF ISSUER**

YEAR END DATE	31/12/2014
TAX CODE	A81787889
COMPANY NAME:	Realia Business, S.A.
REGISTERED ADDRESS:	Paseo de la Castellana, nº 216 Madrid 28046 (Spain)

A OWNERSHIP STRUCTURE

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

Date of last modification	Share capital (euros)	Number of shares	Number of voting rights
26/06/2013	73,769,023.68	307,370,932	307,370,932

Please indicate whether shares are divided into different categories with different Rights attached:

Yes

No

A.2 Please provide information on both direct and indirect owners of significant shareholdings in your organization at the close of the fiscal year, excluding board members:

Name or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
BFA Tenedora de Acciones, S.A.	0	76,697,551	24.95
Fomento de Construcciones y Contratas, S.A.	105,452,556	7,922,551	36.89

Name or corporate name of shareholder	Vía: Name or corporate name of direct shareholder	Number of voting rights
BFA Tenedora de Acciones, S.A.	Corporación Industrial Bankia, S.A.U.	76,697,551
Fomento de Construcciones y Contratas, S.A.	Corporación Financiera Hispánica, S.A.	1,109,400
Fomento de Construcciones y Contratas, S.A.	Asesoría Financiera y de Gestión, S.A-	6,813,151

Indicate the most significant changes that have occurred in the shareholder structure over the last fiscal year:

Name or corporate name of shareholder	Date of operation	Description of operation
D ^a Esther Koplowitz Romero de Juseu	19/12/2014	Descended 3% of share capital
D. Luis Canales Burguillo	24/12/2014	Descended 3% of share capital
Grupo Pra. S.A.	29/12/2014	Descended 3% of share capital
Inmobiliaria Lualca, S.L.	24/12/2014	Descended 3% of share capital
D. Luis Canales Burguillo	04/12/2014	Descended 5% of share capital
Grupo Pra. S.A.	04/12/2014	Descended 5% of share capital
Inmobiliaria Lualca, S.L.	04/12/2014	Descended 5% of share capital

A.3 Complete the following tables on the membership of the Company's Board of Directors holding the voting rights of the company's shares:

Name or corporate name of board member	Number of direct voting rights	Number of indirect voting	% of total voting rights
D. Íñigo Aldaz Barrera	218,846	0	0.07
D. Ignacio Bayón Mariné	246,100	0	0.08
E.A.C. Inversiones Corporativas, S.L.	1,000	0	0.00
D ^a Carmen Iglesias Cano	1,182	0	0.00
D ^a María Antonia Linares Liébana	3	0	0.00

Total % of voting rights held by the Board of Directors	0.15
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Complete the following tables on the membership of the Company's Board of Directors holding rights on the company's shares:

A.4 Indicate, where appropriate, any relationships of a family, commercial, contractual or corporate nature that exist between the owners of significant shareholdings, in so far as the company is aware, unless they are immaterial or derive from normal commercial trading or transactions:

A.5 Indicate, where appropriate, any relationships of a commercial, contractual or corporate nature that exist between the owners of significant shareholdings, and the company and/or its group, unless they are of no particular relevance or derive from normal commercial trading or transactions.

A.6 Indicate whether the company has been informed of any shareholders agreements affecting it as per articles 530 and 531 of the LMV. If so, please provide a brief description and detail the shareholders involved in the agreement:

Yes

No

Intervenors in the parasocial agreement
Fomento de Construcciones y Contratas, S.A.
BFA Tenedora de Acciones, S.A.

% of share capital affected: 57.67

Brief description of the agreement:

HR nº 105088, 5 March 2009 – SEE NOTE

Interveners in the parasocial agreement
Fomento de Construcciones y Contratas, S.A.
BFA Tenedora de Acciones, S.A.

% of share capital affected: 51

Brief description of the agreement:

HR nº 81304, 20 June 2007 – SEE NOTE

Indicate if the company is aware of any concerted action among shareholders. If any exist, please provide a brief description:

Yes

No

If any such pacts, agreements or concerted actions have been modified or cancelled over the last fiscal year, please specify:

A.7 indicate if any individual or organization exercises or could exercise control over the company under article 4 of the Securities and Exchange Law (Ley del Mercado y Valores). If so, please identify that person:

Yes

No

Notes

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

At the end of the fiscal year:

Number of direct shares	Number of indirect shares (*)	% of the total share capital
610,000	0	0.20

(*) Via:

Describe any material variation that have taken place during the fiscal year, in accordance with the specifications of the Royal Decree Law 1362/2007

A.9 Describe the conditions and term of office and conditions of mandate of the General Shareholders' Meeting to the Board of Directors to issue, repurchase or transfer treasury shares

From January 1 to June 24, 2014, the agreement of the General Shareholders' Meeting, reached at its meeting dated June 23, 2013, held as an Ordinary Meeting, agreed by an absolute majority to

authorize Realia Business, S.A., and the Group companies that comply with any of the circumstances set forth in Article 42, paragraphs 1 and 2, of the Code of Commerce, to undertake the derivative acquisition of own shares, with the purchase at any Stock Exchanges on which these shares are admitted to trading, at the price of the stock market value on the date of the acquisition, which must be between the minimum and maximum values detailed below:

- Maximum value: the value resulting from a 10% increase of the maximum quotation in the three months prior to the date on which the acquisition takes place.
- Minimum value: the value resulting from deducting 10 per cent from the minimum quotation, also in the three months prior to the moment at which the acquisition takes place.

By virtue of this authorization, either the Board of Directors or the Executive Committee could purchase own shares under the terms described in Art. 146 of the Revised Text of the Law on Capital Companies.

This authorization was granted for the maximum period permitted by law, whilst also respecting the limit of share capital applicable, in accordance with legislation in force at the time of acquisition.

Acquisition of the shares, which will be fully paid up, must allow the company to allocate the reserves described in rule c) of Article 148 of the Law on Capital Companies.

This agreement was rendered without effect on June 24, 2014, when the Ordinary General Shareholders' Meeting agreed by an absolute majority to authorize Realia Business, S.A., and the Group companies that comply with any of the circumstances set forth in Article 42, paragraphs 1 and 2, of the Code of Commerce, to undertake the derivative acquisition of own shares, with the purchase at any Stock Exchanges on which these shares are admitted to trading, at the price of the stock market value on the date of the acquisition, which must be between the minimum and maximum values detailed below:

- Maximum value: the value resulting from a 10% increase of the maximum quotation in the three months prior to the date on which the acquisition takes place.
- Minimum value: the value resulting from deducting 10 per cent from the minimum quotation, also in the three months prior to the moment at which the acquisition takes place.

By virtue of this authorization, either the Board of Directors or the Executive Committee may purchase own shares under the terms described in Art. 146 of the Revised Text of the Law on Capital Companies.

This authorization is granted for the maximum period permitted by law, whilst also respecting the limit of share capital applicable, in accordance with legislation in force at the time of acquisition.

Acquisition of the shares, which will be fully paid up, must allow the company to allocate the reserves described in rule c) of Article 148 of the Law on Capital Companies.

A.10 Indicate whether there are any restrictions on the transfer of securities and / or any restrictions on voting rights. In particular, the existence of any restrictions

that may impede the acquisition of control of the company through the purchase of shares in the market will communicate.

Yes

No

A.11 Indicate whether the General Shareholders' Meeting has agreed to adopt measures to counter any possible takeover bid pursuant to the provisions of Law 6/2007.

Yes

No

Where appropriate, explain the measures approved and the circumstances under which the restrictions would cease to have an impact:

A.12 Indicate whether the company has issued shares that are not traded on an EU regulated market.

Yes

No

Where applicable, indicate the different classes of shares and, for each class of shares the rights and obligations conferred.

B GENERAL MEETING

B.1 Indicate and, where applicable, provide details on whether differences exist with the minimum quorum regime established by the CCA (Capital Companies Act) in terms of the constitutional quorum of the General Shareholders' Meeting.

Yes

No

B.2 Indicate and, where applicable, provide details on whether differences exist with the minimum quorum regime established by the CCA (Capital Companies Act) in terms of the adoption of company agreements.

Sí

No

Describe the differences with the regime planned in the CCA.

B.3 State the rules applicable to the amendment of the statutes. In particular, the majorities provided for the amendment of the articles will be communicated and, where appropriate, the rules laid down for the protection of the rights of the partners in the modification of the statutes.

Article 16 of the Articles of Association concerning the constitution of the General Meeting, states that for the ordinary and extraordinary General Meeting to validly increase or reduction of capital and any other amendment to the bylaws, the issuance of bonds, the elimination or restriction of the right of first refusal on new shares as well as the transformation, merger, spin-off or transfer of assets and liabilities and the transfer of residence abroad, will be required on first call, the presence of shareholders present or represented holding at least fifty percent (50 %) of the share capital with voting rights, and on the second call will be sufficient for twenty-five percent (25 %) of the capital. When shareholders representing at least fifty percent (50 %) of the share capital with voting rights, the aforementioned agreements may only be validly adopted with the favorable vote of two-thirds of the capital present or represented at the Meeting.

The same is set out in paragraph 8 b) of Article 15 of the Rules of the General Meeting.

For its part, Article 17 of the bylaws concerning the adoption of agreements provides that resolutions are adopted by a majority of the shares present and represented at the meeting, except in cases where the law requires a qualified majority. Each share entitles to one vote.

B.4 Indicate the data on attendance at General Shareholders' Meetings held during the year covered by this report and the previous year:

Date General Shareholders' Meeting	Attendance Data				Total
	% of physical presence	% of representation	% absentee vote		
			Electronic vote	Other	
26-06-2013	57.80	7.31	0.00	0.00	65.11
24-06-2014	36.97	28.19	0.00	0.00	65.16

B.5 Indicate whether there are any restrictions in bylaws on the minimum number of shares necessary to attend the General Meeting:

Yes

No

B.6 Indicate if it is agreed that certain decisions involving a structural change in the company ("affiliation", sale of key operating assets, operations equivalent to the liquidation of the company...) must be submitted for approval by the Shareholders' General Meeting, although not expressly required under the Corporations Law.

Yes

No

B.7 Indicate the address and means of access to the company website to information regarding corporate governance and other information on general meetings to be made available to shareholders via the website of the Company.

On the homepage of the website of Realia Business, SA (www.realia.es) there is a specific section, under item "Corporate" entitled "Shareholders & Investors" which, after a "click" takes you to

another page called "Information for Shareholders and Investors". On this new page, there is a section entitled "Corporate Governance", after mouse over, displays all available information in accordance with the existing legislation, in particular that relating to Governing Bodies, General Meeting of Shareholders, Shareholders' Agreements, Social Policy and Annual Report on Corporate Governance.

C STRUCTURE OF THE COMPANY'S ADMINISTRATION

C.1 Board of Directors.

C.1.1 Maximum and minimum number of board members stipulated in the company's bylaws:

Maximum number of board members	15
Minimum number of board members	5

C.1.2 Complete the following table of Members of the Board:

Name or corporate name of board member	Representative	Position on the Board	Date of First appointment	Date of Last appointment	Election procedure
Mr. Ignacio Bayón Mariné		Chairman	14/08/1997	05/06/2012	General Meeting
Ms. Carmen Iglesias Cano		Director	12/04/2007	05/06/2012	General Meeting
EAC Inversiones Corporativas, S.L.	Ms. Esther Alcocer Koplowitz	Director	15/12/2004	05/06/2012	General Meeting
Inmogestión y Patrimonios, S.A.	Mr. Octavio Miguel Sánchez Laguna	Director	09/06/2009	24/06/2014	General Meeting
Mr. Iñigo Aldaz Barrera		Director	13/06/2000	05/06/2012	General Meeting
Ms. María Antonia Linares Liébana		Director	25/04/2007	26/06/2013	General Meeting
Mediación y Diagnósticos, S.A.	Mr. Manuel Galarza Pont	Director	12/04/2007	05/06/2012	General Meeting
Meliloto, S.L.	Ms. Alicia Alcocer Koplowitz	Director	05/06/2012	05/06/2012	General Meeting
Participaciones y Cartera de Inversión, S.L.	Mr. Antonio Zafra Jiménez	Director	12/04/2007	05/06/2012	General Meeting
Mr. Rafael Montes Sánchez		Director	12/04/2007	05/06/2012	General Meeting

Total Number of Board Members	10
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Indicate any resignations from the company's Board of Directors over the period:

C.1.3 Complete the following tables on the membership of the Board and their positions:

EXECUTIVE BOARD MEMBERS

Name or corporate name of Board Member	Committee proposing appointment	Position in Company Organisation Chart
Mr. Ignacio Bayón Mariné	Appointments and Compensation Committee	CHAIRMAN
Mr. Iñigo Aldaz Barrera	Appointments and Compensation Committee	DIRECTOR GENERAL

Total Number of executive board members	2
Total % of board member	20,00

EXTERNAL PROPRIETARY BOARD MEMBERS

Name or corporate name of Board Member	Committee proposing appointment	Name of the significant shareholder represented by or proposing appointment
EAC Inversiones Corporativas, S.L.	Appointments and Compensation Committee	Fomento de Construcciones y Contratas, S.A.
Inmogestión y Patrimonios, S.A.	Appointments and Compensation Committee	Banco Financiero y de Ahorros, S.A.
Mediación y Diagnósticos, S.A.	Appointments and Compensation Committee	Banco Financiero y de Ahorros, S.A.
Meliloto, S.L.	Appointments and Compensation Committee	Fomento de Construcciones y Contratas, S.A.
Participaciones y Cartera de Inversión, S.L.	Appointments and Compensation Committee	Banco Financiero y de Ahorros, S.A.
Mr. Rafael Montes Sánchez	Appointments and Compensation Committee	Fomento de Construcciones y Contratas, S.A.

Total number of proprietary board members	6
% of entire Board	60.00

INDEPENDENT EXTERNAL BOARD MEMBERS

Name or corporate name of Board Member	Profile
Ms. Carmen Iglesias Cano	Former Professor of History of Ideas at the Universidad Complutense de Madrid and the Universidad Rey Juan Carlos de Madrid. Former Member of the Advisory Committee (consultative committee) of FCC, member of the Board of Directors of the Instituto Cervantes, member of the Board for the Debate on the Future of the European Union, Member of the Board of Trustees of the ICO Foundation, member of the Governing Board of the Instituto de España, among other boards and boards of trustees. She has also been Chairperson of the Board of the Grupo Unidad Editorial, a subsidiary of the RCS Corriere de la Sera. She is currently a Member of the Board of Patrimonio Nacional, member of the Governing Board of the Real Academia Española and the Real Academia de la Historia.
Ms. María Antonia Linares Liébana	She was General Secretary and Board Member of Endesa Diversificación, S.A., Board Member of Electra de Viesgo, S.A., Board Member of Puerto de Carboneras, S.A., Secretary to the Board of Directors of Grupo Eléctrico de Telecomunicaciones, S.A., General Secretary and Board Member of Netco Redes, S.A., and AIE Secretary in Endesa, Unión Fenosa and Telecom Italia.

Total number of independent board members	2
% of entire Board	20.00

Indicate whether any member qualified as an independent director perceives from the company or its group, any amount or benefit other than the concept of remuneration, or has or has had during the last financial year, a business relationship with society or any company of the group, either on their own behalf or as a significant shareholder, director or senior manager of a company that has or had such a relationship.

No

Where appropriate, a statement of advice on why it is considered that the counselor can perform their duties as independent director will be included.

OTHER EXTERNAL BOARD MEMBERS

Indicate why they may not be considered proprietary or independent, and their relations to company, its managers or shareholders:

Indicate any change occurred in each board member's status over the period:

C.1.4 Complete the following table with information on the number of female directors for the past 4 years, and the nature of such directors:

	Number of female directors				% of the total number of directors of each typology			
	Year 2014	Year 2013	Year 2012	Year 2011	Year 2014	Year 2013	Year 2012	Year 2011
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	2	2	1	1	20.00%	20.00%	20.00%	7.14%
Independent	2	2	2	2	20.00%	20.00%	20.00%	14.28%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	4	4	4	3	40.00%	40.00%	40.00%	21.42%

C.1.5 Explain the measures, if any, have been taken to seek to include in the board a number of women that would achieve a balanced representation of women and men.

Explanation of the measures
The Board of Directors of the Company consists of ten (10) members, four (4) of whom are women, representing a percentage of 40%. In the year 2012, when the number of Directors of fourteen (14) was reduced to ten (10), four (4) Directors who left their posts were male, which allowed reaching the current rate of 40%, which is considered balanced, so that no further action was deemed necessary.

C.1.6 Explain the measures, if any, had agreed the appointments for that selection procedures are implicitly biased against the selection of directors and the company makes a conscious effort to include potential candidates, women who fit the profile professional searched for:

Explanation of the measures
Article 45, section 4.h of the Board of Directors Rules, related to the Appointments and Compensation Committee, establishes that one of said Committee's functions is to inform the Board on sexual diversity issues, and ensure that where vacancies open up, procedures are applied that allow a balanced selection of Board Members, by taking into account the good corporate governance recommendations in force at any particular time.

When, despite the measures, if any, have been taken are few or no female directors, explain the reasons therefore:

Explanation of the measures

Given that 40% of the members of the Board are women, the number of female directors is not considered low

C.1.7 Explain the way of representation on the Board of the controlling shareholders:

Only the two major shareholders, Fomento de Construcciones y Contratas, SA (FCC) and Banco Financiero y de Ahorros, SA (BFA), holders of a total stake of 61.830% (36.887% and 24.953%, respectively) are represented on the Board of Directors of Realia Business, SA. Specifically, FCC has appointed three proprietary directors (EAC Investment Corporate Ltd., Sweet Clover, SL and D. Rafael Montes Sanchez) and three more BFA (Mediation and Diagnostics, SA, Inmogestión and Heritage, SA and Participations and Investment Portfolio, SL), representing a total of 60% of the Board of Directors.

C.1.8 Explain the reasons why proprietary board members have been appointed, if any, upon request of shareholders whose shareholding is below 5% of the capital:

indicate if any formal request by any shareholder for the appointment of a proprietary member has not been addressed, where such shareholder held an interest equal to or greater than that held by other shareholders whose requests have resulted in proprietary board members being appointed. If any such case does exist, please explain the reasons why such requests were not addressed:

Yes

No

C.1.9 Indicate if any Board Members have resigned to their position before the end of their term, if their reasons have been explained to the Board and by what means, and, where such resignation was in writing to the entire Board, please include at least the reasons that such person provided:

C.1.10 Indicate the powers, if any, delegated to or granted upon the CEO(s):

C.1.11 indicate, any members of the Board, if any, that hold administrative or managerial positions in any other company that forms part of the listed company's group:

Name or corporate name of the Board Member	Corporate name of the company in the group	Position
Mr. Ignacio Bayón Marín	Boane 2003, S.A.U.	Chairman of the Board
Mr. Ignacio Bayón Marín	Hermanos Revilla, S.A.	Chairman of the Board
Mr. Ignacio Bayón Marín	Planigesas, S.A.	Chairman of the Board
Mr. Ignacio Bayón Marín	Realia Contesti, SRL	Sole Director's Representative
Mr. Ignacio Bayón Marín	Realia Patrimonio, S.L.U.	Sole Director's Representative
Mr. Íñigo Aldaz Barrera	As Cancelas Siglo XXI, S.L.	Director's Representative
Mr. Íñigo Aldaz Barrera	Boane 2003, S.A.U.	Member
Mr. Íñigo Aldaz Barrera	Hermanos Revilla, S.A.	Member
Mr. Íñigo Aldaz Barrera	Planigesas, S.A.	Member
Mr. Íñigo Aldaz Barrera	Realia Business Portugal - Unipessoal, LDA.	Sole Director
Mr. Íñigo Aldaz Barrera	Realia Contesti, SRL	Sole Director's Representative
Mr. Íñigo Aldaz Barrera	Realia Polska Inwestycje Spolka, ZOO	Administrator
Mr. Íñigo Aldaz Barrera	Wilanow Realia Spolka, ZOO	Administrator

C.1.12 provide details, where applicable, of any board members in your company that are known by the Company to form part of the Board of Directors of other companies listed in official stock markets that do not form part of your group:

Name or corporate name of the Board Member	Corporate name of the listed company	Position
EAC Inversiones Corporativas, S.L.	Cementos Portland Valderribas, S.A.	Member
EAC Inversiones Corporativas, S.L.	Fomento de Construcciones y Contratas, S.A.	Member
Meliloto, S.L.	Cementos Portland Valderribas, S.A.	Member
Mr. Rafael Montes Sánchez	Fomento de Construcciones y Contratas, S.A.	Member
Mr. Rafael Montes Sánchez	Cementos Portland Valderribas, S.A.	Member

C.1.13 Indicate, and where applicable explain, if the company has established rules limiting the number of boards in which its board members may hold office:

Yes

No

C.1.14 Indicate the company's general policies and strategies that are to be approved by unanimous vote by the Board:

	Sí	No
Investment and financing policy	X	
Definition of the structure of the group of companies	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
The strategic or business plan, as well as management objectives and annual budgets	X	
Policies on remunerations and performance appraisals of upper management	X	
Risk control and management policy, as well as the regular monitoring of internal information and control systems	X	
Dividends and share buy back policy and, particularly, any limitation thereon	X	

C.1.15 Indicate the total remuneration of the board of directors:

Remuneration of the board of directors (thousands of euros)	1,997
Amount of the remuneration corresponding to the benefits accrued by the directors on pensions (thousands of euros)	83
Total remuneration of the board of directors (thousands of euros)	2,080

C.1.16 Identify the members of upper management that are not board members, and indicate the total remuneration earned during the fiscal year:

Name or corporate name	Position
Mr. Marcos Bada Gutiérrez	Head of Internal Audit

Total upper management remuneration (in thousands of euros)	100
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C.1.17 Indicate, where applicable, the identity of the Board Members who are also members of the Board of Directors of the Companies who hold a significant shareholding in the listed company and/or organisations in its group:

Name or corporate name of board member	Corporate Name of the significant shareholder	Position
EAC Inversiones Corporativas, S.L.	Fomento de Construcciones y Contratas, S.A.	Member
D. Rafael Montes Sánchez	Fomento de Construcciones y Contratas, S.A.	Member
Participaciones y Cartera de Inversión, S.L.	Corporación Industrial Bankia, S.A.U.	Solidary Representative
Inmogestión y Patrimonios, S.A.	Corporación Industrial Bankia, S.A.U.	Solidary Representative

Provide details, where applicable, of any relevant relationships involving Board Members other than those indicated in the table above, with significant shareholders and/or companies in their group:

C.1.18 Indicate if any modification has been made to the Board's regulations during the Fiscal Year:

Yes

No

C.1.19 Indicate the procedures used for the selection, appointment, re-election, appraisal and removal of Board Members. Provide details of competent bodies, and the processes and criteria applicable to each of the procedures:

Appointment of Board Members:

In accordance with the provisions of article 16 of the Board of Directors Rules, proposed appointments for Board Members submitted by the Board to the consideration of the General Shareholders' Meeting and the appointment decisions adopted by that body based on the co-optation powers that it legally possesses should involve well-known, creditworthy, technically competent and experienced people, upon prior report issued by the Appointments and Compensation Committee in the case of both executive and proprietary members, and it should propose appointments in the case of independent Board Members.

Board Members involved in appointment proposals, re-election or resignation, shall not participate in the deliberations and votes in which they are involved.

Re-election of Board Members:

Board members shall perform their duties during the period fixed in the Articles of Association, i.e. for a period of five (5) years, with the possibility of being re-elected on one or more occasions for periods of the same length (article 22 of the Articles of Association). Nevertheless, in accordance with article 17 of the Board Rules, prior to any re-election of Board Members submitted to the General Meeting, the Appointments and Remuneration Committee shall issue a report assessing the quality of work and dedication to the position of the Board Members proposed during the previous term of office.

Appraisal of Board Members:

In accordance with section 4, article 45 of the Rules, the Appointments and Compensation Committee is responsible for verifying the good track record of each Board Member and ensuring that they meet the requirements to be appointed executive, whether independent or proprietary. Likewise, said Committee shall assess the competence, knowledge and experience necessary in the Board, define the necessary functions and skills that the candidates should meet to fill each vacancy, and assess the time and dedication required to properly perform those duties.

It is not necessary to be a partner to be elected to the Board. Any person considered to be incapable or incompatible under current legislation may not be appointed to the Board.

Removal of Board Members:

Board Members will cease to perform their duties once the period for which they were appointed has terminated or when the General Shareholders' Meeting so decides, by virtue of the powers it has been granted by the law and the Company's Bylaws. The Board of Directors may not propose the removal of any independent Board Member before expiration of the term of office for which they have been appointed, except for reasonable cause in the opinion of the Board and upon prior consideration of the Appointments and Compensation Committee. In particular, there will be reasonable cause when a Board Member has failed to meet the responsibilities inherent in the position or incurred any of the circumstances that would have prevented their appointment as an independent Board Member. The removal of independent Board Members may also be proposed as a result of takeover bids, mergers or other similar corporate deals that result in a change in the capital structure of the company where such changes in the Board's structure are brought about by proportionality criteria applicable to proprietary and independent Board Members in accordance with the capital represented in the Board.

When, either through resignation or by any other reason, a Board Member ceases to perform its duties before expiration of its term of office, said person should explain their reasons for so doing in a letter to be sent to all of the members of the Board (article 20, section 3 of the Board of Directors Regulation).

C.1.20 Indicate whether the board has proceeded during the year to conduct an evaluation of their activity:

Yes

No

Where applicable, explain the extent to which self-assessment has led to major changes in its internal organization and the procedures applicable to its activities:

Describe modifications

Self-assessment has not led to significant changes in its internal organization and the procedures applicable to its activities. The outcome of the self-assessment can affirm that the Board assumes and responsibly performs the functions and powers conferred by Statutes and its own Rules, attending diligently and efficiently the affairs of the Company that require constant attention and monitoring.

C.1.21 Indicate the circumstances in which Board Members are obliged to resign:

Section 2, article 20 of the Board of Directors Rules establishes that Board Members should offer their resignation to the Board and, formalize their resignation when deemed appropriate, as per the following cases:

- a. Where Executive Board Members cease to hold a post, position or perform functions associated to their appointment as Executive Board Members.
- b. With respect to Proprietary Board Members, when the shareholder whose interest that Member represents transfers the entirety or reduces, by the relevant proportion, their shareholding in the Company.
- c. When a Board Member incurs any of the stipulated incompatibility cases or exceeds legal limits.
- d. When the Board itself so requests, by a majority of at least two thirds of its members, in the following cases:
 - (i) If, having infringed their obligations as a Board Member, they have been severely reprimanded by the Board, following a proposal or report from the Appointments and Compensation Committee; or
 - (ii) When their continued presence on the Board may put the Company at stake.

In any event, pursuant to article 29.2 of the Rules, if a board member is prosecuted or oral proceedings are opened against him for any of the offences stipulated in article 213 of the Capital Corporations Act, the Board shall examine the case as soon as possible and, in the light of the specific circumstances, shall decide whether the board member should continue in office or not. The Board shall give a reasoned account of all such events in the Annual Corporate Governance Report.

C.1.22 Indicate if the function of the Company's first executive has been performed by the Board's Chairman. If so, please explain the measures taken to limit the risks of accumulation of power in a single person:

Yes

No

Risk-limiting measures

Article 7 of the Board of Directors Rules establishes a formal description of matters reserved to the Board of Directors. Furthermore, the Board is also assisted by an Executive Committee to which it has delegated power entrusted to it, except those reserved to the Board by law, the Company's bylaws or the Board of Director's Rules themselves.

Indicate, and where applicable explain, if any rules have been established that authorize Independent Board Members to request Board meetings or the inclusion of new items on the agenda, in order to co-ordinate and reflect the concerns of External Board Members and to direct Board of Directors' assessment.

Yes

No

Explanation of the rules

Article 37, section 2 of the Board of Directors Rules, related to the role and duties of the Chairman, expressly establishes that, where the Chairman is also the Company's CEO, one of the Independent Board Members will be empowered to (i) call Board Meetings and include new issues in the agenda; (ii) co-ordinate and reflect the concerns of External Board Members; and (iii) head the Board of Director's assessment of its Chairman.

C.1.23 Are super majorities, other than those established by law, required in any sorts of decision?

Yes

No

Where applicable, describe differences:

C.1.24 Explain whether there is any specific requirement other than those covering Board Members to be named Chairman of the Board.

Yes

No

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

Yes

No

C.1.26 Indicate whether the bylaws or the Board of Directors Rules establish any age limit for Board Members:

Yes

No

C.1.27 Indicate whether the bylaws or the Board of Directors Rules set a limited term of office for independent Board Members, than that established in the regulations:

Sí

No

C.1.28 Indicate whether the bylaws or rules of the Board of Directors specific rules for proxy voting at the board, how to do it and, in particular, the maximum number of delegations that may have a member, and if it has established obligation to delegate to a similar typology member. If applicable, detail these rules briefly:

One of Board Members' main obligations is taking part in meetings of the bodies that they sit on. Nevertheless, when Members find it absolutely impossible to attend meetings they have been called to, they may be represented by other Board Members, by means of a written consent addressed to the Chairman of the Board. In such cases, they should instruct the Board Member to whom they have granted the proxy (article 22.2b of the Board of Directors Rules and article 24 of the bylaws).

C.1.29 Indicate the number of Board meetings held during the fiscal year. Furthermore, indicate, where appropriate, how many times the Board has met without its Chairman. In computing shall be considered attendances the representations made with specific instructions:

Number of Board meetings	14
Number of Board meeting where Chairman was not present	0

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

Number of meetings of the Executive or Delegated Committee	9
Number of meetings of the Audit Committee	8
Number of meetings of the Appointments and Compensation Committee	6
Number of meetings of the Related Transactions Committee	3

C.1.30 Indicate the number of Board meetings held during the fiscal year where all members were present. The calculation considers representations where specific instructions were given:

Member attendances	119
% of attendances over the total votes during the year	85.00

C.1.31 Indicate whether the individual and consolidated financial statements presented to the Board for its approval were previously certified:

Yes No

Indicate, where applicable, the person(s) who certified the Companies' individual or consolidated financial statements to be prepared by the Board:

Nombre	Cargo
Mr. Ignacio Bayón Mariné	Executive Chairman
Mr. Juan Antonio Franco Díez	Deputy Managing Director and Administrator and Finance Director

C.1.32 Explain the mechanism in place, if any, established by the Board of Directors to prevent the individual and consolidated financial statement it has prepared from being presented to the General Shareholders' Meeting with a qualified auditor's opinion.

In accordance with article 44.4.a.i of the Rules of the Board of Directors, one of the duties of the Audit and Control Committee is to supervise the preparation process and presentation of the financial information relating to the Company and the Group, checking that it complies with the regulatory requirements, the appropriate definition of the scope of consolidation and the correct application of the accounting criteria. According with section c of the same article 44.4 the Audit and Control Committee is also responsible for supervising the preparation process of both the individual and consolidated Financial Statements and Management Report, their preparation by the Board in accordance with the Law, and for reporting the Board of Directors, the accuracy and reliability of both the individual and consolidated Financial Statements and Management Report, and financial information for the year released to the markets.

Furthermore, according with section 3 of the article 15 of the Rules of the Board of Directors, this Board should aim to draft the accounts in such a way that the auditor is not required to qualify its report. Nevertheless, when the Board believes that it should maintain its criteria, the Chairman of the Audit Committee, and the auditors, shall have to explain the content and the scope of the aforementioned qualifications to shareholders.

C.1.33 Is the Secretary to the Board also a Board Member?

Yes No

C.1.34 Explain the appointment and resignation procedures applicable to the Secretary to the Board, by indicating if the Appointments Committee has been informed of the appointment and resignation and if the Board has approved it.

Appointment and resignation procedures
In accordance with article 23 of the Company's bylaws, the Board of Directors may appoint a Secretary who may or may not be a Board Member. The Appointments and Compensation Committee shall advise on the appointment or dismissal/resignation of the Secretary, which shall be unanimously approved by the Board.

	Yes	No
Does the Appointments Committee advise on the appointment?	X	
Does the Appointments Committee advise on the dismissal/resignation?	X	
Does the Board unanimously approve the appointment?	X	
Does the Board unanimously approve the dismissal/resignation?	X	

Has the Secretary to the Board been entrusted with the function of specially overseeing by tracking good governance recommendations?

Yes

No

Observations
Article 39, section 3 of the Board of Directors' Rules, related to the Secretary to the Board and its functions, establishes that the Secretary is particularly expected to ensure that the Board's actions comply with the letter and the spirit of the Laws and its Rules, including those approved by regulatory bodies, comply with the Company's Bylaws and with the rules and regulations governing Shareholders' Meetings, Board of Director, and any other that the Company may have in place, and take good governance regulations adopted by the company into account.

C.1.35 Indicate, where applicable, the mechanisms established by the Company to preserve the independence of the external auditors, financial analysts, investment banks and rating agencies.

The Audit and Control Committee is responsible for ensuring independence of the external auditor. Those mechanisms are covered in article 44 of the Board of Directors Regulations with reference to the Audit and Control Committee, in which, with respect the external auditor and so as to ensure his independence:

- Will request annually from the Corporation's account auditors written confirmation of their independence from the corporation or corporations directly or indirectly related to it, as well as information on additional services of any kind rendered to by said auditors or individuals or corporations related to them, according to the provisions of the Account Auditing Act.

- The Company will communicate any change of external auditor to the CNMV, and will accompany such communication with a statement on potential disagreements with the outgoing auditor and the nature of such disagreement, if any.
- In case the external auditor resigns, the Committee shall examine the circumstances that have led to such resignation.

Furthermore, this Committee must issue annually, before the account auditing report is issued, a report including an opinion on the independence of account auditors. At any rate, this report should issue an opinion on the provision of additional services of any kind rendered to the Corporation or companies directly or indirectly related to it, by the auditor or individuals or corporations related to hi, according to the provisions of the Account Auditing Act.

Similarly, this Committee is responsible for:

- Supervise the preparation process and integrity of the financial information on the company and the group;
- Ensure the independence and efficiency of the internal audit function;
- Supervise both the individual and consolidated Financial Statements and Management Report drafting process, for their preparation by the Board as provided by Law.
- Report on the accuracy and reliability of individual and consolidated financial statements and Management Reports for the Board to prepare them as provided by Law, and the periodic information released to the markets.
- Inform the Board, previously to the adoption of the decisions, of the public financial information which the company has to report periodically on account of its listing.

For the best performance of its duties, the Audit and Control Committee may retain the advice of external professionals.

C.1.36 Indicate if the Company has changed external auditor during the fiscal year. If so, please identify both the incoming and outgoing auditor.

Yes

No

In such case as disagreements exist with the outgoing auditor, please explain their contents:

Yes No

C.1.37 indicate if the auditors undertake work for the Company and/or Group, other than audit engagements and, if so, indicate the amount of the fees received for said work and the percentage it represents from the total fees billed to the Company and/or its Group:

Yes No

	Company	Group	Total
Amount for work performed other than audit engagements (thousands of euros)	176	11	187
Amount for work performed other than audit engagements / Total amount billed by auditors (%)	67.40	11.70	52.70

C.1.38 Indicate whether the auditor's report accompanying the Financial Statements for the previous fiscal year includes a qualified opinion. If so, please indicate the reasons given by the Chairman of the Audit Committee to explain the content and the scope of such reservations or exceptions.

Yes No

C.1.39 Indicate the number of years that the current auditor has been auditing the Company and/or Group's financial statements. Also, indicate the proportion that the number of years audited by the current auditors represents as a percentage of the total number of years that financial statements have been audited:

	Company	Group
Number of running years	12	12
No. of years audited by the current auditors / No. of years that the company has been audited (in %)	80.00	80.00

C.1.40 Indicate and, where applicable, describe whether a procedure exists so that Board Members can receive external advice.

Yes No

Description the procedure
<p>The procedure is included in article 31 of the Board of Directors Rules, as follows:</p> <p>1. With the aim of providing External Board Members with assistance in performing their duties, they may seek the advice of legal, accounting and financial advisers or other experts, to be paid for by REALIA.</p> <p>Such assignments of tasks should be focused on specific prominent and complex problems they encounter when performing their functions.</p> <p>2. Requests to hire external advisers or experts should be addressed to the Chairman of REALIA and be authorized by the Board of Directors if it considers that:</p> <ol style="list-style-type: none"> a. it is necessary for the appropriate performance of the functions assigned to Independent Board Members; b. the cost involved is reasonable vis-à-vis the importance of the problem and the assets and turnover of REALIA; and c. the expert assistance request cannot adequately be provided by REALIA's experts or technicians. <p>3. Where expert assistance is requested by any of the Board's committees, it may not be denied, unless the Board resolves, by majority vote, that the conditions established in section 2 of this article are not met.</p>

C.1.41 Indicate, and where applicable, describe whether a procedure exists whereby Board Members can receive the necessary information to prepare meetings in administrative bodies with sufficient time:

Yes

No

Description the procedure
<p>Article 41 of the Board Rules on its meetings establishes the following procedure:</p> <p>1. The Board of Directors shall meet as often as is necessary to perform its duties efficiently, whenever it is in REALIA's interests. The Board itself shall draw up a program of dates and matters at the beginning of the year. The program may be amended by resolution of the Board itself or by decision of the Chairman, who shall inform the Board Members of the amendment at least ten days prior to the date initially arranged for holding the meeting, or prior to the new date fixed to replace it, if the latter is earlier.</p> <p>Similarly, the Board shall meet whenever requested by two of its members (in which case it shall meet within 4 days of receipt of the request) or on the initiative of the Chairman, or the person acting in his place.</p> <p>2. Notice of ordinary meetings shall be given by letter, e-mail, fax or telegram, and shall be authorized with the signature of the Chairman or that of the Secretary or Deputy Secretary, by order of the Chairman.</p> <p>Without prejudice to the provisions of article 24 of the Articles of Association, an effort should be made to give at least ten days' notice. The notice of each meeting shall always include the agenda of the meeting and the relevant documentation for the members of the Board to be able to form their opinions and, where appropriate, cast their votes on the matters submitted for their consideration.</p> <p>In the event of an emergency, freely appreciated by the Chairman, minimum notice shall be 24 hours, the agenda of the meeting in such event being limited to the points leading to the emergency.</p>

The Chairman shall decide on the agenda of the meeting. Board Members may ask the Chairman to include matters on the agenda, and the Chairman shall be required to include them when the request is made by at least three Board Members or by any of the Board's Committees, not less than 13 days prior to the meeting.

When items are included on the Agenda at the request of Board Members, the board members requesting such inclusion shall submit the relevant documentation with the request or identify such documentation for it to be submitted to the other members of the Board of Directors.

Given the duty of confidentiality of each Board Member, one should ensure that the importance and confidential nature of the information cannot be used as a pretext for non-observance of this rule, except in exceptional circumstances appreciated by the Chairman.

(...)

Moreover, article 31 of the Rules of the Board of Directors literally provides as follows:

1. With the aim of providing External Board Members with assistance in performing their duties, they may seek the advice of legal, accounting and financial advisers or other experts, to be paid for by REALIA.

Such assignments of tasks should be focused on specific prominent and complex problems they encounter when performing their functions.

2. Requests to hire external advisers or experts should be addressed to the Chairman of REALIA and be authorized by the Board of Directors if it considers that:
 - a. it is necessary for the appropriate performance of the functions assigned to Independent Board Members;
 - b. the cost involved is reasonable vis-à-vis the importance of the problem and the assets and turnover of REALIA; and
 - c. the expert assistance request cannot adequately be provided by REALIA's experts or technicians.
3. Where expert assistance is requested by any of the Board's committees, it may not be denied, unless the Board resolves, by majority vote, that the conditions established in section 2 of this article are not met.

C.1.42 Indicate, and where applicable, explain if the Company has established rules that oblige Board Members to inform and, where applicable, resigned in such circumstances that may be prejudicial to the company and its reputation:

Yes

No

Explain the rules

<p>Article 20.2 of the Board of Directors Rules establishes that Board Members should offer their resignation to the Board and, formalize their resignation when deemed appropriate, as per the following cases:</p> <p>(...)</p> <p>(ii) Where their continued presence on the Board may put the Company at stake.</p> <p>Similarly, in accordance with article 29 section 2 of the Rules, on the duty of board members to provide information, the latter shall be required to provide information on any criminal proceedings in which they are involved as accused, as well as their subsequent procedural vicissitudes. If a board member is prosecuted or oral proceedings are opened against him for any of the offences provided for in article 124 of the Limited Companies Act, the Board shall examine the case as soon as possible and, in the light of the specific circumstances, shall decide whether the board member should continue in office or not. The Board shall give a reasoned account of all such events in the Annual Corporate Governance Report.</p>

C.1.43 Please indicate if any member of the Board of Directors has reported to the Company that he has been indicted or a trial process has been opened against him for any of the crimes referred to in article 213 of the CCA (Capital Companies Act):

Yes No

Indicate whether the Board of Directors has analyzed the case. If so, please provide the rationale for the decision on whether or not the Board Member has remained in his position or, whether applicable, expose the actions taken by the board until the date of this report or it intends to make.

Yes No

C.1.44 Detail significant agreements entered into by the company and which come into force, be amended or terminate in the event of control of the company following a takeover bid, and its effects.

Do not exist.

C.1.45 Identify in aggregate and specify, in detail, the agreements between the company and its directors and executives or employees providing for compensation, indemnity or shield, if they resign or are dismissed without valid reason or if the contractual relationship is to an end during a takeover bid or other operations.

Number of beneficiaries	4
Kind of beneficiary Several members of the Directors Committee	Description of agreement Of the four (4) contracts, in three (3) of them provides compensation for workers forty-five (45) days per year worked, with a minimum of 24 and a maximum of 42 months, with regardless of what the applicable laws at all times. In the fourth contract, it is agreed a compensation for unfair dismissal, equal to two (2) annuities.

Indicate if the company or group companies should be notified of or approve those contracts.

	Board of Directors	General Shareholders' Meeting
Clauses approved by	YES	NO

	Yes	No
Has the General Shareholders' Meeting been informed of the clauses?	X	

C.2 Board of Directors' Committees

C.2.1 Provide details of the Board of Directors' Committees, their members and the proportion of proprietary and independent directors within them:

DELEGATED EXECUTIVE COMMITTEE

Name	Position	Status
Mr. Ignacio Bayón Mariné	Chairman	Executive
Mr. Íñigo Aldaz Barrera	Member	Executive
Mr. Rafael Montes Sánchez	Member	Proprietary
E.A.C. Inversiones Corporativas, S.L.	Member	Proprietary
Inmogestión y Patrimonios, S.A.	Member	Proprietary
Mediación y Diagnósticos, S.A.	Member	Proprietary
Meliloto, S.L.	Member	Proprietary
Participaciones y Cartera de Inversión, S.L.	Member	Proprietary

% of executive members	25%
% of proprietary members	75%

% of independent members	0%
% of other external members	0%

AUDIT COMMITTEE

Name	Position	Status
Ms. María Antonia Linares Liébana	Chairman	Independent
Ms. Carmen Iglesias Cano	Member	Independent
Mr. Rafael Montes Sánchez	Member	Proprietary
Inmogestión y Patrimonios, S.A.	Member	Proprietary
Mediación y Diagnósticos, S.A.	Member	Proprietary
Meliloto, S.L.	Member	Proprietary

% of executive members	0%
% of proprietary members	67%
% of independent members	33%
% of other external members	0%

APPOINTMENTS AND COMPENSATION COMMITTEE

Name	Position	Status
Ms. María Antonia Linares Liébana	Chairman	Independent
Ms. Carmen Iglesias Cano	Member	Independent
Mr. Rafael Montes Sánchez	Member	Proprietary
E.A.C. Inversiones Corporativas, S.L.	Member	Proprietary
Inmogestión y Patrimonios, S.A.	Member	Proprietary
Mediación y Diagnósticos, S.A	Member	Proprietary

% of executive members	0%
% of proprietary members	67%
% of independent members	33%
% of other external members	0%

RELATED TRANSACTIONS COMMITTEE

Name	Position	Status
Ms. María Antonia Linares Liébana	Chairman	Independent

Mr. Íñigo Aldaz Barrera	Member	Executive
Mr. Ignacio Bayón Marín	Member	Executive
Ms. Carmen Iglesias Cano	Member	Independent

% of executive members	50%
% of proprietary members	0%
% of independent members	50%
% of other external members	0%

C.2.2 Complete the following table with information on the number of female directors that integrate the committees of the board during the last four years:

	Number of female directors							
	Year 2014		Year 2013		Year 2012		Year 2011	
	No	%	No	%	No	%	No	%
Executive Committee	2	25.00	2	25.00	2	25.00	1	12.50
Audit Committee	3	50.00	3	50.00	3	50.00	1	16.66
Appointments an Compensation Committee	3	50.00	3	50.00	3	50.00	2	33.33
Related Transactions Committee	2	50.00	2	50.00	2	50.00	1	20.00

C.2.3 State whether the Audit Committee performs the following duties:

	Yes	No
Supervising the preparation process and consistency of financial information relating to the Company and, where applicable, the group, ensuring compliance with regulatory requirements, adequate definition of consolidation scope and the correct application of accounting criteria.	X	
Periodically review the internal control systems and risk management, so that the main risks are adequately identified, managed and known.	X	
Ensure the independence and effectiveness of the internal audit function; propose the selection, appointment, re-election and dismissal/resignation of the internal audit service; propose this budget's service; receive regular information on its activities; and verify that upper management adopts the conclusions and recommendations of their reports into account.	X	
Establish and supervise a mechanism that allows employees to report confidentially and, where appropriate, anonymously, any potentially material abnormal condition, especially financial and accounting related condition, that may arise in the Company.	X	
Take selection, appointment, re-election and replacement proposals regarding the external auditor to the Board, as well as their contractual conditions.	X	
Regularly receive information from the external auditor regarding the audit plan and the results of its execution, and verify that upper management takes their recommendations into account.	X	
Ensure external auditors independence	X	

C.2.4 Describe the organizational and working rules and responsibilities attributed to each of the Board's committees.

EXECUTIVE COMMITTEE:

(Article 25 of the Company Bylaws and article 43 of the Board of Directors Rules)

Composition, appointment and dismissal/resignation:

The Executive Committee is composed by a minimum of five members and a maximum of ten. The Chairman of the Board and the Secretary to the Board shall, respectively, be the Chairman and Secretary of this Committee.

The Board of Directors shall designate the members to form part of the Executive Committee.

The members of the Executive Committee shall cease to perform such function when they cease in their role as Board Members or when the Board so decides.

Any vacancies that arise shall be filled by the Board of Directors as quickly as possible.

Powers:

The Board may permanently delegate all of the their powers to the Executive Committee, with the exception of those that it is expected to reserve pursuant to Law, the Company's bylaws or the Board of Directors Rules . Exceptionally, the Executive Committee may adopt the following decisions in emergency situations upon prior approval by the whole Board:

- i) The appointment and possible resignation of upper management, following a proposal from the Chairman of the Board or company's first executive, as well as compensation clauses.
- ii) Board members' compensation and, in the case of executives, additional compensation for their functions as executives and other conditions that their contracts should include.
- iii) Financial information that, as a result of being a listed company, must be published periodically.
- iv) Investments or transactions of any type that, given their significant amount or special characteristics, are strategic in nature, unless their approval is the responsibility of the general meeting. To that end, the approval of investments, disinvestments, credits, loans, bank guarantees or consolidations and any other financial facility in excess of eighteen million (18,000,000) euros shall be included.
- v) The creation or acquisition of shares in entities having a special purpose, or residing in countries or territories deemed to be tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, could act as an obstacle to the transparency of the group.

- vi) All operations that the Company undertakes with Board Members, significant shareholders or those represented on the Board, or with people related to them ("related transactions"), should first be considered and reported upon by the Related Transactions Committee

Operation:

The Executive Committee shall hold its ordinary meetings on a monthly basis, excluding August. It may also hold extraordinary meetings when the Company's interests so require. In that sense, it shall meet as many times as its Chairman calls (at his own discretion), or where applicable, the Deputy Chairman as acting Chairman. Any person, whether known or not to the Company, who is called by the Committee or its Chairman may attend the meeting for the purpose so determined. Likewise, the meeting may be convened where at least two of its Members so request.

Meetings shall be called at least 24 hours in advance, by letter, e-mail, telegram, telefax or fax, receipt of which is to be acknowledged by the Board Members so convened. Nevertheless, unless justified by emergency circumstances, attempts shall be made to call meetings upon, at least, ten days advance notice. Along with the official notice of each meeting, members of the Executive Committee shall receive the pertinent document so that they may form opinions and cast their votes.

The Executive Committee shall be validly constituted with the presence per se or by proxy at least the majority of its members, and will adopt its agreements by and absolute majority of its members. Committee Members may delegate their representation to other Members, but no single Member may represent more than two others.

The Committee's agreements shall be recorded in the minutes, each of which shall be signed by the Chairman and the Secretary or, where applicable, those undertaking those functions during the meeting in question.

The Board shall always be aware of the issues being addressed and the decisions adopted by the Executive Committee. All the members of the Board shall receive a copy of the minutes of the Executive Committee's meetings.

(The content of A.C.C., A.C.C. and R.T.C. stated in the annexed document to this report).

C.2.5 Indicate, where applicable, the existence of regulations covering the Board's committees, where they can be consulted, and any modifications that have been made to them over the fiscal year. Also, indicate if any voluntary annual reports have been prepared on the committees' activities.

EXECUTIVE OR DELEGATED COMMITTEE:

The Executive Committee is governed by article 43 of the Rules of the Board of Directors and article 25 of the Articles of Association (whose content has been fully detailed in point

B.2.3 above). This document may be consulted on the Company's website (www.realia.es). This article 43 was amended by the Board of Directors at its meeting held on December 18, 2012, for the purpose of replacing, in paragraph 9, the expression of half plus one for majority.

Article 41.6 of the Rules lays down the obligation of the Board of Directors to assess its functioning during the previous year, assessing the quality of its work, evaluating the efficacy of its rules and, where appropriate, correcting any aspects proving dysfunctional. The Board shall also assess the performance of the duties of the Chairman of the Board or the company's chief executive officer, starting from the report drawn up by the Appointments and Remuneration Committee; and the functioning of the Board's committees, starting from the report drawn up by them.

In compliance with that obligation, the Executive Committee submitted to the Board of directors a Report assessing its activities in the fiscal year. That assessment was made by means of a formal process of assessing many aspects affecting the efficiency and quality of the measures and decision-making of the Committee, as well as the contribution of its members to the performance of its duties.

Conclusions: the Executive Committee assumes and responsibly performs the duties and authorities delegated to it by the Board of Directors, dealing diligently and effectively with the Company matters requiring attention and constant monitoring

AUDIT COMMITTEE:

The Audit and Control Committee is governed by article 44 of the Rules of the Board of Directors, article 27 of the Articles of Association and Title VIII of the Internal Rules of Conduct (whose content has been fully detailed in point B.2.3 above). These documents may be consulted on the Company's website (www.realia.es). Both articles, 44 of the Rules of the Board of Directors and 27 of the Articles of Association, were amended by the Board of Directors and General Meeting of shareholders of the company, at its meeting held on June 9, 2009, in order to extend the maximum number of members to six (6). Furthermore, these articles were amended by the Board of Directors and the General Shareholders Meeting of the Corporation, during the sessions held on April 13, 2011 and June 8, 2011, respectively, in order to adapt the wording of the articles to legislative developments in the area of corporate law, and to reduce administrative burden of several corporate actions, to facilitate the work of the Directors.

Article 41.6 of the Rules lays down the obligation of the Board of Directors to assess its functioning during the previous year, assessing the quality of its work, evaluating the efficacy of its rules and, where appropriate, correcting any aspects proving dysfunctional. The Board shall also assess the performance of the duties of the Chairman of the Board or the company's chief executive officer, starting from the report drawn up by the Appointments and Remuneration Committee; and the functioning of the Board's committees, starting from the report drawn up by them.

In compliance with that obligation, the Audit and Control Committee submitted to the Board of Directors a Report assessing its activities in the fiscal year. That assessment was made by means of a formal process of assessing many aspects affecting the efficiency and quality of the measures and decision-making of the Committee, as well as the contribution

of its members to the performance of its duties. As a result, it should be stated that the Audit and Control assumes and responsibly performs the duties and authorities delegated to it by the Board of Directors, dealing diligently and effectively with the Company matters requiring attention and constant monitoring.

C.2.6 Indicate if the composition of the Executive or Delegated Committee reflects the participation in the Board of the different Board Members based on their position:

Yes

No

If not, explain the composition of the Executive Committee

The Executive Committee is composed of 75.00% External Board Members (all of which are proprietary) and 25.00% Executive Board Members, while the Board of Directors consists of 80% External Board Members (of which 20% are Independent and 60% are Proprietary) and 20% are Executive Board Members.

D RELATED TRANSACTIONS

D.1 Identify the appropriate body and explain, where applicable, the procedure for approving transactions with related and intragroup parties.

Appropriate body for approving related transactions

According to the Regulations of the Board, the body responsible for approving related transactions is the Board of Directors. However, in those cases where the amount of the transaction is less than eighteen million euros (18,000,000.00 -. €), these operations may be approved by the Executive Committee.

Procedure for approving related transactions

Article 25 of the Regulations of the Board of Directors states that the operations conducted by the Company with directors, significant shareholders or shareholders represented on the Board, or with people related to them shall be approved by the Board on the report of the Related Transactions Committee. Authorization of the Board and the report of the Related Transactions Committee are not necessary, however, for those related transactions that simultaneously satisfy the following three conditions:

- a. They are carried out under contracts whose terms are standardized and apply en masse;
- b. They are carried out at prices or rates generally set by the person supplying the goods or services concerned;
- c. The amount does not exceed 1% of the annual revenue of the society.

Referred article 25 continues that the directors affecting such operations should neither exercise nor delegate their votes, should be absent from the meeting room while the Board deliberates and votes on them. In any case, the relevant transactions of any kind made by any director with the company Realia, its affiliates or subsidiaries shall be reported in the Annual Corporate Governance Report. This obligation also

covers the relevant transactions between the Company and its direct and indirect shareholders-significant.

Operations performed with Realia's shareholders, Fomento de Construcciones y Contratas, SA and Banco Financiero y de Ahorros, SA, shall be made according with the terms and conditions of the Master Agreement referred to in paragraph H.1 of this report, and they are posted on the website of the Company (www.realia.es) and the CNMV (www.cnmv.es).

Explain whether it has been delegated the approval of transactions with related parties, indicating, where appropriate, the body or persons who has been delegated to.

The approval of related transactions has not been delegated.

D.2 Provide details of those relevant transactions in amount or significance by its matter made between the company or its group companies and significant shareholders of the company:

D.3 Provide details of the relevant transactions in amount or significance by its matter made between the company or its group companies and the Company's administrators or managers:

D.4 Provide details of the relevant transactions undertaken by the Company with other companies within the same Group, provided that, in the process of drafting the consolidated financial statements, they are not eliminated and they are not part of the normal operations of the Company in terms of their purpose and conditions:

In any case, shall be informed of any intragroup transaction undertaken with entities established in countries or territories considered tax haven:

0 (Thousands of Euros)

D.5 Indicate the amount of transactions undertaken with related parties.

D.6 Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the Company and/or its Group and its Board Members, Directors or significant shareholders.

Article 25 of the Board of Directors' Rules with reference to conflicts of interest and related transactions, establishes the following:

1. The Board Member should abstain from participating and intervening in deliberations that affect issues in which they may be personally interested, and from voting in the corresponding decisions.
2. The Board Member's personal interest will also be considered to be involved when the issue affects to the people related to the Director in the terms defined in the law.
3. The Board Member should report to the Board with the appropriate advanced notice, of any situation likely to result in a conflict of interests with the REALIA Group of Companies or its related companies' interests.
4. All transactions that the Company undertakes with Board Members, significant shareholders or those represented on the Board, or with people related to them should first be approved by the Board, and reported upon by the Related Transactions Committee. The Board's authorization and the report from the Related Transactions Committee are not necessary, however, for those Related transaction that also simultaneously meet the following three conditions:
 - a. That they are undertaken in virtue of contracts whose conditions are standardized and applied en masse;
 - b. Carried out at prices or rates established generally for any parties acting as a provider of the goods or service in question;
 - c. That their sum does not exceed 1% of the annual income of the company.

Operations performed by Realia with its shareholders, Fomento de Construcciones y Contratas, SA y Banco Financiero y de Ahorros, SA, shall be made in accordance with the terms and conditions of the Framework Agreement

5. The Board shall decide on related transactions following the report of the Related Transactions Committee. Board members assigned said transactions, besides not exercising or delegating their voting rights, shall leave the meeting room while the Board deliberates and votes thereon.
6. In any event, the relevant transactions of any category, undertaken by any Board Member with the REALIA company, its subsidiaries or companies that the Company owns shares in, should appear in the Annual Corporate Governance Report. That obligation also includes relevant transactions undertaken between the Company and its significant shareholder, whether direct or indirect.

Likewise, section 4.7 of the Code of Internal Conduct, which refers to information relating to conflicts of interest, establishes that persons subject to that section (including the Company's Board Members and upper managers), are obliged to report to the Audit and Control Committee's Chairman on possible conflicts of interest affecting them due to family relationships, personal property, or any other motive pertaining to any company that is part of the REALIA Group. Such notification should be made in writing and addressed to the Chairman, and should include a sufficiently detailed explanation of said conflicts of interest. Any doubts on this issue should be consulted in writing addressed to the Audit and Control Committee's Chairman before any decision is taken that may be affected by that conflict of interests.

No conflict of interest is considered to exist as a result of family relations when, not affecting Related Persons, the family relationship exceeds the fourth degree in terms of blood or affinity.

In any event, a possible conflict of interests derived from personal property will be considered to exist when it arises in relation to a company in which the Affected Person holds shares, either individually or together with other people with whom it shares a family relationship as defined in the previous section a) is owner of more than 15% of the political or economic rights, or, while not reaching that percentage, can designate at least one member of its administrative body.

The afore-mentioned information should be kept up-to-date, with all modifications or terminations of the previously communicated situations, as well as the appearance of new possible conflicts of interest being report.

Such communications should be made within fifteen days and, in any event, before decisions are taken that could be affected by such possible conflicts of interest.

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

Yes

No

Identify the subsidiary companies that are listed in Spain:

Subsidiary companies listed

Indicate whether it has been publicly and precisely defined the respective areas of activity and any business relationships between them, as well as those of the subsidiary and other group companies:

Identify the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies:

Mechanisms in place to resolve possible conflicts of interest

E RISK CONTROL SYSTEMS

E.1 Explain the extent of the Risk Management System of the company.

The Realia Group has developed a risk management system that takes into account both the characteristics of the group, such as those typical of the environments in which it operates, economically, geographically and regulatory. This system is based on three points:

1) an organizational structure implemented by the Chairman of the Group, under delegation from the Board of Directors, in which the functional roles and responsibilities are clearly specified;

- 2) a framework to identify, quantify and assess the risks that may affect the Group, and
- 3) a response to the risks identified, monitored by the Audit and Control Committee.

Currently, the risk management system of the Group is implemented at the corporate level and it is working to run in an integral and continuous way.

E.2 Identify the bodies of the company responsible for the development and implementation of the Risk Management System.

Under Article 10 of the Articles of the Company, the Board of Directors is in charge of management, administration and representation of the Company. In the 2nd paragraph of Article 7 of the Regulations of the Board of Directors, is attributed to the Board of Directors itself defining the control and risk management policy, including those that may specifically affect the financial information that the Company must disclose by its listed status. Senior management of each of the functional areas delegated by the Board of Directors will be responsible for development and implementation the System Control and Risk Management, overseen by the Audit and Control Committee, according to article 44 of Regulation of the Board of Directors.

E.3 Describe the main risks that may affect the achievement of business goals.

In our activity, both real estate and property, we can come across different types of risks.

The following is a scheme, not exclusive, of the main risks, all of which are covered by the systems:

1. Financial risks.
 - a. Credit risk.
 - b. Interest rate risk.
 - c. Liquidity risk.
 - d. Exchange rate risk.
 - e. Solvency risk.
2. Market risks.
3. Economic risks.
4. Legal and fiscal risks.
 - a. Judicial and extrajudicial risks
 - b. Realia's responsibilities derived from its actions with contractors or subcontractors.
5. Money Laundering and Financial Abuses related risks
6. Personal Data Protection related risks.
7. Consumer and User Protection related risks.

1. Financial risks.-

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

- a) Credit risk.

The main activities of the Group are real estate development, land sale and the lease of real estate assets. The first does not entail credit risk, for the delivery of the assets automatically entails its collection. Regarding land sale, it is customary to grant regular customers deferrals in payment. Currently, the amount

of retail loans for the sale of land without its corresponding collateral amounts to 14.3 million Euros that the company has impaired for the corresponding risk, and is estimated at 8.9 million Euros. Finally, regarding the lease of real estate assets, the risk is not significant, and is maintained at similar levels than the previous year. The management of the company has made provisions for all these contingencies, according to the default or insolvency period.

b) Interest rate risk.-

Realia Business does not have hedging operations to manage its exposure to interest rate fluctuations. The goal of the interest rate management is to reach a balance in the debt structure that allows for the minimization of cost through a multi-annual horizon, with reduced volatility in the P&L account. The comparative analysis of the financial cost included in the Business Plan and the rate curve trends have made the company decide not to hedge for interest rate in order to minimize the cost of debt for such period.

The company management follows very closely the rate curves for the next years, and does not rule out the convenience of hedging for interest rates in the future.

c) Liquidity risk.-

The situation of the residential real estate market has gradually deteriorated since mid-2007. The reduction in housing demand, together with the excess of supply and especially the international financial crisis, have brought about a tightening of the financing conditions and greater restrictions to access financing, which caused financial problems to a great number of companies in the sector.

Some signs of improvement in the sector have emerged throughout 2014, albeit very concentrated on improved demand for premium products with good location, and also an improvement in financing, especially to individuals or self-development projects, whereas there continues to be a shortage of direct funding to developing companies.

During 2013, the parent company concluded the refinancing of its financial syndicated debt for 791.8 million Euros. Based on this framework, a three-year business plan was drafted (maturing in June 2016), verified by an independent expert, which reflects the existence of liquidity for its compliance. At the end of 2014, the degree of compliance versus the treasury balance and equivalents budgeted is nearly twenty times higher than expected.

The main figures of treasury forecasts for 2015 of the consolidated group, prepared on the basis of a minimum recurring business, dividends and other collections of services rendered to companies of the group, show a forecast of 145.3 million in collections, which together with a forecast of payments for 114.6 million, generates a net positive cash-flow of 30.7 million Euros, which will be dedicated to the servicing of the debt, together with the current treasury position.

d) Exchange rate risk.

One of the consequences of the positioning of the Realia Business Group in international markets is the exposure stemming from the net currency positions against Euro or one foreign currency against another when investment and financing of an activity cannot be done in the same currency.

Given the limited international activity of the group in markets outside the Euro zone, its exposure to exchange rate risk is not significant.

(The content on the remaining Risks is included in the document attached to this Report).

E.4 Identify whether the entity has a risk tolerance level.

The Realia Group is currently working on updating the formal levels of tolerance to various risks that affect the development its activities (financial, operational, technological, etc.) as part of its strategy of creating value. These levels of tolerance and appetite for risk, based on quantitative and qualitative criteria, are reviewed considering the factors that contributed to its definition have varied along time.

E.5 Indicate what risks have materialized during the year.

Market risks.

The current situation of the real estate sector, with a gap between the supply and the existing demand, has caused that prices of the different real estate products have continued to be adjusted during 2014, with the corresponding impact on product margins. REALIA has not been exempt from these circumstances, even though the price adjustments made in previous years have made it possible to lessen its impact on the P&L. This trend is expected to continue its slowdown in 2015, so that prices and margins can start to recover.

In the developments area, in order to solve the housing stock problem, the Company continues to adapt the selling price of the properties to the new demand, analysing market needs, both by geographic areas and by the products in demand.

In order to compensate the effects of this risk in the property area, the Company has continued to reinforce its rental management, keeping a high level of occupancy of its buildings, with quality and solvent tenants. Furthermore, some adjustments have been made to rental prices, to better adapt them to the new market situation.

Reduction of value of real estate assets and housing stock

Contrary to previous years, during 2014 the housing and land development assets did not lose significant value. Specifically, new provisions have been made in land for an amount of 6.1 million Euros, due to the valuations (ECO methodology) resulting from the market situation and which in like for like terms, represent a reduction of 3.1%. However, some provisions have been reversed, such as 4.6 million € for land in Poland.

This year, provisions for finished products for an amount of 4.7 million have also been reversed.

The company considers that the valuation that reflects more adequately the market value of its stock is their fair value, and it has adjusted its existing provisions for impairment according to it. Said market value is determined on the basis of appraisals by independent experts, according to the principles and methodology of Order ECO/805/2003 of March 27, amended by Order EHA/3011/2007 of October 4, and by Order EHA/564/2008 of February 28, which sets out the rules for the valuation of real estate properties and several rights for certain financial purposes

However, during 2014, net real estate Property investments of the Group increased their value by 5.43 M, in like for like terms compared to the previous year. All the assets in Property fixed assets, with the exception of one that is not representative of the parent company, have been appraised by an independent expert, according to the RICS methodology. The variation in the valuation of the Property fixed assets represented an increase of 0.4% over last year, in like for like terms.

The asset valuation process by an independent expert followed the recommendations of the CNMV (Stock Market Authority) to listed valuation and real estate companies regarding the valuation of real estate property.

E.6 Describe the response and supervision plans for the main risks of the company.

Control and risk management in Realia Group is settled depending on policies and procedures adapted to the different risks that might take place.

The company Administration Council has a commitment with risk control and management processes, passing policies, procedures, limits and structures.

The company Committee of Direction, in which all areas of the business are represented, as well as Financial Direction, in its periodical meetings, analyses the situation and evolution of the main risks affecting Grupo, taking corrective measures if necessary.

The Area of Internal Audit, controlled by the Committee of Audit and Control, provides an independent evaluation of the adaptation, competence and efficiency of the internal control system and the risk management system.

The Committee of Direction will treat any risk considered critical in its periodical meeting. The Committee of Direction will suggest the Administration Council the specific response plans before any critical risk. The Administration Council will take into account the proposal, accepting it or modifying it if necessary.

F INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO FINANCIAL INFORMATION EMISSION PROCESS (SCIIF)

Describe the mechanisms forming the risks and control management systems in relation to financial information emission process (SCIIF) of the entity.

F.1 Company control environment.

Describe and explain the main characteristics of:

F.1.1 Organs and/or functions responsible for: (i) existence and maintenance of a suitable and effective SCIIF; (ii) its implantation; and its monitoring.

According to article 10 of the Statutes of the Company, the Administration Council is responsible for the management, administration and representation of the Company. In the 2nd point of the article 7 of the Regulation of the Administrative Council, the later is given the definition of the strategy regarding risk management and control policy, including those that may affect financial information that the Company must publish due to its condition of listed. The Direction every functional area, after being delegated by the Administration Council, will be responsible for its development and implementation, being

the Risks Management and Control System monitored by part of the Committee of Audit and Control, according to the Regulations of the Administration Council.

F.1.2. If there are the following elements, especially regarding the elaboration process of financial information:

- Departments and/or mechanisms in charge of: (i) the design and revision of the organizational structure; (ii) the clear definition of responsibility and authority lines, with a suitable distribution of tasks and functions; and (iii) the existence of enough procedures for a correct diffusion in the entity.

The highest position responsible for designing and organizing structure of Group is Presidency, under the control of the Administration Council. The organization of Group was updated in December, 2001, through the emission of a Notice by the Presidency in which were defined, specifically, the responsibilities of the Directors of Departments and/or Business Areas regarding SCIIF management.

Additionally, there is a defined power policy inside Group.

- Code of conduct, organ of approval, range of diffusion and instruction, principles and values included (indicating if there are specific mentions to record operations and elaboration of financial information), organ in charge of analysing breaches and proposing corrective actions and sanctions.

Realia Group has its own binding Ethic Code of Conduct, passed by the Administration Council in the session held on November, 16th, 2010. The Code aims to specify performance criteria for administrators, managers and employees in Group, independently of their type of contract, their position or their geographical area of work. Every employee of Realia Group must subscribe the Code formally and have a copy of it. The Code is accessible on the intranet of Group.

The conduct guidelines explained in the Ethic Code are classified in the following categories:

- Rule compliance and respect to ethic values.
- Commitment to people.
- Protection of personal data.
- Commitment to clients.
- Internal control and fraud prevention (including specific mentions to recording operations and elaboration of financial information).
- Commitment towards the market, the company and the community.
- Commitment towards society and environment.

- Complaint channel to communicate the audit committee irregularities regarding financial and accounting issues, as well as eventual breaches in the code of conduct and irregular activities in the organization, reporting about their confidentiality if relevant.

Realia Group has a general procedure of communication to issues related to the Ethic Code of Group and a procedure of trouble reporting in financial and accounting fields of potential importance. Both procedures are implemented through a confidential and not anonymous channel of trouble reporting, under the control of the Committee of Audit and Control. The channel of trouble reporting has its correspondent section in the intranet of Group. Written mailing is also admitted.

- Training and periodical updating programs for the staff involved in the preparation and revision of financial information, as well as the SCIIF evaluation, covering at least accounting rules, audit processes, internal control and risk management.

Throughout the year, Realia Group has carried out several training actions related to accounting, fiscal, labour and mercantile rules, completing 359 training hours.

More specifically, Internal Audit Department has attended conferences and monographs associated to internal control within the organizations, carried out externally.

F.2 Risk evaluation of financial information.

Describe:

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

- If the process exists and if it is documented.

It starts with a preliminary identification of potential risks by the staff responsible for Functional Areas. Then, their occurrence and impact probability in case of them taking place is calculated, generating risk maps. Risks are prioritized by using such an assessment, analysing the necessity of establishing potential improvements and carrying out their implementation on those functional areas and recording all this process in written format.

- If the process covers all the objectives of the financial information, (existence and occurrence; integrity; assessment; presentation, itemization and comparability; and rights and obligations), if it is updated and how often.

Realia Group risk identification process covers all the objectives of the financial information and it is updated, at least, once a year.

- The existence of a process of identification of the consolidation perimeter, considering among other points, the possible existence of complex company structures, instrumental or special purpose entities.

On a regular basis, the suitability of the consolidated perimeter is assessed, considering the effective part and the influence degree in every company.

- If the process takes into account other risk typologies (operational, technological, financial, legal, reputational, environmental, etc.) regarding their effect on financial estates.

Control and Risk Management Policy takes into account not only financial risks, but also other typology such as regulatory, technological, reputational, fraud, human resources management risks, etc.

- The directive organ of the entity monitoring the process.

The function of the Area of Internal Audit, monitored by the Committee of Audit and Control, is responsible for coordinating and supervising the regular updating of the risk maps, as well as the people responsible for every one of the Functional Areas. They are, ultimately, who identify the risks Group is subject to.

F.3 Control activities.

Describe and explain the main characteristics of:

F.3.1 Revision and permission procedures of the financial information and description of SCIIF, to publish in stock markets, indicating the person responsible for it, as well as description of the descriptive documentation of the control and activity flows (including those regarding fraud risk) of the different transactions affecting financial estates materially. This includes the accounting close and the specific revision of the pertinent judgments, estimations, valuations and projections.

Realia Group has an internal revision procedure of financial information (including annual accounts, inter-year period account and the Annual Report of Corporate Governance). It monitors the process since the information is created in the Area of Administration and Finance and by the Corporate Strategy and Relation with Shareholders Department, until

it is passed by the Committee of Audit and Control; and finally, by the Administration Council before being published.

Besides, the Policy of Risk Management and Control of Realia Group, which strategic definition corresponds to Administration Council and is implemented by the Direction of every functional area and monitored by part of the Committee of Audit and Control, incorporates the necessity of establishing a System of control of the financial information to collect related criteria, policies, procedures, controls and documentation. The implementation of such a system has been carried out from the identification of 22 key processes. Those processes separate the duality of business brought together in Realia Group: on the one hand the property development and on the other hand property patrimony business:

Property business	Real Estate Development business
<ol style="list-style-type: none"> 1. Asset Management (office buildings) 2. Asset Management (malls) 3. Contracting with customers 4. Collection Management 5. Contracting with suppliers 6. Payment Management 7. Tax and legal adviser 8. Accounting closure 9. Information System Management 	<ol style="list-style-type: none"> 1. Land purchase 2. Urban Development Management 3. Project Development 4. Post-sale Management 5. Land sale 6. Client Contracting 7. Supplier Contracting 8. Collection Management 9. Payment Management 10. Taxes and Legal Adviser 11. Personnel recruitment and management 12. Accounting closure 13. Information System Management

Every process has its corresponding development and flowgram containing a description of the activity and control fluxes affecting financial estates materially, as well as controls and risk matrixes resuming the risks identified in the developments of the process and the controls implemented to mitigate them. The matrixes incorporate information about the type of control (manual/automatic, preventive/detective...), attaching a specific mention to fraud risk if necessary.

All descriptions, flowgrams and control and risks matrixes have been validated with the holders of the processes. All areas and/or departments in the different descriptions are responsible for their appliance and for communicating any change in the process which may affect their design.

The process of monthly/annual close has been included for every business of Group. It gathers not only the flow corresponding to capture, homogenization and presentation of the financial information, but also other line items such as pertinent financing or judgments, estimations, valuations and projections affecting financial information.

F.3.2 Internal control procedures and policies about information systems (among others, about security of access, change control and their operations, operative continuity and function segregation) to support the pertinent processes of the entity regarding elaboration and publishing of financial information.

The internal control procedures and policies related to the information systems are defined by the Direction of Corporative Strategy, supported by the Manager of Systems of Information.

Policies and procedures related to information systems are formalised, explained as in the rest of key processes of descriptions, flowgrams and risk and control matrixes. The main risks observed by Realia Group, and those which are given a response, affect physical security (security copies, maintenance and access to computers...), logical security (access controls, log in/out procedures, antivirus and malware...), sufficient segregation of functions, information register and tracking, privacy (LOPD, Organic Law on Data Protection), development and maintenance of systems. Group has a Plan of Business Continuity which contains the current practises which allow giving a response to an occasional accident affecting the information systems.

F.3.3 Internal control procedures and policies to monitor the management of subcontracted activities, as well as those aspects of assessment, calculation or valuation ordered to independent experts, which may affect financial estates materially.

The activity subcontracted with a higher impact on financial estates corresponds to the asset valuation by an independent expert in the field. The procedure in Realia Group for this collects the CNMV recommendations to real estate and valuation regarding with the valuation of real estates. Additionally, this process contains a description, flowgram and risk and control matrixes which have a detailed account of flow activities and controls affecting financial estates materially.

F.4 Information and communication.

Describe and explain the main characteristics:

F.4.1 Specific function to define and keep the accounting policies (area or accounting policies department) updated, as well as to solve doubts or conflicts derived from its interpretation. It must maintain also a fluent communication with the managers of the operations in the organization, and an accounting policy manual updated and communicated to the units the entity work through.

Within Realia Group, the Financial and Administration Department carries out the functions to define, update accounting policies and answer doubts and queries related to this point. The Company has a Manual of Accounting Policies in which, among others, the criteria followed for the elaboration of the Financial Estates are defined. This Manual is updated regularly, under the control of the Direction of Administration and Finance, in compliance both with the new regulation and/or relevant laws, and the own necessities of Realia Group.

F.4.2 Mechanisms of capture and preparation of the financial information with homogeneous formats used and applied by all the units of the entity/groups supporting the financial estates and notes, as well as information detailed about the SCIIF.

For the elaboration of consolidated accounts, Realia Group has several computer systems and ERP's, they capture information and make it homogeneous in a format through SAP BPC package, so the following adjustments and eliminations typical in the consolidation process of the financial estates can be carried out.

Group has implemented several controls to ensure reliability and the correct treatment of the information received from every business unit.

F.5 Control of the functioning of the system.

Describe and explain the main characteristics:

F.5.1 SCIIF monitoring activities carried out by the Audit Committee and if the entity has an internal audit function which has a supporting competence to the committee in its task of control of internal control system, including SCIIF. Besides, it is compulsory to inform about the range of the SCIIF evaluation carried out in the exercise and the process by which the manager executing the evaluation communicates the results, if the entity has an action plan detailing possible corrective actions, and if its impact on financial information has been considered.

According to article 44, point 44, of the Regulation of the Administration Council, the Committee of Audit and Control correspond, among others:

- Monitoring the elaboration process and the financial information integrity regarding the company and the group, checking the compliance of the normative requirements, the suitable delimitation of the consolidation perimeter and the correct appliance of the accounting criteria.
- Regular checking of the internal control systems and risk management for main risks to be identified, managed and known properly.

The Company has a function of Internal Audit which reports the Annual Audit Plan the work carried out and the weaknesses detected in the control. It is reported to the Committee of Audit and Control and the Presidency of the Group.

Regarding the range of the SCIIF evaluation throughout 2013, it has been going into detail about the evaluation of the operative efficiency of the controls implemented. This evaluation has been carried out through the use of selective samples, as well as the updating of the different cycles of activities. The previously mentioned updating work has been carried out by part of the different business areas under the control of the Committee of Audit and Control through the function of Internal Audit. On the other hand, part of the function of Internal Audit has done control valuation tasks. The function of Internal Audit has reported the evolution of the work to the Committee of Audit and Control periodically in both cases, as well as the potential corrective actions mitigating the detected weaknesses of control.

F.5.2 If there is a procedure of discussion by which the accounting auditor (as established in NTA), the function of internal audit and other experts can communicate the significant weaknesses of internal control identified during the process of annual account checking or others ordered to the high direction and the Audit Committee or entities administrators. Besides, explain if there is a plan of action to correct or mitigate those weaknesses.

The Committee of Audit and Control meets at least three times per month and every time they consider appropriate (during the year 2013 they have met ten times) to fulfil its main function. Its main function means to support the Administration Council in its monitoring work, by means of a regular checking of the process of elaboration of the economic-financial information, the function of internal audit and the independence of the External Audit. The Committee carries out, among others:

1) Discussion with Internal Audit to:

- Obtain information about the planning, range and conclusion of the work carried out.
- Obtain information about the estate of the process of improvement of the weaknesses identified and the subsequent plans of action.
- Obtain an independent point of view on the financial function about specific issues.
- Obtain the necessary information to check the independence of the Internal Auditor according to the functions of the Committee of Audit and Control.

- 2) Discussion with External Auditors (special relevance when they have carried out an action: Audit reports, limited checking, etc.) to:
- Obtain information about the planning, range and conclusion of the work carried out.
 - Obtain information about weaknesses of internal control detected during the work.
 - Inform the External Auditor about those questions which could affect his work.
 - Discuss with the External Auditor the content expected in his reports.
 - Obtain the necessary information to check the independence of the External Auditor according to the functions of the Committee of Audit and Control.

Additionally, the Committee of Audit and Control can request additional information or the participation of experts to analyse issues regarding the compliance of their functions.

During the exercise of 2013, the Internal Audit of Group has presented the conclusions of its work to the Committee of Audit and Control, as well as a monitoring of the corrective actions suggested periodically.

Finally, the External Auditor has held three meetings with the Committee of Audit and Control in order to present the conclusions of his work.

F.6 More relevant information.

F.7 Report of the External auditor.

Explain:

F.7.1 If the SCIIF information reported to markets has been checked by the external auditor. If being so, the entity must include the corresponding report as annex. On the contrary, it must report about its reasons.

Realia Group has not submitted the information about the System of Internal Control of Financial Information to the external auditor because in these moments the operative efficiency of the controls implemented by Group is being evaluated internally, and therefore, of the own System of Internal Control.

G LEVEL OF COMPLIANCE OF CORPORATE GOVERNANCE REGULATIONS

Indicate the company's level of compliance with respect to recommendations contained in the unified good governance code.

In the event that any of them have not been complied with, a detailed explanation of its reasons should be included so that shareholders, investors and the market in general, have sufficient information to evaluate the actions of society. General explanations shall not be acceptable.

1. That bylaws of listed companies do not limit the maximum number of votes that may be issued by the same shareholder, nor contain any other restrictions that hinder the taking of control of the company via the acquisition of shares on the market.

Comply Explain

2. That when the parent company and a subsidiary company are listed, both are precisely defined publicly:

- a) The respective areas of business and any business relationships between them, as well as those of the subsidiary listed company with other group companies;
b) The mechanisms provided to resolve any conflicts of interest that may arise.

Comply Partially comply Explain Not applicable

3. That, although not expressly required by commercial law, operations giving rise to a structural modification of the company are submitted for the approval of the general shareholders' meeting, in particular the following:

- a) The transformation of listed companies into holding companies via "subsidiarisation" or incorporation into subsidiary companies of essential activities developed previously by the company itself, despite the company owning them fully;
b) The acquisition or disposal of essential operational assets when this gives rise to a modification of the corporate purpose.
c) Transactions whose effect is equivalent to that of liquidation of the company.

Comply Partially comply Explain

4. That the proposals detailed in the resolutions to be adopted in the general meeting, including the information referred to in recommendation 27, are made public at the moment the meeting convocation is published:

Comply Explain

5. That at the general meeting a separate vote is taken on those matters which are substantially independent, so that shareholders can separately exercise their voting preferences. And that said regulation applies, in particular:

- a) On the appointment or ratification of directors, which must be voted on individually;
b) In the event of modifications to bylaws, to each article or group of article which are substantially independent.

Comply Partially comply Explain

6. That companies enable split voting, so that financial intermediaries legitimised as shareholders, but act on behalf of different clients, may cast their votes according to the instructions received.

Comply Explain

7. That the board carries out its duties with a unified purpose and criteria and independently, deals with all shareholders equitably, and is guided by the interests of the company, intending in a sustained manner to maximize the economic value of same.

And that it likewise ensures that in its relationships with stakeholders, the company respects laws and regulations; complies in good faith with its obligations and contracts; respects customs and best practice in the sectors and territories in which it operates, and observes any additional principles of social responsibility voluntarily accepted.

Comply Partially comply Explain

8. That the board keeps at the heart of its responsibilities the approval of the strategy of the company and the organization necessary to put it into practice, as well as supervising and ensuring that the management meets goals set, and respects the company's purpose and interests. And that, to this end, the plenary board reserves the authority to approve:

- a) The company's policies and general strategies and, in particular:

- i) The strategic or business plan, as well as annual management and budget targets;
- ii) The investment and financial policy;
- iii) The definition of the structure of the grouping of companies;
- iv) The corporate governance policy;
- v) The corporate social responsibility strategy;
- vi) The compensation policy and evaluation of the performance of upper management;
- vii) The risk control and management policy, as well as the regular monitoring of internal information and inspection policies;
- viii) The dividends as well as own share policy and, in particular, their limits.

- b) The following decisions:

- i) At the proposal of the chief executive of the company, the appointment and removal of upper management, as well as any indemnification clauses.
- ii) Board members' compensation and, in the case of executives, additional compensation for their functions as executives and other conditions that their contracts should include.
- iii) Financial information that, given its status as a limited company, the company must regularly publish.
- iv) Investments or transactions of any type that, given their significant amount or special characteristics, are strategic in nature, unless their approval is the responsibility of the general meeting.
- v) The creation or acquisition of shares in entities having a special purpose, or residing in countries or territories deemed to be tax havens, as well as any other transactions or

operations of a similar nature that, due to their complexity, could act as an obstacle to the transparency of the group.

- c) Operations that the company carries out with directors, significant shareholders or those having a seat on the board, or persons related to them (“related transactions”).

This authorization will not however apply to those related transactions which simultaneously meet the following three conditions:

- 1^a. Carried out according to contracts having standardized conditions applicable en masse to many clients;
- 2^a. Carried out at prices or rates established generally for any parties acting as a provider of the goods or service in question;
- 3^a. That their sum does not exceed 1% of the annual income of the company.

It is recommended that the board approves related transactions subject to the favourable report of the audit committee or, as applicable, any other committee to which this function has been entrusted; and that the directors to whom it has been entrusted, as well as refraining from exercising or delegating their voting right, absent themselves from the meeting room while the board deliberates and votes.

It is recommended that the powers assigned to the board not be subject to delegation, except for those mentioned in letters b) and c), which may be adopted as a matter of urgency by the Delegated Committee, subsequently being ratified by the plenary board.

Comply Partially comply Explain

9. That the board be the precise size necessary to ensure effective and participatory operation, making it advisable for its size to be no less than five and no greater than fifteen members.

Comply Explain

10. That external proprietary and independent directors constitute a significant majority on the board, and that the number of executive directors is the minimum necessary, taking into account the complexity of the company grouping, and the percentage stage held by executive directors in the company's share capital.

Comply Partially comply Explain

11. That among external directors, the relationship between the number of proprietary directors and independent directors reflects the proportion existing between the share capital in the company represented by proprietary directors and remaining capital.

These strict proportionality criteria may be attenuated such that the weighting of proprietary directors is greater than that corresponding to the total percentage of capital they represent:

- 1^o In highly capitalized companies where there a few or no significant shareholders legally categorized as significant, but there are shareholders holding share packages of a high absolute value.

- 2º In the case of companies where several shareholders are represented on the board, and they are not inter-related.**

Comply

Explain

Share capital represented by external Directors amounts to 61.84%, whereas the representation of this type of Directors in the Board accounts for 60% of the total.

Therefore, two company independent non-executive directors are considered sufficient to guarantee adequately the interests of the free float of the company.

- 12. That the number of independent directors represents at least a third of the total number of directors.**

Comply

Explain

Article 6.3 of board of directors' regulations establishes that the board of directors shall contain an adequate number of independent directors, with the number of external directors constituting a substantial majority.

The board of directors contains two independent directors which, although they do not represent a third of all existing directors referred to in the recommendation, it is deemed that, given the current structure of the company's share capital, they are, as indicated in the corporate governance principles of the OCDE and recommendations of the European Committee on 15 February 2006, and a "sufficient number" of independent directors to adequately guarantee the protection of floating capital interests

- 13. That the nature of each director is explained by the board to the general shareholders' meeting, which must make or ratify their appointment, and confirms or, as applicable reviews on an annual basis in the annual corporate governance report, subject to verification by the appointments Committee. And that said report also explains why proprietary directors were appointed at the urging of shareholders whose shareholdings are less than 5% of share capital; and stating the reasons why, as applicable, formal requests for attendance at the board from shareholders having a holding equivalent to or greater than others at whose urging proprietary directors were designated.**

Comply

Partially comply

Explain

- 14. And when there are few or no female directors, the board shall explain the reasons and initiatives undertaken to correct such a situation; and, in particular, the appointments Committee will ensure that new vacancies are filled:**

- a) Selection procedures do not contain any implicit bias that hinders the selection of directors;
b) The company deliberately seeks, and includes among potential candidates, women who meet the professional profile sought.

Comply

Partially comply

Explain

Not applicable

- 15. That the chair person, as the party responsible for the effective Operation of the Board, ensures that directors receive beforehand sufficient information; encourages debate and the active participation of directors during meetings of the board, ensuring that positions are taken freely**

and opinions are expressed; and organizes and coordinates with the chairpersons of the relevant committees the regular evaluation of the board as well as, as applicable, the managing director or chief executive.

Comply Partially comply Explain

16. That, when the director is also the chief executive of the company, one of the independent directors is authorized to convene the Board or include new matters in the order of business; to coordinate and listen to the concerns of external directors and lead the evaluation by the board of its chairman.

Comply Partially comply Explain Not applicable

17. That the secretary of the Board takes special care to ensure that the actions of the board:

- a) Comply with the letter and spirit of laws and regulations, including those approved by regulatory bodies;
- b) Comply with company bylaws and regulations of the AGM, the board and others applicable to the company;
- c) Comply with recommendations on good governance contained in this unified code, accepted by the company.

And that, to safeguard the independence, impartiality and professionalism of the secretary, their appointment and removal should be informed by the appointments committee and approved by the plenary board; and that said appointments procedure is stated in board regulations.

Comply Partially comply Explain

18. That the board meets as often as necessary to effectively carry out its duties, following the schedule of dates and matters established at the beginning of the financial year, with each director able to propose other matters in the order of business which were initially not provided for.

Comply Partially comply Explain

19. That the non-attendance of directors is reduced to those occasions when it is strictly necessary, and quantified in the annual corporate governance report. And, if representation is necessary, that this is conferred with instructions.

Comply Partially comply Explain

Indeed, the absences have been reduced to the bare minimum, and they have been quantified in this report, having delegated almost of them in another board member. However, no specific instructions are normally given as to the vote.

20. That, when directors or the secretary come up with concerns about any proposal or, in the case of directors, the performance of the company, and such concerns are not resolved in the board, at the request of those who raised said concerns, this is stated in the minutes.

Comply Partially comply Explain Not applicable

21. That the plenary board evaluates, once a year:

- a) The quality and efficacy of the board's operations;
- b) Using as a starting point the report drawn up by the appointments Committee, the performance of duties by the chairman of the board and the chief executive of the company;
- c) The operation of its committees, using as a starting point the reports drawn up by them.

Comply Partially comply Explain

22. That directors may execute their right to collect any additional information they deem necessary on matters which are within the board's competence. And that, unless bylaws or regulations of the board state something to the contrary, shall direct any request to the chairman or secretary of the board.

Comply Explain

23. That all directors have a right to obtain from the company the advice necessary to fulfill their roles. And that the company will provide the channels necessary to exercise this right that, under special circumstances, may include external advice whose cost is borne by the company.

Comply Explain

24. That companies establish guidelines which give new directors rapid and sufficient knowledge of the company, as well as its corporate governance rules. And, that they also offer directors programs enabling them to update their know-how when circumstances so advise.

Comply Partially comply Explain

25. That companies demand that directors spend the time and effort necessary to carry out their responsibilities effectively and, consequently:

- a) That directors inform the appointments committee of their other professional obligations inasmuch as they might interfere with their responsibilities;
- b) That companies lay down rules on the number of boards their directors may be members of.

Comply Partially comply Explain

Although article 22 of the Board Rules of the Company establishes that directors must notify the Appointments and Remuneration Committee about the rest of their professional duties, in case they might interfere with their dedication to their position as directors, there are however no rules established about the maximum number of boards that the directors can be members of

26. Que la propuesta de nombramiento o reelección de consejeros que se eleven por el consejo a la junta General de accionistas, así como su nombramiento provisional por cooptación, se aprueben por el consejo:

- a) A propuesta de la comisión de nombramientos, en el caso de consejeros independientes;
 b) Previo informe de la comisión de nombramientos, en el caso de los restantes consejeros.

Comply Partially comply Explain

27. That companies publish, on their website, and keep up to date, the following information on their directors:

- a) Professional profile and biography;
 b) Other boards of directors they belong to, whether these are listed companies or otherwise;
 c) An indication of the category of director, the shareholder they represent or have links with;
 d) The date of their first appointment as company director, as well as subsequent appointments,
 and;
 e) Shares in the company and options to them, held by them.

Comply Partially comply Explain

28. That proprietary directors resign when the shareholder they represent sells its shareholding in full. And that it also does so, to the corresponding number, when said shareholder reduces their shareholding to a level that reduces the number of their proprietary directors.

Comply Partially comply Explain

29. That the board of directors does not propose the removal of any independent director before the expiry of the statutory period for which they were appointed, unless there is just cause assessed by the board subject to a report from the appointments committee. In particular there shall be deemed to be just cause when the director has failed to comply with any of the obligations inherent in their position, or falls into any of the circumstances to make it lose its independent status in accordance with the established in Order ECC/461/2013.

The cessation of independent directors following public share offers, mergers or similar operations leading to a change in the company's share capital may also be proposed when such changes to the structure of the board derive from the proportionality criteria indicated in recommendation 11.

Comply Explain

30. That companies establish rules obliging directors to inform and, as applicable, resign, under those circumstances that might damage the credit and reputation of the company and, in particular, oblige them to inform the board of any penalty clauses they are subject to, as well as any subsequent procedural issues.

That if a director is indicted or subject to commencement of proceedings for any of the infringements indicated in article 213 of the Capital Companies Act, the board shall examine the case as soon as possible and, in the light of the specific circumstances, decide whether it is appropriate or not for the director to remain in their position. All of which the board shall report on, in a reasoned manner, in the annual corporate governance report.

Comply Partially comply Explain

31. That all directors clearly express their opposition when they feel that any proposal submitted to the board might be contrary to the interest of the company. And likewise, extraordinarily, may independents and other directors not affected by any potential conflict of interest in the case of decisions that might act to the detriment of shareholders not represented on the board.

And when the Board adopts significant or repeated decisions on matters contained in the board member's letter referred to in the following recommendation.

This recommendation also refers to the secretary of the board, despite not being a director.

Comply Partially comply Explain Not applicable

32. That when, whether as a result of resignation or other reasons, a director leaves their post before the end of their term of office, they shall explain their reasons in a letter sent to all members of the board. And, that without prejudice to said departure being notified as a significant event, the reason for the departure is stated in the annual corporate governance report.

Comply Partially comply Explain Not applicable

33. That compensation via the handover of shares in the company or companies in the group, share options or instruments indexed to the share value, variable compensation linked to the performance of the company or welfare systems are circumscribed to executive directors.

This recommendation shall not extend to the handover of shares when this is conditional on directors holding on to them until no longer a director.

Comply Partially comply Explain Not applicable

34. That the compensation of external directors is sufficient to remunerate the dedication, qualification and responsibility required for the position, but not so high as to compromise their independence.

Comply Partially comply Explain

35. That compensation related to company profits take into account any provisos stated in the external auditor's report, reducing said profits.

Comply Explain Not applicable

During FY 2014 the Company has not satisfied its Directors remuneration related to the results of the Company.

36. That in the case of variable compensation, compensation policies include specific technical protections to ensure that said compensation retains a link with the professional performance of its beneficiaries and do not derive merely from general developments in the markets or the business sector of the company, or other similar circumstances.

Comply Explain Not applicable

During FY 2014, the Company has not satisfied its Directors variable remuneration.

- 37. That when there is an executive committee (hereinafter the “executive committee”), the structure for the participation of different categories of directors shall be similar to that of the board itself, and its secretary shall be the board secretary.**

Comply Partially comply Explain Not applicable

Both the Secretary and the Vice Chairman of the Board of Directors also hold the same offices on the Executive Committee. However, the Executive Committee is composed of 75% External Board Members (all of which are proprietary) and 25% Executive Board Members, while the Board of Directors consists of 80% External Board Members (of which 20% are Independent and 60% are Proprietary) and 20% are Executive Board Members.

- 38. That the board is always aware of the matters dealt with and the decisions adopted by the executive committee, and that all members of the board receive copies of the minutes of executive committee meetings.**

Comply Partially comply Explain

- 39. That the board of directors sets up, from its number, as well as the audit committee required by the stock market act, a committee, or two separate committees on appointments and compensation.**

That the rules on the composition and operation of the audit committee and appointments and compensation committee/s are given in board regulations and include the following:

- a) That the board designates the members of these committees, taking into account the knowledge, skills and experience of directors, and those appropriate to each committee; deliberate on its proposals and reports; and subject to the obligation to report, in the first plenary meeting of the board following their meetings, of their activity, and answering for the work carried out;
- b) That said committees are composed exclusively of external directors, with a minimum of three. The above is understood to apply without prejudice to the attendance of executive directors or upper management, when so required expressly by members of the committee;
- c) That its chairmen are independent directors;
- d) That they may rely on external advice when they consider it necessary to carry out their duties;
- e) That minutes of the meetings are drawn up and copies provided for all members of the Board.

Comply Partially comply Explain

- 40. That supervision of compliance with internal codes of conduct and rules of corporate governance is assigned to the audit committee, the appointments committee or, if these are separate, the compliance or corporate governance committees.**

Comply Explain

41. That members of the audit committee and in particular its chairman, are designated taking into account their knowledge and experience in terms of accounts, audit or payment management.

Comply Explain

Members of the audit and control committee have knowledge and experience in accounting, auditing and risk management, necessary to perform the duties arising from their office. Also, at least one of them, has been appointed taking into account their knowledge and experience in accounting.

Therefore, even though the director appointed for their special knowledge and experience in accounting and auditing is not the President, Audit and Control Committee complies with the qualification requirements established in the Board Regulations, considering them suitable and best practices for the effective and diligent performance of their duties.

42. That listed companies have an internal audit service which, under the supervision of the audit committee, ensures the correct running of internal inspection and information systems.

Comply Explain

43. That the party responsible for the internal audit presents to the audit committee their annual work schedule, informs it directly of incidents affecting the progress of same, and submits a report on activities at the end of each financial year.

Comply Partially comply Explain

44. That the risk control and management policy identifies at least:

- The different types of risk (operative, technological, financial, legal, reputational...) faced by the company, including financial or economic, contingent liabilities and other off-balance sheet risks;
- The establishment of the level of risk that the company considers acceptable;
- The measures envisaged to mitigate the impact of the risks identified if they should occur;
- The information and internal inspection systems used to inspect or manage the aforementioned risks, including contingent liabilities or off balance sheet risks.

Comply Partially comply Explain

45. The responsibilities of the audit committee:

^{1º} In relation to the internal inspection and information systems:

- That the main risks identified as a result of monitoring the effectiveness of internal control of the company and internal audit, if any, are managed and disclosed properly.
- Ensuring the independence and effectiveness of the internal audit service; proposing the selection, appointment and removal of the head of the internal audit department; proposing the budget for this service, receiving regular information in their activities and

checking that upper management takes into account the conclusions and recommendations in its reports.

- c) Establish and supervise a mechanism that allows employees to report confidentially and, where appropriate, anonymously, of any potentially significant abnormal condition, especially financial and accounting conditions, that may arise in the Company.

2^o In relation to the external auditor:

- a) Regularly receiving from the external auditor information on the audit plan and the results of its execution, and checking that upper management takes into account its recommendations.
- b) Ensuring the independence of the external auditor and, to this end:
- i) That the company reports as a significant fact to the CNMV any change in order, and accompanies it with a declaration on the existence of any disagreements with the outgoing auditor and, if any, of their content.
- ii) In the event of resignation of the external auditor, examining the circumstances behind it.

Comply Partially comply Explain

46. That the audit committee may convene any employee or director of the company, and ask them to attend without the presence of any other director.

Comply Explain

47. That the audit committee informs the board, prior to the adoption by itself of the corresponding decisions, of the following matters indicated in recommendation 8:

- a) The financial information which, as a result of its status as a listed company, the company must publish regularly. The Committee should ensure that intermediate accounts are drafted using the same accounting criteria as the annual accounts and, to that end, consider the appropriateness of a limited review of the external auditor.
- b) The creation or acquisition of holdings in companies having a special purpose or domiciled in countries or territories having the status of tax havens, as well as any similar other transactions or operations that, given their complexity, could have a negative impact on the transparency of the group;
- c) Related transactions, unless this prior reporting function has been assigned to a committee other than supervision and control.

Comply Partially comply Explain

48. That the board of directors has accounts presented to the general meeting without reserves or provisos and that, in extraordinary circumstances where these do exist, both the chairman of the audit committee and auditors clearly explain to shareholders the content and scope of said reserves or provisos.

Comply Partially comply Explain

49. That the majority of members of the appointments or appointments and compensation committee, if this is combined, are independent directors.

Comply Explain Not applicable

When appointing members of the appointments and compensation committee, the Board has prioritized administration skills, experience and qualifications of the directors to contribute to a better performance of the powers and functions assigned to this commission. In any case, all of the Independent Directors are members of this Committee

50. That the appointments committee, as well as the duties indicated in previous recommendations, is responsible for the following:

- a) Evaluating the skills, knowledge and experience necessary for the board, defining in consequence the functions and skills necessary for candidates to fill any vacancy and evaluating the time and dedication necessary for them to properly carry out their task.
- b) Adequately examine or organize the succession of the Chairman and the first executive and, where appropriate, make proposals to the Board so that that successions is undertaken in both an orderly and well planned manner.
- c) Reporting on the appointments and departures of upper management that the chief executive proposes to the board.
- d) Reporting to the board on gender diversity issues indicated in recommendation 14 of this code.

Comply Partially comply Explain Not applicable

51. That the appointments committee consults the chairman and chief executive of the company, especially in respect of matters relating to executive directors.

And that any director may request from the appointments committee that they take into consideration, if they deem it appropriate, potential candidates to cover vacant directorships.

Comply Partially comply Explain Not applicable

52. That the following, as well as the functions indicated in the previous recommendations, are the responsibilities of the compensation committee:

1. Proposing to the board of directors:
 - i) The compensation policy for directors and upper management;
 - ii) The individual compensation of executive directors and other contractual conditions;
 - iii) The basic conditions for upper management contracts.
2. Ensuring the observance of the compensation policy established by the company.

Comply Partially comply Explain Not applicable

53. That the appointments committee consults the chairman and chief executive of the company, especially in respect of matters relating to executive directors and upper management.

Comply Explain Not applicable

H OTHER INFORMATION OF INTEREST

1. **If there is a relevant aspect of corporate governance in the company or group entities that have not been reported in other sections of this report, but it is necessary to include for more complete and reasoned information on the structure and governance practices in the company or its group, describe briefly.**
2. **Dentro de este apartado, también podrá incluirse cualquier otra información, aclaración o matiz relacionado con los anteriores apartados del informe en la medida en que sean relevantes y no reiterativos.**

Specifically, indicate whether the company is subjected to the different Spanish legislation on corporate governance and, where applicable, include the information that is required to provide that is different from that specified in this report.

3. **The company may also indicate whether voluntarily acceded to other ethical principles or good practice codes, international, sector or elsewhere. Where appropriate, the relevant code and the date of accession shall be identified.**

IN ATTACHED DOCUMENT THE INFORMATION PROVIDED IN THE ANNUAL REPORT ON CORPORATE GOVERNANCE REPORT MANAGEMENT IS COMPLETED AS AN ANEX. THIS INFORMATION COULD NOT BE INCORPORATED IN THE FORM FOR REASONS OF PROGRAM CONFIGURATION

As already mentioned in the Annual Corporate Governance Reports from previous years, on May 8, 2007, Realia Business, S.A. (REALIA), Fomento de Construcciones y Contratas, S.A. (FCC) and Caja de Ahorros y Monte de Piedad de Madrid (Caja Madrid) signed a framework agreement in order to regulate relations between FCC, Caja Madrid and REALIA, in particular concerning the following issues:

- Provision of services by FCC and Caja Madrid to REALIA;
- Provision of services by REALIA to FCC or Caja Madrid; and
- Treatment of potential conflicts of interest.

All of the above based on the principles of independence and protection of interests of minority shareholders.

INFORMATION AND CLARIFICATIONS OF THE ITEMS ABOVE:

- A.2)** As reported last February 3, 2015, through Relevant Fact No. 218134, Banco Financiero y de Ahorro, S.A.U. (BFA) has changed its name, and is currently known as BFA Tenedora de Acciones, S.A.U.

As a result of the process to obtain funding from investors and the search for offers for the exit of the shareholders who are interested in leaving the company that the Company opened during the second half of 2013 (Relevant Fact No. 194960), Hispania Real, SOCIMI, S.A.U., a company fully owned by Hispania Activos Inmobiliarios S.A., submitted last December 17 to the CNMV a request for authorization of a IPO of Realia Business, S.A. shares (Relevant Fact No.215618) in which it ratified all the terms and 49 conditions of the offering included in the prior notice published on November 21, 2014 (Relevant Fact No. 214363) and the additional information published on November 26, 2014 (Relevant Fact No. 214415).

The FCC Group reported, on February 5 and 6 2015, through Relevant Facts Nos. 218351 and 218358 respectively, that it is no longer contemplating the sale of its stake within the process of asset disinvestment, as a result of the fact that after the capital increase carried out last December, which strengthened the equity and financial situation of the Group, the investment and disinvestment plan is currently under review.

As of the date of drafting of the current Report, the request is pending authorization by the CNMV (Stock Market Authority).

- A.6)** On the one hand, the companies Fomento de Construcciones y Contratas, S.A., Grucycsa, S.A. and Corporación Financiera Hispánica, S.A. (FCC), and on the other the companies Caja de Ahorros y Monte de Piedad de Madrid and Corporación Financiera Caja de Madrid, S.A. (Caja Madrid), all partners of RB Business Holding, S.L., signed an agreement on May 8, 2007, the main purpose of which is the management of financial and operational policies of REALIA Business, S.A.. Under this agreement, Ms Esther Koplowitz, through FCC Group, was attributed the entire holding of RB BUSINESS HOLDING, S.L. in Realia (51%), pursuant to the provisions of Article 4 of the Securities Market Law, and Article 42 of the Code of Commerce. This agreement was recorded as a public document through the Notarized Certification Record authorized by Notary of Madrid Mr Valerio Pérez de Madrid y Palá on July 3, 2007, under number 2,545 of his official record. It is available in its entirety on the websites of the CNMV (www.cnmv.es) and Realia Business, S.A. (www.realia.es).

On February 20, 2009, FCC and Caja Madrid, informed the CNMV that in order to strengthen the future prospects of REALIA, they believed it was in the best interests of both this company and its shareholders, to support a Strengthening and Action Business Plan for this organization, allowing it to fortify its competitive position in its property businesses concerning rentals, development and management of land.

The main features of the plan are the following:

- a) Enhancing the soundness of the financial structure of REALIA, by optimising the maturity of financial debt, according to the cash generated by its balanced portfolio of assets in rentals and development. This measure includes the possibility of increasing REALIA shareholders' equity, as an addition to external financing.
- b) Considering the incorporation of a new partner to REALIA, with a meaningful and stable holding, to provide value and potential for future development of the company.
- c) In line with the above, on December 31, 2008, FCC and Caja Madrid agreed to modify their contractual relationship versus REALIA. That agreement, which is published on websites of CNMV and REALIA, meant that on December 31, 2008, FCC ceased to include REALIA in its consolidated group, and it additionally provided, in the event of certain circumstances, for the winding up of the company RB Business Holding, S.L., a company holding 51% of REALIA shares, and the award of these shares, in equal parts to FCC and Caja Madrid.

As a consequence of the above:

1. RB Business Holding, S.L., in the Extraordinary General Meeting held on February 19, 2009, agreed on its winding up.
2. FCC and Caja Madrid, under the agreement also published on the websites of CNMV and REALIA, have decided to maintain the commitment to retain their shareholdings in REALIA, even after the winding up of RB Business Holding, S.L., in order to maintain REALIA shareholder stability and to foster future development.

At the General Shareholders' Meeting of REALIA Business, S.A., and RB Business Holding, S.L., both held on June 9, 2009, the merger of both companies was agreed, with the former being the absorbing company and the latter being the absorbed company. This merger was registered with the Commercial Registry on September 25, 2009.

Finally, in this section major shareholder Caja Madrid has been replaced by Banco Financiero y de Ahorros, S.A. due to the business segregation made by the former in favour of the latter on May 16, 2011, according to which the latter now holds indirectly 27,651% of the share capital of REALIA Business, S.A., formerly held by Caja Madrid.

C.1.8.) No shareholder requests have been addressed as there have not been any such requests.

C.1.15.) In the current year, contrary to previous years, the amount indicated in the box "Amount of the global remuneration corresponding to the rights accumulated by directors as pensions (thousand Euros)" is the amount paid for that concept during 2014. The rights accumulated by Executive Directors, the only Members of the Board paid this remuneration amount to a total of 1.120 million Euros, according to section D 1 iii) of the Annual Remuneration Report of 2014. For the purposes of comparison with the previous years, had the criterion not been modified, the global remuneration of the Board of Directors during 2014 would have amounted to 3.117 million Euros, against the 2.828 Million Euros reported in the Annual Corporate Governance Report of 2013.

C.1.31.) The Regulation of the Board of Directors, in Article 10 paragraph 1, on the specific functions relating to the Annual Financial Statements and Management Report states that the Board of Directors shall prepare the Annual Financial Statements and Management Report, both individual and consolidated, so that these offer a true and fair view of the assets, the financial situation and the results of Realia, as set forth in the Law, having previously been approved by the Audit and Control Committee. These accounts shall previously be certified, as far as the completeness and accuracy thereof is concerned, by the Director General of Administration and Finance, with the approval of the Chairman if he had executive powers and, if not, by the Managing Director.

To this end, on February 27, 2015, Mr Juan Antonio Franco Diez, in his capacity as Director of Administration and Finance of Realia, CERTIFIED, with the approval of the Executive Chairman, Mr Bayón Marine, that the Annual Financial Statements and Management Report of the Company for the year ended at December 31, 2014, both individual and consolidated, offer a true and fair view of the assets, the financial position and the results of Realia. Similarly, the Audit and Control Committee, at its meeting also held February 27, 2015, agreed to "inform the Board of Directors on the accuracy and reliability of Annual Financial Statements for FY 2014 (individual and consolidated)," for the purpose of their preparation by the aforesaid Board of Directors.

C.1.37.) The work carried out by the Auditing Firm for the Group includes work on a Limited Review in June (the report for the first half of 2014), as this is not considered a statutory audit.

C.1.45.) On January 23, 2014 the Board of Directors of Realia Business, SA approved unanimously to ratify all its terms and all purposes, including economic, the senior management contract dated July 31, 2000 signed by Realia Business, SA with its Director General Mr. Iñigo Aldaz Barrera.

Regarding the question of whether the General Board is informed about the shielding clauses, has answered Yes to the extent that such Body is informed through their own Annual Report on Corporate Governance.

D.2.) This section should report the following operations carried out by FCC Servicios Industriales y Energéticos, S.A., a company of the FCC Group:

- Provision of services to Realia Patrimonio, S.L.U. for an amount of 30,000 Euros.
- Provision of services to Portfolio de Grandes Áreas Comerciales, S.A.U. for an amount of 117,000 Euros.

These are transactions subscribed in previous years, but extended to 2014. The amount reported in the Large Shopping Areas Portfolio corresponds to four maintenance contracts of several facilities within the Ferial Plaza Shopping Centre.

D.4.) There have been no transactions which are not part of the normal business of the company, as far as their purpose and terms are concerned.

- 3. The company may also indicate whether voluntarily joined to other ethical principle or codes of good practice, international, sectorial or other authorities. In his case, the code in question and the date of adhesion shall be identified.**

This annual corporate governance report has been approved by the board of directors of the company at its meeting on February 27 2015.

Indicate if there are directors who have voted against, or abstained from, the approval of this report:

Yes

No

Name or company name of director who has not voted in favor of the approval of this report	Reasons (against, abstention, absence)	Explain reasons

ANNEX

IN THIS DOCUMENT THE INFORMATION PROVIDED IN THE ANNUAL REPORT ON CORPORATE GOVERNANCE REPORT MANAGEMENT INCORPORATED IS COMPLETED AS AN ANNEX. THIS INFORMATION COULD NOT BE INCORPORATED IN THE FORM FOR REASONS OF PROGRAM CONFIGURATION

C.2.4 Describe the organizational and working rules and responsibilities attributed to each of the Board's committees.

AUDIT AND CONTROL COMMITTEE:

(Article 27 of the Company Bylaws, 44 of the Board of Directors' Rules and Title VII of the Internal Conduct Regulation)

Composition, appointment and dismissal/resignation:

The Company shall have an Audit and Control Committee composed of a minimum of three and a maximum of six Board Members, appointed by the Board of Directors for a period that shall not exceed their term of office as Board Members and without prejudicing their ability to be indefinitely re-elected, insofar as they are also re-elected as Board Members. All the members of the Control and Audit Committee, and especially its Chairman, shall be designated considering their knowledge and experience of accountancy, auditing and risk management.

At least one of the members of the Audit and Control Committee will be independent, and will be appointed according to HIS knowledge and expertise in the areas of accounting or auditing, or both.

The Committee shall elect a Chairman from among its non-executive Members. A Deputy Chairman may also be elected. The term of office for such position shall not exceed four years or those members' term on the Committee. They may be re-elected once at least one year has passed since they left their posts.

The Committee shall designate a Secretary, and where applicable a Deputy Secretary. Said person may be a Board Member or not.

Powers:

The Audit and Control Committee shall supervise internal audits, ensuring the correct functioning of the information and internal control systems. The person responsible for the functioning of internal auditing shall present the Audit Committee with its annual work plan; they shall directly inform the Committee of any incidents that arise in its development; and, at the end of each fiscal year, shall submit an activities report.

The Control and Audit Committee has the following duties:

- a. In relation to the internal inspection and information systems:
 - (i) Supervise the preparation process and presentation of the financial information relating to the Company and the group, ensuring fulfillment of

regulatory requirements, adequate demarcation of consolidation boundaries and the correct application of countable criteria.

- (ii) To supervise the efficiency of the Corporation's internal control, internal audit and risk management systems, if any, and to discuss with account auditors significant weaknesses of the internal control system detected during the audit.
 - (iii) Ensure the independence and effectiveness of the internal audit function; propose the selection, appointment, re-election and dismissal/resignation of the internal audit service; propose this budget's service; receive periodic information on its activities; and verify that upper management takes the conclusions and recommendations of their reports into account.
 - (iv) Establish and supervise a mechanism that allows employees to report confidentially and, where appropriate, anonymously, of any potentially significant abnormal condition, especially financial and accounting conditions, that may arise in the Company.
- b. In relation to the external auditor:
- (i) Propose to the Board, to be submitted to the General Meeting of Shareholders, selection, appointment, re-election and replacement proposals regarding the external auditor, as well as their contractual conditions.
 - (ii) Regularly receive information from the external auditor regarding the audit plan and performance results, and verify that upper management takes their recommendations into account.
 - (iii) Ensure the external auditor's independence and, to that effect:
 - Will request annually from the Corporation's account auditors written confirmation of their independence from the corporation or companies directly or indirectly related to it, as well as information on additional services of any kind rendered to these corporations by said auditors or individuals or corporations related to them according to the provisions of the Account Auditing Act.
 - The Company will communicate any change in the external auditor to the CNMV, and will accompany such communication with a declaration on potential disagreements with the outgoing auditor and the nature of such disagreement, if any.
 - In such case as the external auditor resigns, the Committee shall examine the circumstances that have led to such resignation.
 - (iv) To issue annually, before the account audit report is issued, a report expressing an opinion on the independence of account auditors. This report must issue an opinion, at any rate, on the provision of additional services of any kind rendered to the Corporation or related companies, directly or indirectly by the auditor or corporations related to him, according to the provisions of the Account Auditing Act.
 - (v) Regarding the REALIA Group, the Committee will favor the group auditor assuming the responsibility of auditing the companies of the Group.

- c. The Control and Audit Committee also includes the following duties:
- (i) Report the General Shareholders' Meeting on the issues that shareholders raise in areas where it is competent.
 - (ii) Supervise both the individual and consolidated Financial Statements and Management Report drafting process, for their preparation by the Board as provided by Law.
 - (iii) Report on the accuracy and reliability of individual and consolidated financial statements and Management Reports for the Board to prepare them as provided by Law and the periodic financial information released to the markets.
 - (iv) Issue reports on the proposals to modify the Board of Directors' Rules.
 - (v) Decide what is appropriate in relation to the rights to information of those Board Members that attend the Committee, in accordance with the stipulations of article 30 of the Board of Directors' Rules (as set out in section B.1.42).
 - (vi) Issue the reports and proposals requested by the Board of Directors or its Chairman and those considered pertinent for the correct fulfillment of its functions.
 - (vii) Undertake reports and proceedings described in the Framework Contract and the functions described in the Internal Conduct Regulation.
- d. Inform the Board before it adopts the corresponding decisions on the following issues:
- (i) The financial information which, as a result of its status as a listed company, the company must publish regularly. The Committee should ensure that intermediate accounts are drafted using the same accounting criteria as the annual accounts and, to that end, consider the appropriateness of a limited review of the external auditor.
 - (ii) The creation or acquisition of shares in entities having a special purpose, or residing in countries or territories deemed to be tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, could act as an obstacle to the transparency of the group.

Operation:

The Audit and Control Committee shall meet at least each quarter and, furthermore, as and when called by its Chairman, or when at least two of its Members so request. The Committee shall prepare an action plan for the fiscal year on an annual basis. It shall present this plan to the Board of Directors.

Any member of the Management team and REALIA group employees shall be obliged to take part in the Committees meetings and to provide it with their collaboration and access to the information they have. The Committee may also require employees to appear

without the presence of any other manager. The Committee may also require the presence of REALIA Auditors in its meetings.

Likewise, in order for the Committee to better perform its duties, it may obtain the advice of external professionals, to what end, the stipulations of the Board of Directors' Rules with reference to expert assistance shall be applied (detailed in section B.1.41).

The Audit and Control Committee shall have access to the necessary information and documentation to perform its duties.

The Members of the Audit and Control Committee may be assisted during their meetings by the advisers that they consider appropriate, with a maximum of two per Member. Said advisers shall have the right to speak during meetings, but shall not be entitled to vote.

The Secretary shall assist the Chairman and should provide for the correct Operation of the Committee, ensuring that the meeting's outcome and the content of deliberations are faithfully reflected in the minutes. The Secretary, or whoever performs its duties, shall write the minutes of each meeting. Those minutes shall then be signed by those Members of the Committee who participated in the meeting. The Chairman of the Audit and Control Committee shall inform to the Board of Directors the matters discussed and decisions taken within the Committee, since the last Board meeting.

The Chairman of the Committee shall make a presentation on the Committee's activities during the first Board plenary following its meeting and shall answer for the work undertaken. The Committee shall send an annual report on its performance to the Board.

APPOINTMENTS AND COMPENSATION COMMITTEE:

(Article 45 of the Board of Directors' Rules)

Composition, appointment and dismissal/resignation:

The Company shall have an Appointments and Compensation Committee composed of a minimum of three and a maximum of six Board Members, appointed by the Board of Directors for a period of no more than their mandate as Board Members and without prejudicing their ability to be re-elected, where they are also re-elected Board Members. The Board shall designate the Members of the Committee, taking the knowledge, abilities and experience of Board Members and their tasks within the Board into account.

The entire Appointments and Compensation Committee shall be composed of External Board Members.

The Appointments and Compensation Committee shall designate a Chairman from among its members. It shall also designate a Secretary who shall not be required to be a member of the Committee.

The members of the Appointments and Compensation Committee shall cease to exercise said role when they cease in their role as Board Members or when the Board so decides.

Powers:

The Appointments and Compensation Committee has the following duties:

- a. Report on Executive and Proprietary Board Member appointments and re-elections proposals, and draft Independent Board Member appointment proposals.
- b. Report on both Board of Directors and Committee dismissal/resignation proposals.
- c. Verify the status of each Board Member and ensure that they meet the conditions to be appointed executive, independent or proprietary members.
- d. Evaluating the skills, knowledge and experience necessary for the board, defining in consequence the functions and skills necessary for candidates to fill any vacancy and evaluating the time and dedication necessary for them to properly carry out their task.
- e. Adequately examine or organize the succession of the Chairman and the first executive and, where appropriate, make proposals to the Board so that that succession is undertaken in both an orderly and well planned manner.
- f. Annual report on how the Company's Chairman of the Board and the first executive has performed its duties.
- g. Report on appointments and resignations/dismissals of the Secretary to the Board and upper management that the first executive proposals to the Board.
- h. Report to the Board on issues of sexual diversity, and ensure that, when new vacancies arise, procedures are applied that allows a balanced selection of Board Members, taking into account current good corporate governance recommendations at the time.
- i. Propose the Board Members and Upper Management Compensation Policy to the Board.
- j. Propose individual Executive Board Members' compensation and other contractual conditions to the Board.
- k. Propose Upper Management's basic contractual conditions to the Board.
- l. Ensuring the observance of the compensation policy established by the company.
- m. Prepare and manage a register of the situations of REALIA Board Members and Upper Management, and receive and look after the personal information provided by Board Members contained in that register.
- n. Receive the information provided by Board Members as per the stipulations of article 24.2 of the Board of Directors' Rules ("The persons who, in any way, have interests that go against the Company, shall cease to exercise their position at the request of any partner and by agreement of the General Shareholders' Meeting").
- o. Report on the use of negotiation opportunities by the Board of Directors, or the use of Group assets that have been previously studied and rejected.

Operation:

The Committee shall meet as frequently as they shall deem necessary and whenever their Chairman calls meetings or meetings are requested by two of its members. The Committee shall prepare an action plan for the fiscal year on an annual basis.

It shall present this plan to the Board of Directors. Any member of the REALIA Group management team or any other employee shall be obliged to attend the Committee's meetings and provide their collaboration as well as access to the information they possess when requested to do so.

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

The Members of the Appointments and Compensation Committee may be assisted during their meetings by the advisers that they consider appropriate, with a maximum of two per Member. Said advisers shall have the right to speak during meetings, but shall not be entitled to vote.

Likewise, in order for the Appointments and Compensation Committee to better perform its functions, it may obtain the advice of external professionals, to what end, the stipulations of the Board of Directors Rules with reference to expert assistance shall be applied (detailed in section B.1.41).

The Secretary shall assist the Chairman and should provide for the correct Operation of the Committee, ensuring that the meeting's outcome and the content of deliberations are faithfully reflected in the minutes. Minutes shall be given after each meeting and signed by the members of the Committee present at that meeting. The Chairman of the Appointments and Compensation Committee shall inform to the Board of Directors the matters discussed and decisions taken within the Committee, since the last Board meeting.

The Appointments and Compensation Committee shall consult the Company's Executive Chairman, especially in the case of issues relating to Executive Directors and Upper Management. Any Board Member may request that the Appointments and Compensation Committee consider potential candidates to fill Board vacancies, in case they consider said persons correct for the positions.

The Chairman of the Committee shall make a presentation on the Committee's activities during the first Board plenary following its meeting and shall answer for the work undertaken. The Committee shall send an annual report on its performance to the Board.

RELATED TRANSACTIONS COMMITTEE:

(Article 46 of the Board of Directors' Rules)

Composition, appointment and dismissal/resignation:

The Company shall have a Related Transactions Committee composed of a minimum of three and a maximum of five Board Members, appointed by the Board of Directors for a period that should not exceed its term of office as Board Members and without prejudicing their ability to be re-elected, insofar as they are also re-elected Board Members. The Board shall designate the Members of the Committee, taking the

knowledge, abilities and experience of Board Members and their tasks within the Board into account.

At least the majority of the members of the Related Transactions Committee will be composed of Independent Board Members. Proprietary Board Members cannot be members of the Related Transactions Committee.

The Related Transactions Committee shall designate a Chairman from among its Independent Members. It shall also designate a Secretary who shall not be required to be a member of the Committee.

The members of the Related Transactions Committee shall cease to exercise said role when they cease in their role as Board Members or when the Board so decides.

Powers:

The Related Transactions Committee has the following duties:

- a. Supervise the fulfillments of the Framework Contract.
- b. Report on the all transactions Related, as per the stipulations of article 25.4 of this Regulation.

Operation:

The Secretary shall assist the Chairman and should provide for the correct Operation of the Committee, ensuring that the meeting's outcome and the content of deliberations are faithfully reflected in the minutes.

The Executive Board Members that sit on the Related Transactions Committee should not intervene or vote on related transactions that affect them.

In order to ensure better performance of its functions, the Related Transactions Committee may obtain advice from external professionals, to which end, the stipulations of article 31 of the Regulation is applicable.

C.2.5 Indicate, where applicable, the existence of regulations covering the Board's committees, where they can be consulted, and any modifications that have been made to them over the fiscal year. Also, indicate if any voluntary annual reports have been prepared on the committees' activities.

APPOINTMENTS AND COMPENSATION COMMITTEE:

The Appointments and Remuneration Committee is governed by article 45 of the Rules of the Board of Directors (whose content has been fully detailed in point B.2.3 above). This document may be consulted on the Company's website (www.realia.es). This article 45 was amended by the Board of Directors (i) at its meeting held on June 9, 2009, in order to extend the maximum number of members of the Appointments and Remuneration Committee to six (6), and (ii) at its meeting held on April 13, 2011, in order to reduce administrative burdens in certain company documents to expedite the work of the Directors.

Article 41.6 of the Rules lays down the obligation of the Board of Directors to assess its functioning during the previous year, assessing the quality of its work, evaluating the efficacy of its rules and, where appropriate, correcting any aspects proving dysfunctional. The Board shall also assess the performance of the duties of the Chairman of the Board or the company's chief executive officer, starting from the report drawn up by the Appointments and Remuneration Committee; and the functioning of the Board's committees, starting from the report drawn up by them.

In compliance with that obligation, the Appointments and Remuneration Committee submitted two reports for the Board of Directors' consideration:

- 1) In one it assessed the performance of the duties of Chairman and the Company's Chief Executive Officer in the fiscal year. The basic criterion used by the Appointments and Remuneration Committee to assess the performance of the duties of Chairman was an examination of his measures from the point of view of compliance with the provisions of the Company's corporate documentation, essentially the Articles of Association and the Rules of the Board of Directors. In that assessment, it concluded that the Chairman had performed his duties as the senior representative of the Board of Directors and the Company's Chief Executive Officer, observing the principles of Good Corporate Governance contained in the Articles of Association and in the Rules of the Board of Directors.
- 2) In the other it assessed its activities in the fiscal year. That assessment was made by means of a formal process of assessing many aspects affecting the efficiency and quality of the measures and decision-making of the Committee, as well as the contribution of its members to the performance of its duties. It was then concluded that the Appointments and Remuneration Committee is organized and functions adequately and efficiently, complying at all times with the criteria laid down in the Articles of Association and in the Rules of the Board of Directors.

RELATED TRANSACTIONS COMMITTEE:

The Related Transactions Committee is governed by article 46 of the Rules of the Board of Directors (whose content has been fully detailed in point B.2.3 above). This document may be consulted on the Company's website (www.realia.es).

Article 41.6 of the Rules lays down the obligation of the Board of Directors to assess its functioning during the previous year, assessing the quality of its work, evaluating the efficacy of its rules and, where appropriate, correcting any aspects proving dysfunctional. The Board shall also assess the performance of the duties of the Chairman of the Board or the company's chief executive officer, starting from the report drawn up by the Appointments and Remuneration Committee; and the functioning of the Board's committees, starting from the report drawn up by them.

In compliance with that obligation, the Related Transactions Committee submitted to the Board of Directors a Report assessing its activities in the fiscal year. That assessment was made by means of a formal process of assessing many aspects affecting the efficiency and quality of the measures and decision-making of the Committee, as well as the contribution

of its members to the performance of its duties. It can then be concluded that the Related Transactions Committee is organized and functions adequately and efficiently, complying at all times with the criteria laid down in the Articles of Association and in the Rules of the Board of Directors.

E.3) Indicate the main risks that may influence the achievement of the business goals.

e) Solvency risk.-

As of December 31, 2014, the net financial debt of the REALIA Group amounted to 1.11534 million Euros. Taking into account that debt and the value of the Group's assets, the company's Loan to Value ratio (LTV) amounts to 57.9 %.

During 2014, the Group generated an EBIDTA of 30.9 million Euros, thus covering the servicing of the debt.

As of the end of 2014, the working capital is positive by 722.9 million Euros.

2. Market risks.-

The current situation of the real estate sector, with a gap in supply versus the existing demand, led to the continuation of price adjustments of the different real estate products during 2014, with the corresponding impact of product margins. Realia has not been exempt from these circumstances, even though the adjustments made in previous years have lessened the impact of this development on the P&L. It is expected that this trend will slow down again in 2015, and the recovery of prices and margins can begin.

In view of these circumstances, Realia considers that it must focus all its efforts in the creation of value in the property area, in which its extraordinary real estate portfolio gives it a privileged position; but not forgetting the potential value creation which may emerge in the homebuilding area if the activity and the margins will recover; given the continuous value depreciation of the homebuilding and land assets make them very attractive.

The situation of the sector, with its corresponding drops in margins and valuations, has a negative impact on the financial covenants that the Realia Group must comply.

3. Economic risks.-

It is attempted to control these risks through acquisitions, through detailed analyses of the transactions, reviewing and predicting the problems which may arise in the future, and proposing potential solutions. In disinvestments, the main risk is the non collection of the amounts agreed upon in the contracts, as a consequence of the non compliance by the buyers. These risks are controlled through the establishment of guarantees of all types which would allow, if necessary, to collect the full price or to recover 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 European administrations may impose sanctions in case of non compliance with these rules and requirements.

A change in the legal and fiscal environment may affect the overall planning of the Group's activities. The group monitors, analyzes and, if required, takes the necessary measures, through its corresponding internal departments.

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

a) Judicial and extrajudicial claims.-

Realia's activity might give rise to judicial actions being taken regarding the materials used or the finishing of the properties, even resulting from the actions of third parties contracted by Realia (architects, engineers, constructors and construction subcontractors).

In order to mitigate this risk, the company underwrites construction insurance policies, mandatory for real estate developers, before handing over the houses to their buyers, Furthermore, all work contracts include an agreement for the withholding of 5% on every certification issued by the contractors, to respond to the fulfilment of its obligations and, specifically, of the defects observed at the provisional reception and the cost of repairs resulting from the poor construction or defective acceptance of the works or installations during the warranty period, after the date of provisional acceptance of the works. Furthermore, during the work execution, Realia technicians will monitor the works to ensure that they are taking place according to the plan.

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

It may be the case that the contractors contracted by Realia do not fulfil their duties, are delayed in their deliveries or go through financial difficulties that prevent them from meeting the deadlines agreed upon in the contracts, so that Realia may have to incur in new expenses to meet its commitments with third parties, In order to reduce this risk, and considering the current economic crisis, work execution contracts have been limited to contractors of known solvency.

5. Risks related to Money Laundering and Terrorism Financing Prevention.-

These risks are controlled through the prevention and control system the Group has implemented, according to the applicable legislation, and supported by the corresponding Manual that describes the internal rules related to this subject, and the Control, Information and Communication Department that keeps relationships both with the employees of the Company and the Prevention Services.

6. Risks related to Personal Data Protection.-

These risks are controlled through special standard clauses included in the contracts according to the different circumstances which, in complying with the rule regulating this subject, may limit or even extinguish any type of liability of Realia Business S.A. Furthermore, the REALIA Group has Data Bases registered with the Data Protection Agency, which incorporate the necessary security measures, and a person who is in charge of data protection.

7. Risks related to Consumer and User Protection.-

The Group meets the demands of the different national and regional regulations regarding consumers and users. In fact, it has specific contract templates for the Autonomous Communities with specific legislation on this matter. Furthermore, the Group has the policy of responding to all possible claims from official 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 behaviour, the most relevant of which, excluding the money laundering prevention measures described above, are the following:

The Internal Code of Conduct was approved on April 27, 2007 by the Board of Directors of Realia, and it focuses on matters related to the Stock Markets. The Internal Code of Conduct determines the criteria for the behaviour and action that must be followed, and the processing, use and dissemination of relevant information, to promote transparency in its activities and the appropriate investor information and protection. The Regulation is applied at least to the Managers and Directors of the REALIA Group, external advisors and the personnel of the Stock Market and Investor Relations Departments.

The Ethical Code was approved in November 2010 by the Board of Directors of the Company. Its main purpose is to establish the criteria for the conduct of the managers and employees of the Realia Group. This Code is mandatory, and establishes the values that must guide the actions in the Group, and expects from its employees honest, righteous and transparent behaviour, in line with the principles contained therein.

The PRINEX System is a global business solution that combines the functionalities of universal business management software and the advantages of an ERP tailor made for real estate companies. It ensures ethical conduct by allowing the commercial area to identify clients who have conducted fraudulent transactions in the past, thus avoiding to do business with them.