



**REALIA**

**2015**

ANNUAL AND  
CORPORATE  
RESPONSIBILITY  
REPORT



# About this report \*

The current Corporate Responsibility and Annual Report presents in a balanced, complete and accurate manner the economic, social and environmental management carried out by REALIA and its subsidiaries in 2015. The methodology used is based upon the current legislation and Guide G4 of the Global Reporting Initiative, and the relevant issues for the stakeholders defined in the Materiality Report conducted in 2014 have been taken into account.

(\*) G4-17, G4-23

**REALIA**

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# 1

## LETTERS

- 1.1 Letter from the Chairman
- 1.2 Letter from the CEO





# 1.1

## Letter from the Chairman

Dear shareholders,

For the first time since I have the honor of being the Chairman of the Board of REALIA, a listed company in which minority interests have always been relevant, I am addressing you in this brief letter in which I will try to point out at the keys to a decisive year in the history of the company, when we have dispelled the doubts about its financial feasibility and the economic results are no longer in the red.

2015 marked the beginning of a promising stage for REALIA, characterized by its shareholding and financial restructuring.

Early in the year, our group had to face the maturity of the syndicated loan related to the homebuilding business and was subject to a takeover bid launched by Hispania which, had it materialized, would have entailed the sale of a great number of assets in a short period of time, with the corresponding damage for the company and its shareholders.

In view of this situation, the arrival of Inversora Carso as a shareholder, after acquiring Bankia's stake and beating Hispania with a competitive takeover bid, changed the course of REALIA, and facilitated the refinancing

agreement entered into in December with the holders of the property debt, which amounted to 802.7 Million Euros. This agreement brought about a reduction of the debt by 9% and the establishment of a new repayment schedule.

The process of financial restructuring of REALIA has maintained a steady course since then, and in April 2016, we paid the last installment of the housing development loan, thus consolidating the reduction agreed with the lender banks.

Despite these major advances, there is still a long road ahead, and that will continue to be our main goal, for the purposes of recovering profitability for all shareholders, who have suffered greatly during recent years.

Once the financial restructuring is concluded, REALIA will be in a position to face its future with a good chance of success. This is what the market is also expecting, and it has shown its confidence raising the price of our shares by 47% as a response to the announcements made by the company.


At the time of concluding this report, the National Securities Commission (CNMV) is pending approval of a takeover bid from Inversora Carso over 100% of

the company's shares. In February, it submitted to the CNMV its prospectus establishing a price of 0.80 euros per share, explaining that its goal is to tackle a strategic plan in the REALIA Group to restructure its debt and turn the company into a company with stable and recurrent revenues, and a balanced debt.

Whatever the result of the operation, I predict a future of success for REALIA. To that end, I count on the experience and commitment of our employees, the loyalty of our customers, the expertise of our suppliers and the trust from both shareholders and investors.

Finally, I would like to thank all of those who have made the restructuring of the company possible: shareholders, advisors, managers and employees. I would also like to express my appreciation for the work carried out by the former managers of the group.

Thanks everyone.

  
Juan Rodríguez Torres  
Chairman



# 1.2

## Letter from the CEO

Dear shareholders,

As CEO of REALIA, in my first year in the job after the change of shareholders, it is my pleasure to address you and present this Corporate Governance and Annual Report in which we aim to inform you of our performance, the results obtained in 2015 and our outlook on the future of the company.

Our main goal was, and still is, to restructure the debt of the group to put it back on the path of profitability and to generate value for all its shareholders. We have advanced a lot in the last year, but there is still a lot of work to be done.

The main achievement of REALIA in 2015 was the improvement in our financial situation, after the great effort made in debt reduction. Thus, during the year we signed an agreement to refinance the syndicated housing development loan, which entailed a 9% reduction on the total amount of the 802.7 Million loan. At the date of this report, after the contribution of cash flows, a capital increase of 89 Million Euros and a new loan for the 184 Million corresponding to the last payment of the loan, the debt has been fully repaid and the reduction has been consolidated. We still have to tackle the refinancing of the debt of REALIA Patrimonio,

**The main achievement of 2015 is the improved financial situation after the great effort made in debt reduction**

maturing in April 2017 and amounting to 750 Million euros at the end of last year.

Regarding REALIA's financial statements for 2015, the profit recorded amounted to 17.2 Million euros, against the 77.5 Million in losses of the prior year (once the accounts were restated for the purposes of comparing them to those of 2015). This favorable evolution, after three years of negative results, is a consequence of the improved margins of the property and residential business, the reduction of financial costs and the revaluation of property investments.

In a scenario that favors the rental market, our property activity maintained its robustness and reached 77.8 Million Euros in total revenues. The excellent quality and location of our buildings, the continued stable relation with our customers, the excellence of the services we provide and the optimization of building costs linked to innovation and sustainability resulted in a new increase in the occupancy rate up to 91.5%, and the increase in the gross operating margin.

In the housing development business, we have advanced in land management and the reduction of the stock of residential assets, after the changes in our home sale policy. Given the expected recovery of prices and the sector, within a framework of very favorable interest rate scenario, we are currently applying a more restrictive policy to the assets that, due to their type and location, have room for improvement in terms of prices and margins. Due to this change in trend, activity margins have improved by 8.4%, even though they are still negative.

The company holds assets valued in 1.859 billion Euros at the end of the year. 76% of these assets correspond to the rental property portfolio, and 24% to housing developments and land.



In the area of social responsibility, we maintain our commitment to good governance, transparency and improved relations with our stakeholders. As in previous years, we have prepared this integrated Corporate Governance and Annual Report following the guidelines of the Global Reporting Initiative (GRI, release G4).

## Prospects

We have set four main priorities for 2016 that will lead REALIA towards the path of profitability: optimization and rationalization of all the costs of the group; revenue improvement and enhancement; increased profitability of all assets; and the completion of the shareholding and financial restructuring of the company.

In our property business, we will maintain and reinforce the rent revenues from our offices and shopping centers. We are committed to analyze and implement all the measures needed for the optimization of revenues and costs of each one of the buildings. We will continue to monitor every investment opportunity that arises that meets the requirements of our property portfolio in terms of location, segments and profitability.

## For 2016, we expect to optimize the costs, improve revenues, increase profitability and conclude the shareholding and financial restructuring.

We want to take advantage of the expected recovery of the housing property market to continue to improve our margins on home sales. To that end, we will actively manage the feasibility of tackling new development projects in high-density areas where there is effective product demand.

We believe that it is strategic to advance in land management in the different areas of operation, which will have a positive impact on the income statement once the market situation gets back on a positive track.

The current world economic context is somewhat complicated, but there are some signs of recovery in Spain, and we have accordingly defined a differentiated strategy to

improve our results in each of the areas of activity: property and homebuilding. We are recovering the momentum lost during the crisis. It is true that REALIA has gone through some uncertainty in recent years, but it is also a fact that it has continued to be a reference in the property business in Spain when other big names in the sector took a fall.

We are convinced that our excellent property assets, our expertise, the healthy condition of our accounts and the design of a strategy in line with the recovery of the market will contribute to profitability and will yield the expected profits to our shareholders, especially minority shareholders to whom I wish to remind that we are working tirelessly to achieve that goal.

We still have a long hard road ahead of us to meet our goals, but we hope to achieve them thanks to the trust you have deposited on us.

Many thanks,

  
Gerardo Kuri Kaufmann  
CEO





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# REALIA IN SUMMARY

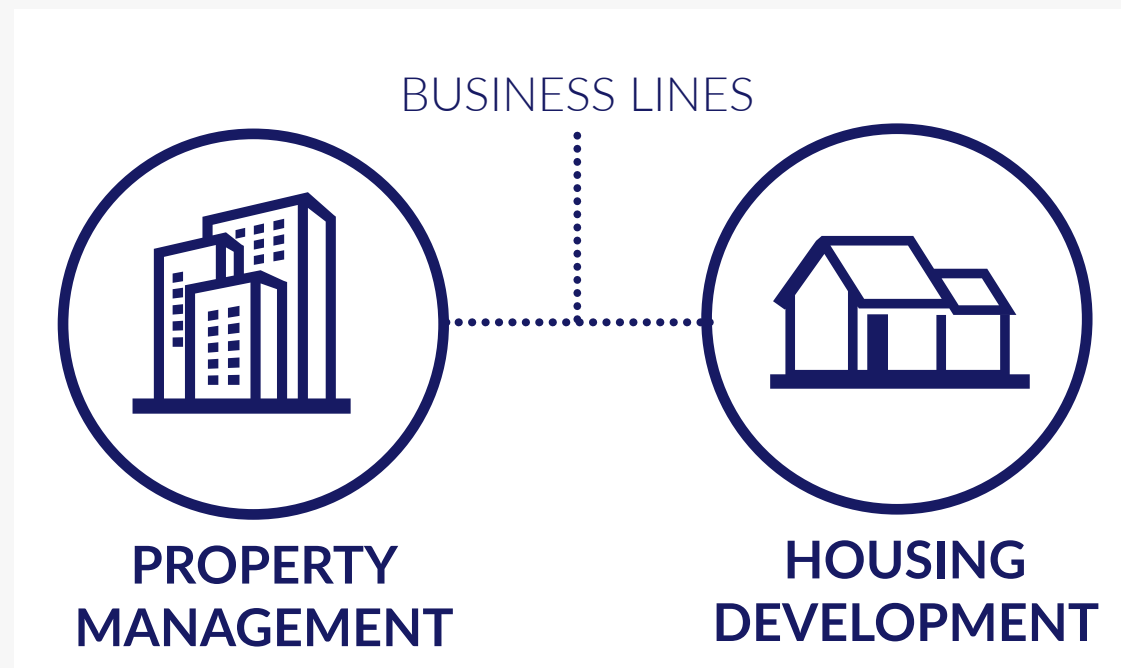
- 2.1 Main figures for 2015
- 2.2 Financial indicators
- 2.3 A key year for REALIA



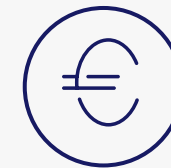
# 2.1

## Main figures for 2015

REALIA is a real estate Company listed in the Spanish Stock Market dedicated to the development, management and operation of all kinds of property assets.



Assets valued in  
**1.859 billion**



**94.9 million** in  
revenues



Portfolio of 41 buildings  
for rent in **prime** areas



**233.6 million** euros  
in capitalization



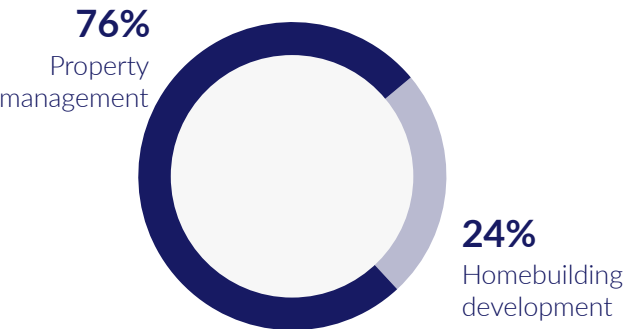
**98 employees**

*Figures at year-end*



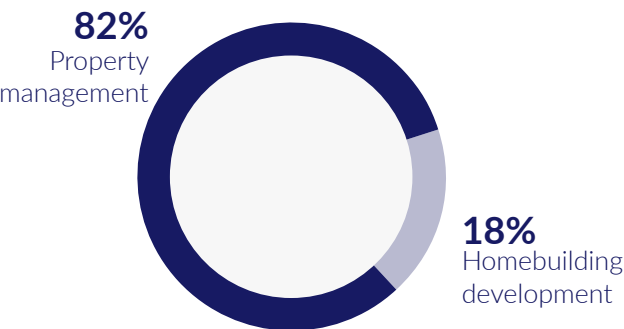
Asset valuation  
in 2015 (GAV)

IN PERCENTAGE

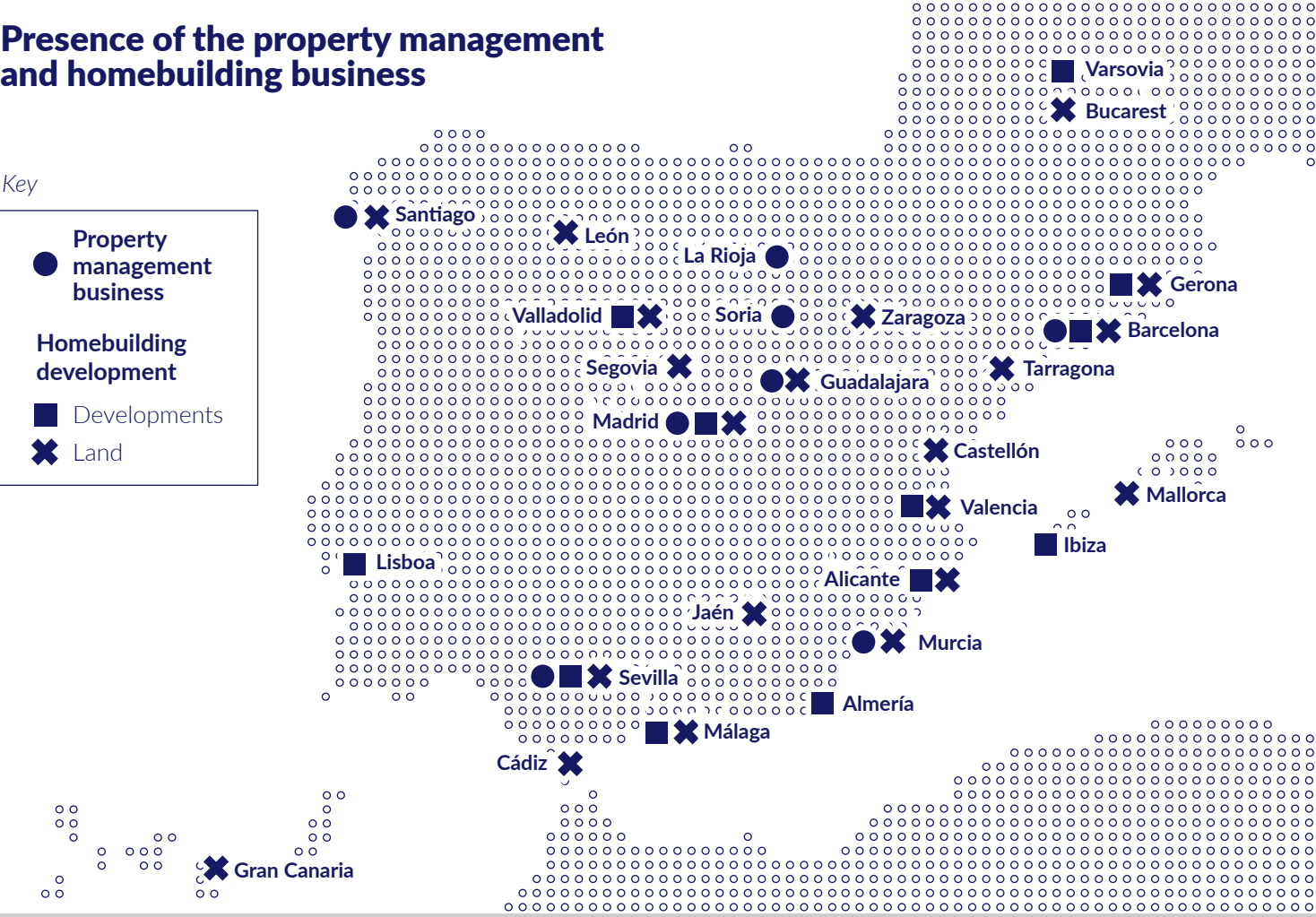


Distribution of  
revenues in 2015

IN PERCENTAGE



Presence of the property management  
and homebuilding business



Source: Realia

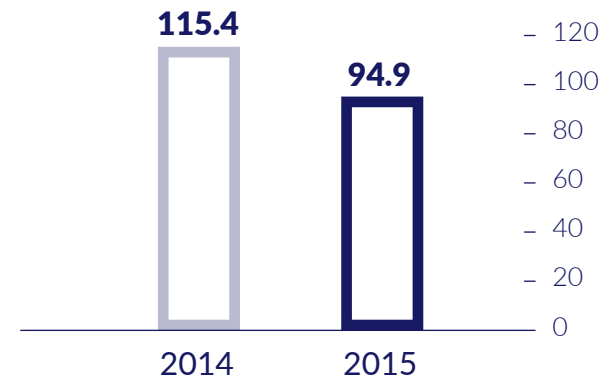


2.2

# Financial indicators

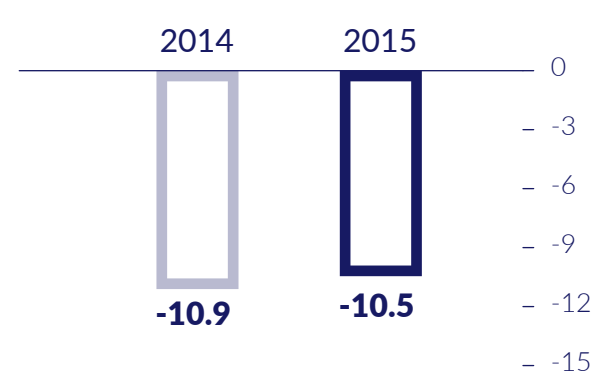
## Revenues

MILLION EUROS



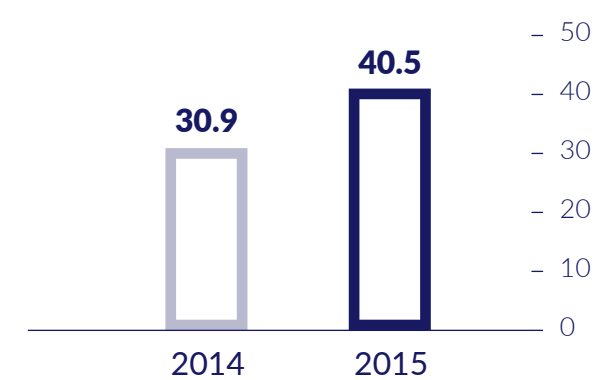
## Recurrent overhead

MILLION EUROS



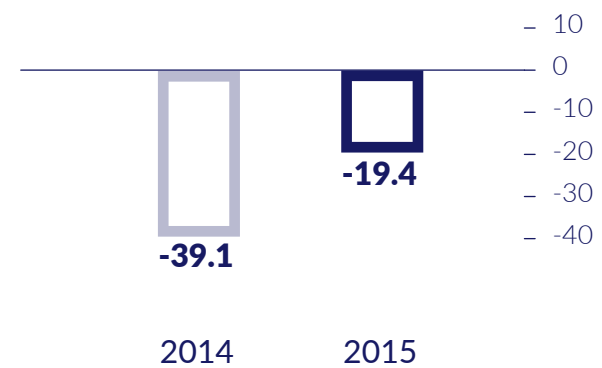
## EBITDA

MILLION EUROS



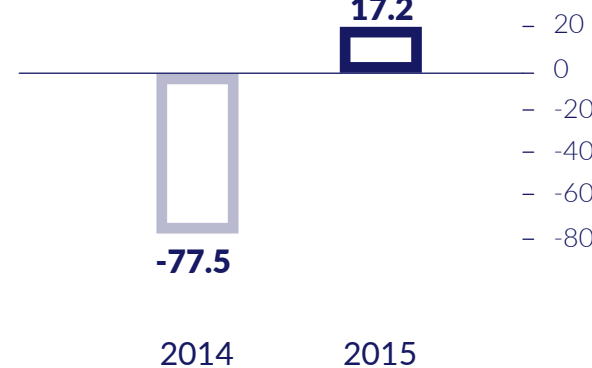
## Financial result

MILLION EUROS



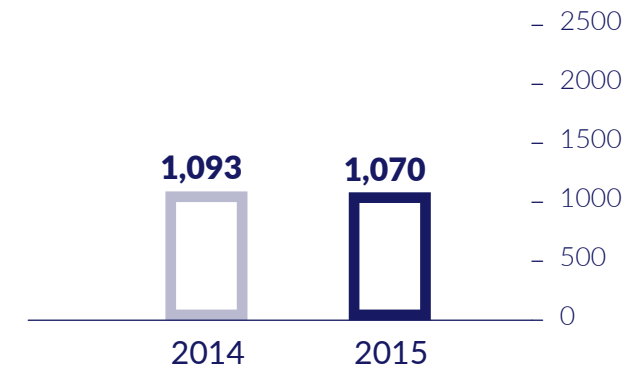
## Net earnings

MILLION EUROS



## Net financial debt

MILLION EUROS



Source: Realia

Figures at year-end.

2.3

## A key year for REALIA

2015 was a key year for REALIA. Inversora Carso entered the company through the purchase of Bankia's shares and after launching a competitive takeover bid once Hispania had given up on its bid. With a new Board of Directors, REALIA reached a refinancing agreement with the lenders of the development loan that entailed a 9% reduction in the loan, and a capital increase was initiated to meet some of its payment obligations.

Salvador de Madariaga 1, Madrid

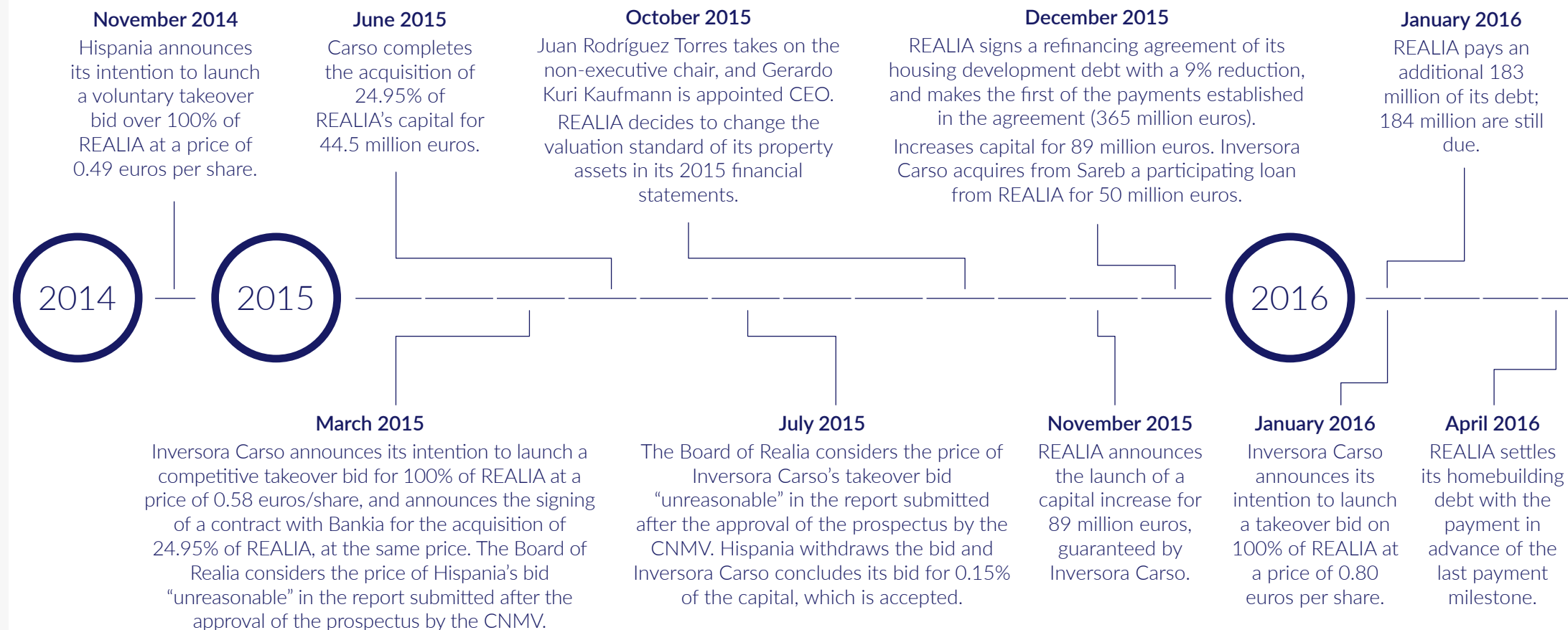
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LETTERS

WHO WE ARE



## Timeline



Source: Realia



LETTERS

WHO WE ARE



Albasanz 14, Madrid



2015 started with a very promising Outlook for REALIA, albeit with some uncertainties. The Spanish economy had started to recover and the real estate business saw the massive inflow of foreign capital, while homebuilding showed some signs of improvement. Despite the favorable economic context and in the sector, the viability of the company was still linked to the arrival of new capital that could take care of the large homebuilding debt that had accumulated since the start of the crisis.

After the sale of its property assets in France and the search for new investors that would take care of its liabilities, early in 2015 REALIA was subject to a takeover bid announced by Hispania – a real estate company dedicated to property management in Spain - in November 2014, and its leading shareholders, FCC and Bankia, were willing to sell their stakes of 36.89% and 34.95%, respectively.

### Takeover bids

Hispania proposed a voluntary takeover bid to REALIA's shareholders at a price of 0.49 euros per share, to be followed by the recapitalization of the group. The bid was conditioned to the acceptance of a minimum of 55% of the share capital, and was preceded by an exclusive agreement with the preferential creditors of the company (CF Aneto, Puffin Real Estate and Goldman Sachs International).

## Inversora Carso announced in March its intention to launch a competitive takeover bid to Hispania's bid for 100% of REALIA

In March 2015, Inversora Carso, a Mexican holding of proven solvency, announced its intention to launch another competitive takeover bid for 100% of REALIA at a price of 0.58 euros per share, and reached an agreement with Bankia to acquire its 24.95% of the share capital at the same price. The takeover bid took place after FCC, in which Inversora Carso also had a stake, decided to suspend the sale of its shares in REALIA, which represented a major obstacle for Hispania's plans.

Both bids, Hispania's and Inversora Carso's, were analyzed by REALIA's Board of Directors in the reports presented after the approval by the CNMV of the takeover bids' prospectus, in March and July, respectively. In these reports, based on an



analysis conducted by the Japanese business bank Nomura, the Board argued that the compensation offered was not reasonable for the shareholders from a financial point of view, even though it valued very positively the fact that Inversora Carso's bid was 18.37% higher than that of Hispania's. During the first semester of the year, the average share price of the company was 0.66 euros, much higher than the share prices offered by the bids.

At the end of July, after months of expectation at the Madrid Stock market, Hispania abandoned its takeover bid, and even though Inversora Carso's bid was still standing, it was only accepted by 0.15% of the share capital. As announced, FCC held its majority stake in the company.

In the meantime, Inversora Carso finalized in June the purchase of 24.95% of REALIA's capital for 44.5 Million Euros,

at the same share price as that offered in the takeover bid.

### New managers

Three months after the takeover bid, in October, Juan Rodríguez Torres was designated non-executive Chairman by appointment from Inversora Carso after the former Chairman, Ignacio Bayón, retired, while Gerardo Kuri Kaufmann was

Albasanz 16, Madrid



Musgo 3, Madrid



appointed CEO after the General Manager resigned. The company publicly acknowledged the work of the outgoing managers during their time at the company, both during the phases of establishment and growth, and during the crisis.

The new Board of Directors decided on 6 of October to change the valuation method of its property assets on its 2015 closing accounts, to put it at a par with that of other companies in the market.

## REALIA focused its strategy on meeting its financial viability plan and the marked reduction of its debt.

In order to tackle the needed reorganization of the Company and meet its payment obligations related to its housing development loan – whose outstanding principal amounted to 804.6 Million euros – REALIA announced in November a capital increase at 0.58 euros per share for a total of 89 million euros in January, to which Inversora Carso committed to participate with its corresponding stake and, additionally, to guarantee the subscription and payment of the full capital increase.

016



## Refinancing agreement

The guarantees given by Inversora Carso in the capital increase paved the way to a refinancing of the syndicated loan with the lending Banks. Finally, on 10 December 2015, REALIA subscribed the novation of the loan with CF Aneto, Puffin Real Estate and Goldman Sachs International, which entailed a reduction of 9% of the total debt, i.e. 72.4 Million euros.

The parties also agreed to bring forward the maturity date of the loan to 20 May 2016, and the establishment of four payment milestones: the first, for 365.2 Million, payable on the day after the agreement; the second, for 88.9 Million, payable on 29 January 2016; the third, for 94.1 Million, payable on 29 February 2016; and the fourth, for 183.9 Million, payable on 30 May 2016.

A few days after signing the agreement, Inversora Carso acquired from Sareb (Company for the Management of Assets proceeding from Restructuring of the Banking System) a participating loan granted to REALIA in September 2009 for an initial amount of 50 Million euros, whose balance at the date of acquisition amounted to 61.3 Million, and could be collected or capitalized.

In December 2015, the capital increase announced in November for 89 Million euros, 2 Million more than initially planned, was completed successfully. FCC and Inversora Carso participated in the capital increase, and apart from the shares proportional to their stake in the company, took on the shares remaining after the conclusion of the preferential subscription period. With the purchase of these shares and the acquisition in the market of a share package for an amount of 2 million euros, Inversora Carso exceeded the threshold of 30% of the share capital.

**In December, REALIA signed the novation of its residential syndicated loan, which entailed a reduction of 9% of the total debt.**

Los Cubos, Madrid



017

Valdebebas, Madrid

## Events after the end of the year

On 27 of February, Inversora Carso announced its intent to launch a takeover bid on 100% of REALIA, at a price of 0.80 euros per share, 17% higher than the share price at the launch date.

As explained in its communication to the CNMV, Inversora Carso aims to tackle a strategic plan in the REALIA group in order to restructure its debt, generate a stable revenue flow for the Company, and balance its indebtedness. Additionally, the new takeover bid will contribute to create a new liquidity window for minority shareholders, which will allow them to remain in the company, or to sell their stake at a fair price.

Inversora Carso announced in March 2016 its intention not to capitalize the participative loan acquired from Sareb and to collect it, accepting a reduction and deferring its maturity by twelve months.

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# 3

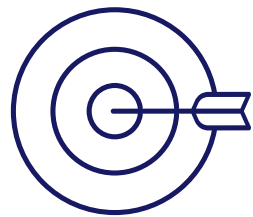
## WHO WE ARE

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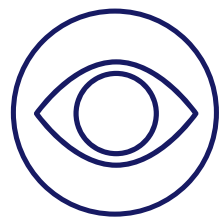
# 3.1

## Mission, vision and values



### MISSION

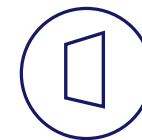
To offer quality real estate solutions to companies and individuals, in order to create shareholder value thanks to asset selection and efficient management, excellence in service, innovation linked to eco-efficiency and responsible management.



### VISION

**REALIA** aims to consolidate as a big company, a reference in the Spanish real estate market through the growth of the business of rental of high value-added buildings located in prime areas, constant renovation of its assets, stable relations with customers, adaptation of supply to demand, homebuilding projects, and cost containment.

## VALUES



### TRANSPARENCY

Leadership in the sector, making management information available to shareholders.



### DIALOGUE

Relations based on trust and mutual benefit with its stakeholders.



### PROFESSIONALISM

Profound knowledge of the sector, generation of value for the company and customers.



### GOOD GOVERNANCE

Top-level decisions are made to attain long-term sustainability of the business.



### INNOVATION

Constant search for solutions that contribute added value to the company and to society.

# 3.2

## Profile of the group\*

(\*) G4-17

REALIA is a real estate holding dedicated to the development, management and operation of office buildings, shopping centers, housing and land.

THE GROUP CONDUCTS ITS ACTIVITY ON TWO BUSINESS AREAS:



### Property management business

It generates recurrent revenues through the rental and management of office buildings and shopping centres; it generates extraordinary revenues through asset rotation.

**REVENUES: 77.8 million euros (82%)**

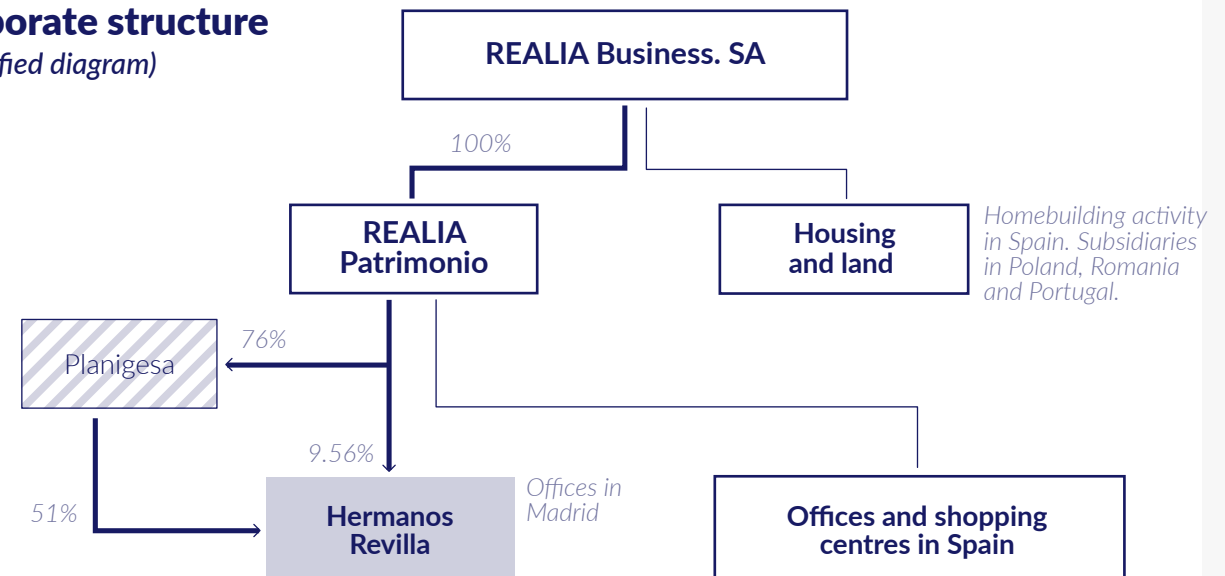


### Homebuilding business

It generates revenues through the development and sale of real estate products, mainly housing, and land management.

**REVENUES: 17.1 million euros (18%)**

### Corporate structure (simplified diagram)



### Corporate information

Name:	REALIA Business, S.A.
Address:	Pº de la Castellana, 216, 28046 MADRID
Phone:	91 353 44 00
Website:	www.realia.es
Share capital:	110,580,336 € (after capital increase)
No. of shares:	460,751,398 (after capital increase)
Nominal price:	0.24€
Activity:	Property - homebuilding
Markets:	Spain, other

Source: Realia

## Shareholding composition after capital increase

In percentage



## History



REALIA Business, S.A. is born, the parent of the group, product of the merger of the real estate subsidiaries of FCC and Caja Madrid (currently Bankia).



The company takes over control of Société Immobilier Cotée de Paris (SIIC de Paris), owner of buildings in prime districts of the French capital.



REALIA is floated in the Spanish Stock Continuous Market, after the spin-off of its property activity and the establishment of the subsidiary REALIA Patrimonio S.L.U. in February.



REALIA reaches an agreement to refinance its homebuilding debt for 1.001 billion euros. Additionally, Bankia and FCC take on a joint participating loan for 100 million.



REALIA signs an agreement with Société Foncière Lyonnaise, in which it transfers 30% of its stake in SIIC de Paris.



REALIA obtains the deferral of the homebuilding debt and starts to look for new investors that contribute capital.



REALIA sells its stake in SIIC de Paris, and focuses its property business on Spain. Hispania announces a takeover bid over 100% of the company at a price of 0.49€/share.



Inversora Carso acquires Bankia's stake, launches a competitive takeover bid, which is completed with the acquisition of 26.1% of the capital, and offers guarantees to refinance the development loan with a reduction of 9%.

Source: Realia



# 3.3

## Business model

### Quality and location of buildings

*High-quality landmark buildings in strategic locations.*

### Excellence in services

*Continued effort to meet the needs of tenants as a way to increase their loyalty and maintain occupation.*



### Stable relations with customers

*Priority to long-term contracts with quality, notorious and solvent tenants rather than more profitable short-term agreements.*

### Innovation linked to sustainability

*Attractive, efficient and innovative real estate solutions, which reduce energy expenses and maintenance costs.*

REALIA's business is based upon four pillars that have allowed it to survive the real estate crisis and place it in a privileged position to face the future with optimism: **quality and location of buildings, stable relations with its customers, excellence in services and innovation linked to sustainability.**

Source: Realia



3.3.1

## Quality and location of buildings

REALIA offers an extensive portfolio of offices and shopping centers, characterized by their quality of construction and their location in strategic areas, where companies and professionals may conduct their activity in ideal conditions.

REALIA's office buildings are singular buildings located in consolidated, well-connected business areas, mainly in Madrid. These prestigious buildings have facades looking out at the main thoroughfares, and sport functional interiors, with wide, well illuminated spaces, designed to meet the needs of the tenants.

Some of the buildings, such as Torre REALIA in Madrid or Torre REALIA BCN in Barcelona, the latter designed by Pritzker Award winning architect Toyo Ito, are an essential part of the skyline of these cities, and are true icons of contemporary architecture in Spain.

The shopping center portfolio of REALIA is composed by properties such as El Jardín de Serrano in Madrid, Plaza

**REALIA's buildings are singular properties located in consolidated, well-connected business areas**

Nueva Parque Comercial in Leganés, La Noria Factory Outlet in Murcia, Ferial Plaza de Guadalajara and As Cancelas in Santiago de Compostela.

All these shopping centers are representative and easy to access, designed to promote the profitability of the retail stores, to attract a large number of customers and provide them with a pleasant shopping experience. They are located in areas of strong demand, and stand out for their diversity of stores and their offering of additional complementary recreational activities, meeting the demand from consumers.

The Company constantly renews and refurbishes its properties to adapt it to the demands of large multinationals and public institutions and to increase the value of its assets at the same time.

### Homebuilding developments

REALIA's homebuilding developments are concentrated on the regions with high population growth, and are mainly first-residence units. The thorough control during the phases of design, selection of materials and construction translates into an offering of housing with excellent finishing and equipped with energy efficiency systems.

Serrano 21, Madrid

21

024



3.3.2

Stable relations with customers

REALIA's tenants are national and international institutions and companies, renowned and financially solvent. The company helps them achieve their corporate goals by offering them flexible and functional working spaces, in the belief that adapting its offering to the requirements of its customers ensures their permanence and maximizes occupancy of its buildings.

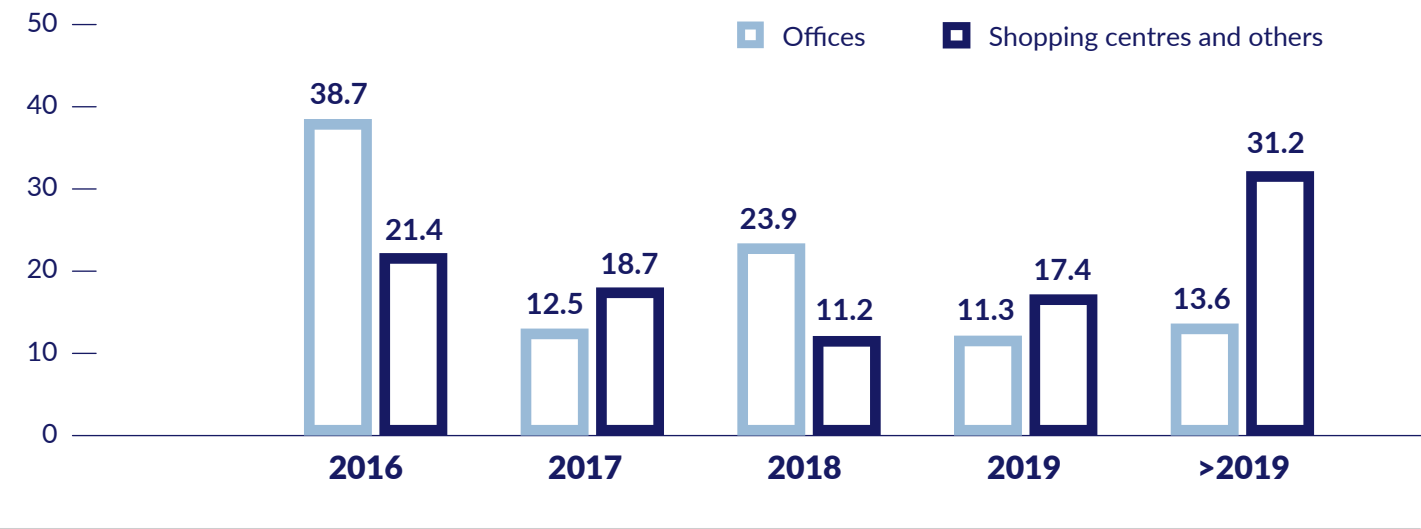
In order to guarantee the sustainability of the business, REALIA favors stable relations with its customers through long-term rental contracts with high-quality tenants, rather than more profitable short-term contracts. On the other hand, it negotiates the extension of contracts before their expiration, in response to the needs of tenants and the market reality.

Contracts normally have a duration of three to five years and contemplate the allocation of all expenses, and include indexation clauses to the Consumer Price Index (CPI), and other guarantees for the property owner. The company offers potential customers flexible conditions and temporary incentives, such as the payment of staggered rents, rent-free periods and relocation options.

Thanks to this commercial strategy, the occupancy rate of buildings is at 91.5%. Nearly half of the contracts of shopping centers and others and one fourth of the office rental contracts expire after 2019.

Contract maturities over annualized rents

IN PERCENTAGE



Source: Realia

The occupancy rate of REALIA's buildings is 91.5%, thanks to the emphasis on stable relations with tenants.





3.3.3

## Excellence in services

REALIA provides its building tenants and purchasers of housing services that provide an additional attraction to its offering and contribute to increase the value of its portfolio.

In order to attract companies and professionals to its offices, it offers customized solutions to each tenant, according to their needs and rent level; is flexible in adapting working spaces, and favors the constant improvement of common services, such as concierges, cleaning or security.

The upkeep of buildings and the constant update of its security, accessibility and energy efficiency conditions are priorities for REALIA. Through a proactive management, it does not only increase the comfort of its customers, but it also optimizes the quality of its assets and reduces notably its operating costs.

For the provision of these services, the company has a highly qualified expert team on all functional areas, and is advised by external professionals. In the case of shopping centers, management is the responsibility of specialized consultants under the supervision of the company.

### Customized service

In housing sales, REALIA's professionals offer customized service during all stages of commercialization: they provide detailed information before the sale, are involved in the paperwork and offer continued aftersales service at least until one year after handing over the keys.

In order to provide incentives for sale and reduce its stock, the company has entered into agreements with banks to offer favorable conditions to buyers in several developments, such as Realia Parque Valdebebas, Eqmar, Ronda de Luz, Jardín del Vivero and 2@Patria.

The company also offers some flexibility in payment in land sales.

**A highly specialized, expert team provides high value-added services to customers**

María de Molina 3, Madrid



026





3.3.4

## Innovation linked to sustainability

Innovation, capacity to adapt to change and the prevalence of long-term rather than short-term decisions are the distinct features that have helped REALIA overcome the worst of the real estate crisis.

Two years before the crisis, in 2006, the Company decided to focus on the property business, which currently accounts for 76% of its assets and 82% of its revenues.

Given the reduction in homebuilding activity, it gradually abandoned building construction and focused its efforts on

a few choice developments and the commercialization of the finished developments. In 2015, it dedicated its efforts to the reduction of stock and, just like in the prior year, did not start any developments, given the impossibility to take on new financial risks. It is planned to conduct viability analyses for three developments in 2016.

### Construction

The Company has been able to adapt to the requirements of big companies in its offices and shopping centers, through

attractive and functional design, improving the comfort of its tenants and the implementation of environmentally friendly energy system that reduce its operating costs.

The latest residential developments, currently under commercialization, are witness to the principle of sustainable construction. Some examples are Realia Parque Valdebebas in Madrid, equipped with innovative energy efficiency measures, and Altos de Santa Bárbara in Valencia, equipped with a Storm Tank to reduce water consumption and protect the complex against potential heavy rains.

Villanueva 15, Madrid



# 3.4

## Lines of activity

REALIA carries out its activity in two business lines: property, consisting in the rental and management of offices and shopping centers, and homebuilding, focused on the development and sale of housing; and land management and sale. Thanks to this diversification, and the reinforcement of the property activity since 2006, the company has proven its ability to overcome negative economic cycles.

REALIA's property activity generates recurrent revenues through the lease and management of office buildings and shopping centers; and extraordinary revenues through asset rotation.

The office and shopping rental business is managed by its subsidiary REALIA Patrimonio, which is the direct owner of a large number of office buildings in prime areas of Madrid, Barcelona and Seville. Additionally, it has stakes in other property companies such as Hermanos Revilla.

Homebuilding activity consists in the development and sale of real estate products, mainly housing, even though REALIA has suspended its construction activity waiting for a change in the market. For its development activity, it buys and manages land that can be sold to third parties.

The homebuilding business is managed by REALIA Business, which combines housing development and land management. Even though most of the activity takes place in Spain, it has subsidiaries in Poland, Romania and Portugal.

Castellana 41, Madrid



028

## 3.4.1

## Property business

REALIA owns 41 assets with a total Surface area of 418,898 sq. m. at the end of the year. All the buildings are under commercial operation (400,574 sq. m.), with the exception of the unique Los Cubos Building in Madrid, with 18,324 sq. m., currently empty and undergoing rehabilitation.

This valuable property portfolio is found in strategic locations in Madrid and other Spanish cities, including Barcelona and Seville.

41 buildings, 27 of which are office buildings and 7 shopping and recreation centers make up the property portfolio. It also owns a building for logistics, several commercial premises and 10,436 parking spaces, and tertiary land.

The privileged location of the buildings, their perfect state of maintenance and the commercial policy of early extension of contracts helped to maintain the level of occupancy of rent buildings at 91.5% in 2015.

The profitability\* of assets in operation reached 5.3%: 4.9% in offices, 7% in shopping centers and 3.7% in other assets.

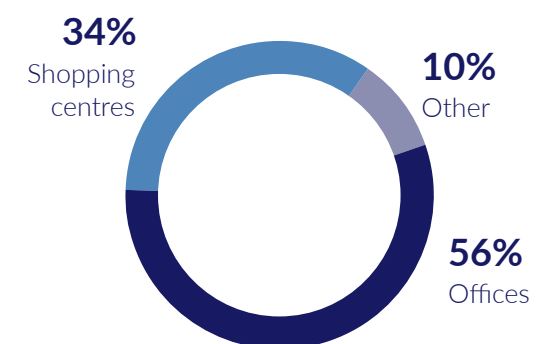
Revenues from office and shopping center rents have been in line with those of the prior year, 77.8 Million euros, representing a slight drop of 1%.

### Property situation in 2015

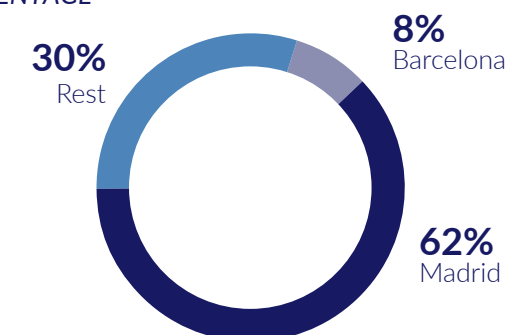
	Buildings	Surface area sq.m
<b>IN OPERATION</b>	<b>40</b>	<b>400,574</b>
Offices	27	226,191
- CBD	12	84,417
- BD	3	42,123
- Other areas	12	99,651
Commercial	7	135,388
Rest	6	39,045
<b>UNDER REHABILITATION</b>	<b>1</b>	<b>18,324</b>
<b>TOTAL BUILDINGS</b>	<b>41</b>	<b>418,898</b>
<b>LAND RESERVE</b>	<b>-</b>	<b>127,977</b>
Offices	-	57,827
Commercial	-	70,150
<b>TOTAL</b>	<b>41</b>	<b>546,875</b>

Source: Realia

### GLA (Gross Leasable Area) by uses IN PERCENTAGE



### GLA in operation by cities IN PERCENTAGE



\* Current profitability (yield): annualized December 2015 rents, assuming 100% occupancy, divided by the asset GAV value.



## a) Offices

REALIA offers 27 office buildings for companies and professionals, with a leasable surface area of 226,191 sq. m. 25 of them are located in Madrid, one in Barcelona and another one in Seville.

12 of the assets located in Madrid are in the central business district (CBD), whereas three of them are in the metropolitan area (BD, excluding CBD), and the rest in the periphery.

In 2015, office occupancy increased to 90.7%: 91.6% in the business district, 92.9% in the metropolitan area, and 89.0% in the business district. 39% of contracts expire in 2016.

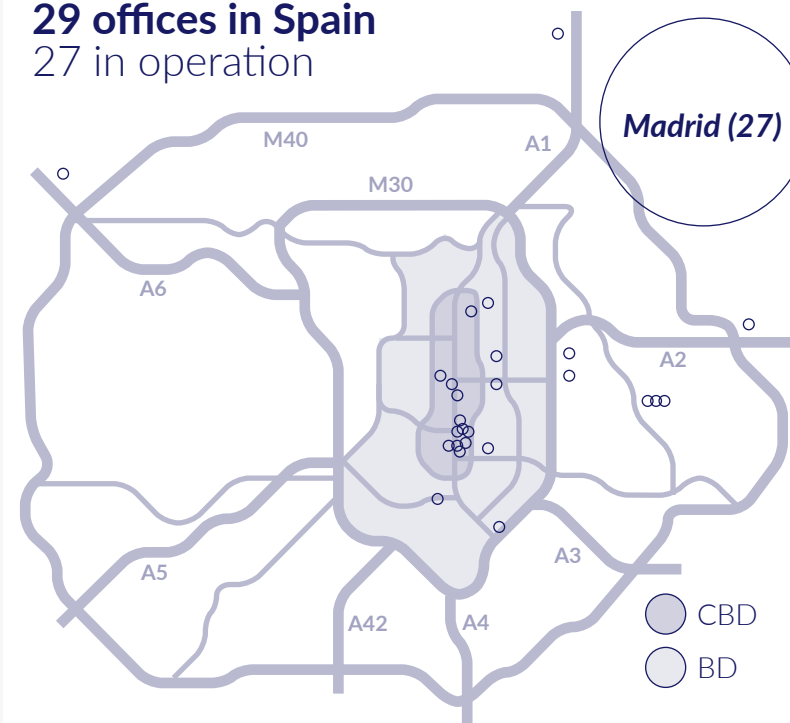
Yields\* of Realia's offices reached 4.9%: 4.4% in the central business district, 5.5% in metropolitan offices, and 5.5% in periphery.

### Architectural icons

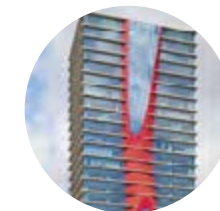
As of 31th December, REALIA's office portfolio was composed by singular buildings, some of them true icons of Spanish architecture, such as Torre REALIA in Madrid, or Torre REALIA BCN in Barcelona, the latter designed by Japanese architect Toyo Ito.

Premium customers, including institutional agencies and customers of known financial solvency such as Marsh &

## 29 offices in Spain 27 in operation



Source: Realia



**Barcelona (1)**  
Torre BCN



**Sevilla (1)**  
Kansas City, 9

Buildings in operation	Offices	Surface area sq.m	Occupancy %
CBD	12	84,417	91.59
BD	3	42,123	92.94
Rest	12	99,651	88.98
<b>TOTAL</b>	<b>27</b>	<b>226,191</b>	<b>90.69</b>

REALIA's offices increased occupancy up to 90.7%, and reached a yield of 4.9%

McLennan, Gómez-Acebo & Pombo, British Telecom, KPMG, St. Gobain, Amadeus, DHL or Ericsson, rent its buildings.

\* Current profitability (yield): annualized December 2015 rents assuming 100% occupancy, divided by the Asset GAV value



## b) Shopping centers

The portfolio of shopping and recreation centers of the REALIA group is composed, as of 31th December 2015, by seven centers, located in Madrid, Santiago de Compostela, Guadalajara, Soria and Murcia, with a leasable surface area of 135,338 sq.m. 45% of that surface area is located in the Community of Madrid.

These are modern centers, located in urban and suburban areas and provincial capitals, with a strong commercial demand and a great potential for development. They are equipped with excellent commercial areas and services, which serve as meeting points, ample accesses, and are prepared to provide a pleasant shopping experience to its customers.

Thanks to their location and to REALIA's commercial policy to extend lease contracts before their expiration, shopping centers increased their occupancy rate up to 90.4%. Tenants include local, national and international companies and retailers from many different sectors, such as Carrefour, Decathlon, Inditex or BricoMark.

Current profitability (yield) of the portfolio of shopping centers of REALIA reached 7% during 2015.

In the shopping center contract portfolio, 24% of the contracts will be renegotiated or expire in 2016.

### Shopping and leisure centres

7 shopping and leisure centres

Occupancy 90.4%

	Location	Leasable surface area (sq.m)	Parking places
Plaza Nueva Leganés	Madrid	52,675	2,987
Ferial Plaza	Guadalajara	31,997	1,068
As Cancelas (1)	S. Compostela	25,190	1,054
Manuel Becerra, 17	Madrid	6,645	50
La Noria Outlet	Murcia	13,807	1,483
El Jardín de Serrano	Madrid	2,124	-
Espolón, 10	Soria	2,900	-
<b>TOTAL</b>		<b>135,338</b>	<b>6,642</b>



(1) The As Cancelas shopping centre is the joint property of REALIA Group and Carrefour Property. The leasable surface area indicated is the square meters corresponding to the REALIA Group.

Source: Realia

## Flagship shopping centers

El Jardín de Serrano is located in the best shopping district of Madrid. This is a prominent shopping center, last renovated in 2011, with 2,124 sq. m. of surface area. It offers premium retailers, and is decorated with a great number of trees and natural plants.

The Wellness Center Manuel Becerra is located not far from Jardín de Serrano, in the middle of the city, in the Salamanca-Goya district.

The largest of REALIA's shopping center is Parque Comercial Plaza Nueva de Leganés, in the province of Madrid, with 52,675 sq. m. It is designed in the shape of a plaza, with landscaped areas; it has nearly 3,000 parking spaces, half of them covered.

More than one hundred commercial and leisure retailers rent space in Ferial Plaza de Guadalajara, which also offers all kinds of services for the comfort of its customers.

The most recent center is As Cancelas, in Santiago de Compostela. Opened in 2012, and offers a great variety of retail stores and recreation.

In line with the latest market trends, the group owns an outlet in Murcia: la Noria Outlet Shopping. This is one of the most visited centers in recent years thanks to its extensive offering of quality products with discounts all year round.

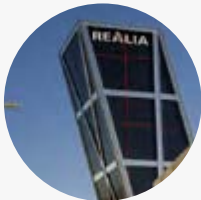
**The current profitability (yield) of REALIA's shopping center portfolio reached 7% during 2015**

CC Ferial Plaza, Guadalajara



Main Spanish property assets

REALIA PATRIMONIO



Torre Realía  
Use: Offices  
Location: Madrid  
Market: CBD  
Year of construction: 1996  
Surface area: 28,424 sq.m



Torre Realía BCN  
Use: Offices  
Location: Barcelona  
Market: Periphery  
Year of construction: 2009  
Surface area: 31,960 sq.m



Edificio Los Cubos  
Use: Offices  
Location: Madrid  
Market: BD  
Last reform: Under rehabilitation  
Surface area: 18,324 sq.m



CC As Cancelas  
Uso: Commercial  
Emplazamiento: Santiago de Compostela  
Year of construction: 2012  
Surface area: 50,380 sq.m

HERMANOS REVILLA



María de Molina, 40  
Use: Offices  
Location: Madrid  
Market: CBD  
Year of construction: 1988  
Surface area: 9,684 sq.m



Castellana, 41  
Use: Offices  
Location: Madrid  
Market: CBD  
Year of construction: 1991  
Surface area: 4,584 sq.m



Goya 6 and 8  
Use: Offices  
Location: Madrid  
Market: CBD  
Last reform: 1991  
Surface area: 7,516 sq.m



CC. El Jardín de Serrano  
Use: Commercial  
Location: Madrid  
Market: CBD  
Last reform: 1991  
Surface area: 2,124 sq.m

Offices <sup>(1)</sup>

	Surface area sq.m
Torre REALIA BCN	31,960
Torre REALIA	28,424
Salvador de Madariaga <sup>(2)</sup>	24,868
Albasanz, 16 <sup>(2)</sup>	19,551
C.N. Eisenhower I, II, III and IV	19,071
Edificio Los Cubos	18,324
C.N. Méndez Álvaro	13,248
Maria de Molina, 40 <sup>(2)</sup>	9,684
Albasanz, 14	9,123
Av. Bruselas, 36	8,804
Príncipe de Vergara, 132 <sup>(2)</sup>	8,735
C.N.Kansas City	7,516
Goya, 6 y 8 <sup>(2)</sup>	8,391
Musgo, 1 and 3 <sup>(2)</sup>	5,068
Goya, 29 <sup>(2)</sup>	4,584
Paseo de la Castellana, 41 <sup>(2)</sup>	4,160
Albasanz, 12 <sup>(2)</sup>	4,007
Alfonso XII, 30 <sup>(2)</sup>	3,865
Serrano, 21 <sup>(2)</sup>	3,000
Marqués del Duero, 4 <sup>(2)</sup>	2,786
Prim, 19 <sup>(2)</sup>	

Source: Realía

(1) Assets with more than 2,000 sq.m - (2) Through Hermanos Revilla





3.4.2

## Homebuilding business

As of 31 December 2015, REALIA holds a portfolio of 584 property units finished, 567 of which are for sale and 17 already sold and pending delivery. Most of them are housing units (518), but it also includes commercial premises (39) and offices (10). It also has 57 single-family plots for self-development for sale.

This stock of 567 housing units, offices and commercial premises is distributed geographically in the following way: 197 units in Andalusia, 184 units in Madrid and Central Region, 105 units in the Eastern region, 63 in Catalonia, 4 in Warsaw (Poland), and 14 units in Lisbon (Portugal).

Regarding the 57 land plots for self-development, 30 are in Catalonia and 27 in Andalusia.

The stock of available housing amounts to a total of 518, 77.6% of which corresponds to first residences, and 22.4% to second residences.

Abroad, it has 4 commercial premises in stock in Poland, whereas in Portugal it has 4 commercial premises and 10 offices for sale.

During 2015, the Company maintained its strategy not to build any new development until a change in the situation of the market makes it possible to do it without financial risks. However, in 2016 it plans to analyze the viability of tackling three new developments.

### Evolution of the homebuilding portfolio\*

	2015	2014	Variation (%)
Pre sales			
Units	74	144	-48.6
Revenues (Bn)	13.6	23.8	-42.8
Deliveries			
Units	71	152	-53.3
Revenues (Bn)	13.1	27.4	-52.2
<b>Total available portfolio at year-end (units)</b>	<b>624</b>	<b>694</b>	<b>-10.1</b>

(\*) Includes housing, offices and single-family plots

Source: Realia

The company has four offices in Spain for the implementation of its homebuilding activity: Catalonia; Eastern region and Balearic Islands; Andalusia; and Madrid and Central region. In Portugal and Poland, it sells its housing units through REALIA Portugal and REALIA Polska, respectively.

Jorge Juan 35, Madrid

Valdebebas, Madrid



## Home delivery

During 2015, 71 housing units were delivered, against the 152 delivered in 2014, for an amount of 13.1 Million euros. On the other hand, 74 units were pre-sold for 13.6 Million euros.

The drop in sales, despite the increased demand, is explained by a more restrictive discount policy on sales, given the prospect of price recovery, especially in the products that have a clear potential to increase their prices. Thus, the average discount on sale prices before the crisis was 33.40%, whereas in 2014 the average discount applied was 42.7%.

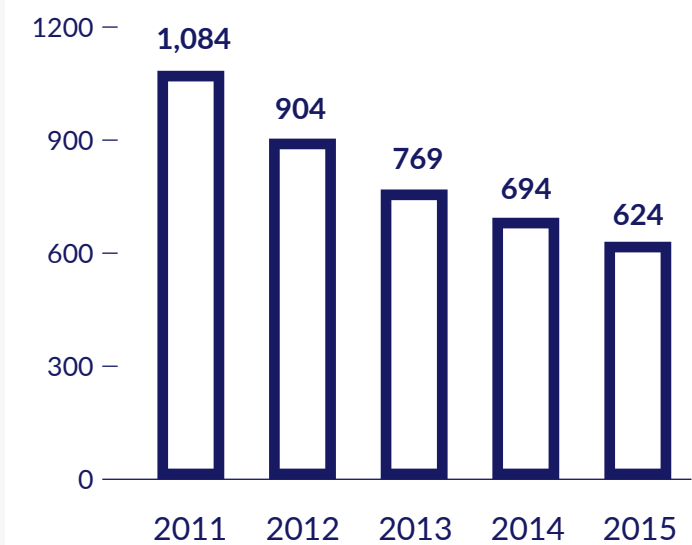
The average price of the units sold reached 184,507 euros.

Broken down by region, most of the sales took place in the Madrid and Central region office (32 homes), followed by Andalusia (15 housing units, 1 commercial building and a land plot), Eastern region (11 units) and Catalonia (10 units).

Abroad, a commercial premise was sold in Poland, and currently 10 offices and 4 commercial premises in Portugal, and 4 commercial premises in Poland are available for sale.

## Reduction of the stock of available housing

IN UNITS



2 new developments started in 2011 (147 homes)

Source: Realia



Land

REALIA’s land portfolio is composed by 5,724,863 gross sq. m. at the end of 2015, of which 1,868,677 sq. m. are buildable land.

Out of the total buildable area, 25% corresponds to land ready for construction, 11% are in urbanization phase, 26% in urban planning and the rest to land under zoning.

Land management and sale is carried out jointly between the Madrid headquarters and the regional offices.

During 2015, the land that attracted the most interest were urban consolidated, well-located land, with potential demand and which require a low level of investment. Additionally, a moderate fall in the value of land is visible, even though there are still no significant land transactions.

A moderate fall in the value of land is visible, even though there are still no significant land transactions

Distribution of buildable land

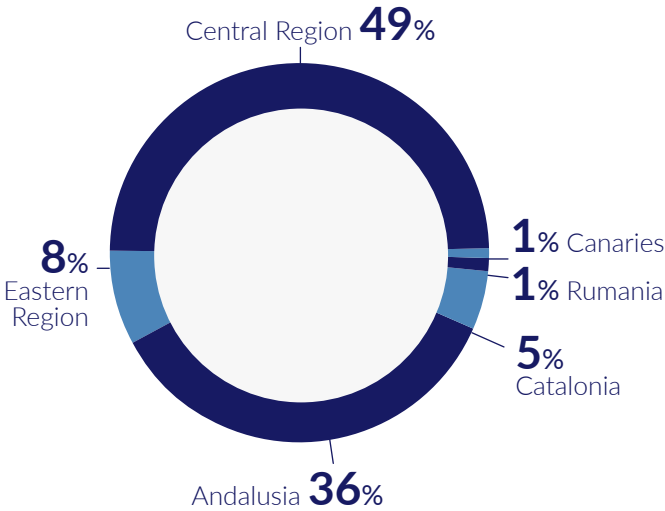
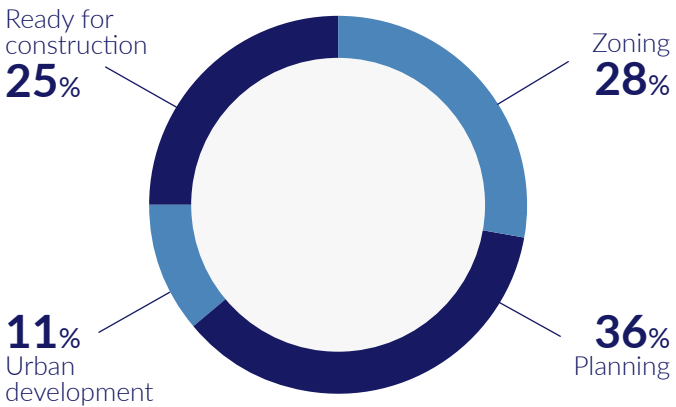
THOUSAND SQ.M

BY URBAN DEVELOPMENT STATUS

	2015	2014	%
Zoning	518	518	28
Planning	670	670	36
Urban development	214	214	11
Ready for construction	467	474	25
TOTAL	1,869	1,876	100

BY GEOGRAPHICAL AREAS

	2015	2014	%
Central	926	926	49
Catalonia	93	93	5
Andalusia	670	677	36
Eastern Region	150	150	8
Canaries	19	19	1
Rumania	11	11	1
TOTAL	1,869	1,876	100



Source: Realia



**4**

# YEAR 2015

- 4.1 Economic and sectoral environment
- 4.2 Strategy
- 4.3 Results of the year
  - 4.3.1 Financial situation
  - 4.3.2 Asset valuation
  - 4.3.3 Economic and financial parameters
- 4.4 Evolution of share price



# 4.1

## Economic and sectoral environment

Spain has consolidated its economic recovery in 2015 with a growth of 3.2%, confirming its position as one of the most promising economies of the Euro zone. In this context, the real estate market has shown a great activity thanks to the arrival of foreign investment and the vitality of the listed investment companies in the property market. Meanwhile, sales of housing have seen an annual price rise for the first time in eight years.

Spanish Gross Domestic Product grew 3.2% in the year, the largest GDP growth since 2007, and more than double of that of 2014, according to the National Institute of Statistics (INE). The improved productivity and the increase in employment thanks to the structural reforms of the last years, together with other external factors such as the drop in oil prices and the devaluation of the euro against the dollar, have made possible an increase in consumption.

In this economic situation, the property investment market in Spain has witnessed the arrival of capital in all property segments (offices, shopping centers, logistics facilities,

hotels), in search of profitable, low-risk alternatives and the listed investment companies picked up their activity.

In the property development market, housing demand has picked up, mainly in some areas and segments. Average prices of the housing market have gone up for the first time in eight years, and mortgages have grown after several years of marked drops.

In turn, land prices have moderated their fall, even though there are still no significant land transactions.

Castellana 41, Madrid

038

Santa Bárbara, Valencia



## Investment market

Spain consolidated its position as a focus of international real estate investment in 2015, thanks to the improvement of the macroeconomic situation, the arrival of foreign investors attracted by the favorable expectations about rents, the adjustment in property prices and the high liquidity.

It is estimated that the volume of investment in property assets is around 11.7 billion euros, 67% higher than in 2014, above the levels before the economic crisis in 2007.

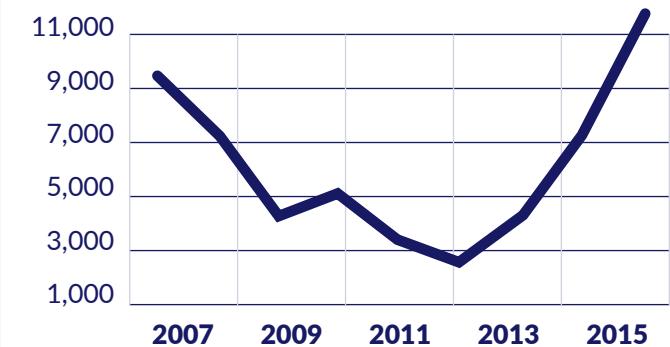
During the year, the assets with the greatest demand were shopping centers in the first part of the year, and offices in the second half. Homebuilding, however, accounts for less than 10% of the capital attracted, according to Carlton Group España.

Spain has consolidated its position as a focus of international property investment in 2015

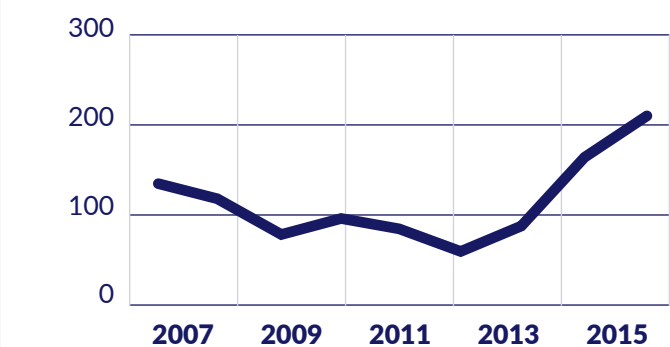
## Property investment in Spain in 2015

MILLION EUROS

### Volume of investment



### Investment transactions



Source: Realia



## Office rental

2015 recorded the highest figure in office space contracts since 2007, and since quality offices supply is limited in both Madrid and Barcelona, rehabilitation and development are starting to pick up. CBR experts expect 2016 to be an active year in terms of demand, whereas rents continue to recover.

According to Aguirre Newman, office space contracts went up 32.6% in Madrid and 41.6% in Barcelona.

In Madrid, where most of REALIA's buildings are located, contracts reached 572,967 sq. m., against the 432,195 sq. m. recorded in 2014, thanks to the marked increase in the number of transactions and their surface area.

## 2015 recorded the highest figure in space office contracts

Development activity has been moderate, and the Madrid stock of available offices was similar to that of last year, with a growth of 0.8%, up to 12.83 million sq. m.

All areas have improved their occupancy levels and the availability in the business district is below 3%, excluding "4 Torres".

The average rent in the prime area of the Spanish capital has gone up notably. At the end of 2015, it stood at 33 euros per sq. m. per month, against the 29 euros per sq. m. per month of 2014. However, rent prices are way below the prices paid in 2007, before the start of the real estate crisis.

In Barcelona, in turn, contracts have gone up by 41.6%, and reached 410,448 sq. m. Demand in non-central areas stands out, doubling 2014 figures.

Occupancy rates continue to go down, and currently account for 11.50% of the stock. There are currently 676,605 sq. m. available, a decrease of nearly two percentage points in one year. The central business district is the area where supply has decreased more.

Due to the absence of new supply and increased demand, rents in Barcelona have improved in all districts, and has increased 9.1% on average. In the business district, it went up to 16.01 euros per sq. m. per month on average.

## Available office space

	SURFACE AREA (million sq.m)	AVAILABILITY RATE (%)	YIELDS CBD (%)	AVERAGE PRICE CBD (€/sq.m/month)
Madrid	12.827	11.7	4.25	26.32
Barcelona	5.886	11.5	4.50	16.01

Source: Realia

## Shopping center rents

Spain has 549 Shopping centers and Malls in 2015, with a leasable Surface area of 15.55 million sq. m., a slight increase over the 15.44 million of 2014.

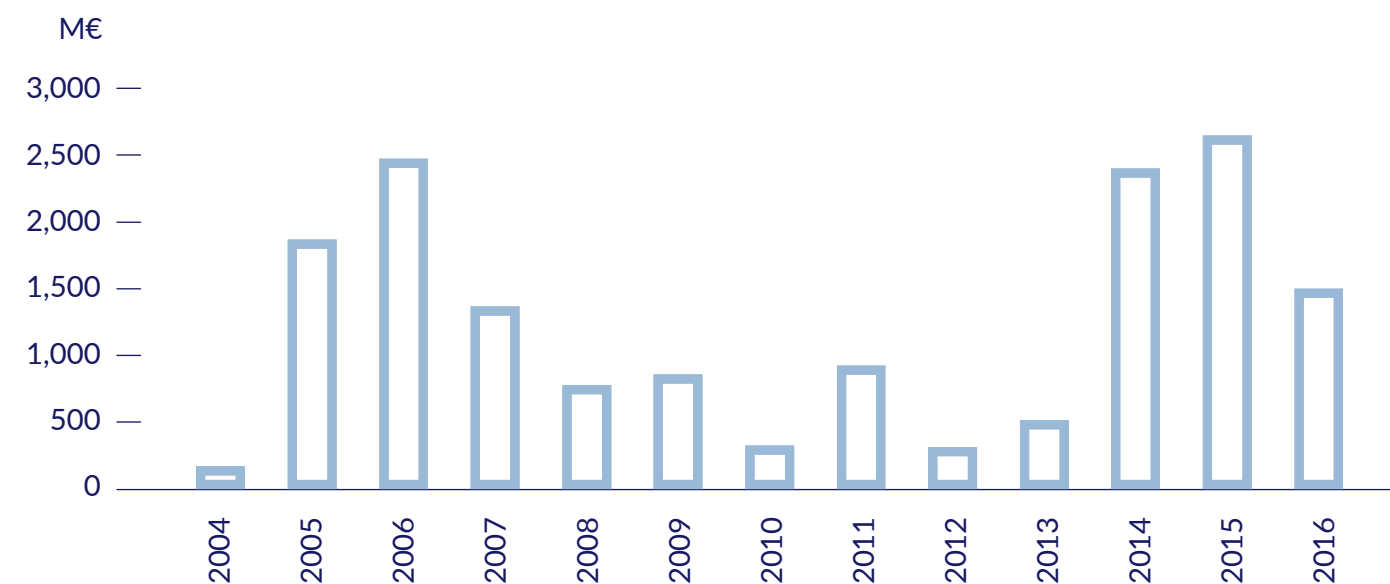
17 new actions were undertaken between 2013 and 2015, 14 new shopping centers that have created 334,346 sq. m. of leasable area, and three extensions for an additional 20,100 sq. m. of leasable area. The Spanish Association of Shopping Centers and Malls predicts 24 new centers and six extensions for the period 2016-2018.

Some shopping centers have ambitious expansion plans for 2016. In fact, the competition to find good premises already caused a rise between 5 and 10% of prime rents in 2015, and the pressure is expected to continue in 2016.

For CBRE, 2016 will be an active year in terms of openings, with an additional of 300,000-400,000 sq. m. in gross leasable surface, including openings and extensions. Thanks to the improved economic situation, there is a renewed interest for new developments.

## Evolution of the volume of investments (shopping centres and malls)

MILLION EUROS



Source: CBRE

Marqués de Duero 4, Madrid

## Homebuilding market

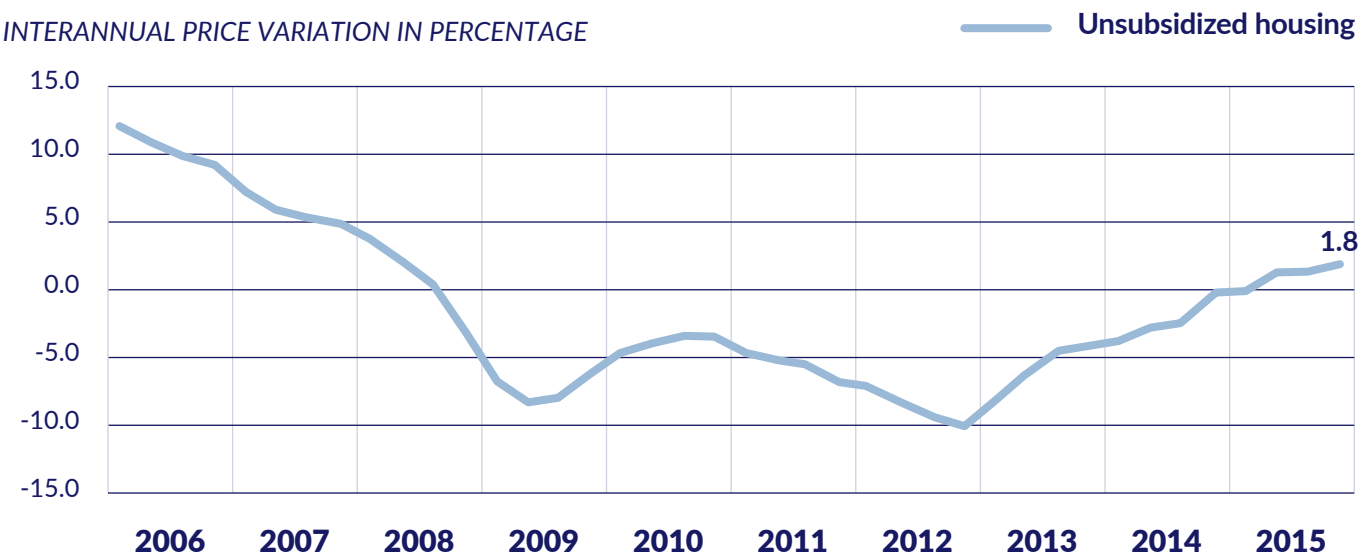
The homebuilding market has started a slow recovery. Sales of housing went up by 11.1% in 2015, up to 354,132 homes, according to the National Institute of Statistics. This improvement is much higher than the 2.2% of the previous year, and is the highest recorded since 2007, favored by the opening up of the mortgage market.

Housing prices have gone up for the first time in eight years. According to data from the Ministry of Industry, the average price per sq. m. of unsubsidized housing reached 1,490.1 euros in the fourth quarter of 2015, up 1.8% from last year.

CBRE's forecasts predict a rise of 6.3% of the inter-annual rate.

## Evolution of housing prices

INTERANNUAL PRICE VARIATION IN PERCENTAGE



Source: Ministry of Industry





Construction activity is picking up the pace, as shown by the 42% increase in the number of work permits. Just like in the previous year, there is continued growth in the self-development model, in which co-operatives, investment funds and banks play the main role. Regarding this, it is worthy of mention that the Sareb (Company for the Management of Assets proceeding from Restructuring of the Banking System) has communicated its intention to start its development activity on several Spanish cities.

Nonetheless, these average rises in sales and prices conceal different situations: whereas in the metropolitan “prime” areas and in coastal and tourist areas the finished product is practically sold out, in other areas there is excess supply and housing sales continue to fall.

Construction activity is picking up, as shown by the 42% increase in the number of work permits

There are currently nearly 389,000 new homes unoccupied in Spain, according to Tinsa. The appraisal company states that this stock will be absorbed in Spain in 2.5 years, and that housing demand will be around 150,000 new homes a year.

Other experts believe that housing demand will continue to grow. According to Bankinter, demand will grow up to 450,000 new homes in 2017, and average price rises will not exceed 3%.

Land

The land market has failed to recover the pace. The number of transactions has gone down 5.6% inter-annually in the fourth quarter of 2015, according to the Ministry of Industry.

Prices also fell, although not as much as sales did. Thus, the average price of one sq. m. of land went down 2.4% inter-annually, down to 151.9 euros. However, in municipalities with more than 50,000 inhabitants, average price went up to 4.6%, 300.8 euros per sq. m.

Surface area sold in the fourth quarter rose to 6.2 million sq. m., 22.6% less than in 2014, and 10.9% lower in terms of value.

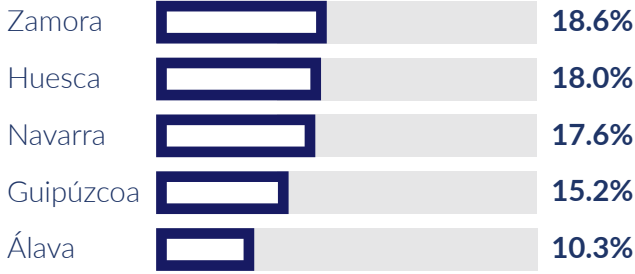
Provinces with the highest and lowest relative stock concentration

PERCENTAGE OF NEW EMPTY HOMES OVER CONSTRUCTED HOMES SINCE 2008

The highest



The lowest



Source: Tinsa



# 4.2

## Strategy

The focuses of action for REALIA during 2015 were meeting its debt repayment obligations and ensuring the long-term viability of the business. The arrival of a new leading shareholder, Inversora Carso, who after the closure of the year announced a takeover bid over 100% of the group, contributed to achieving these goals. For 2016, it is expected to optimize the profitability of its property assets, and the viability of starting up to three new developments will be assessed.

All the strategic decisions taken by REALIA in 2015 had a clear and urgent objective: to achieve financial stability to ensure the future of the Company.

After the search for new investors that would take care of its sizable debt linked to the homebuilding business, Inversora Carso entered the share capital of the company through the purchase of 24.96% of Bankia's stake, once it managed to stop the takeover bid that the REIT Hispania had launched on the company.

After the arrival of Inversora Carso, the Board of Directors was renewed and, among other measures, decided to recognize

its assets in the annual accounts for their fair market value, instead of their acquisition cost, as had been the case until then. This change in accounting contributed to increase REALIA's equity up to 515 Million euros.

Within the framework of the renegotiation of its debt linked to the homebuilding business, the Company announced a capital increase in November for an amount of 87 Million euros, which was subsequently raised to 89 Million to face the repayment of the debt. This capital increase was guaranteed by Inversora Carso and, upon its completion, in January 2016, FCC increased its stake up to 36.911%, and Inversora Carso, up to 30.458%.

CC Ferial Plaza



Torre REALIA, Barcelona



## Refinancing agreement

On 10 of December, REALIA signed a novation agreement with the syndicated loan Banks for the existing debt, which at the date of signing the contract, amounted to 802.8 Million euros. The agreement entails bringing forward the maturity to 30 of May, a 9% reduction on the amount and the establishment of a new payment schedule.

At the date of this report, the four payments scheduled had been paid, thus consolidating the total reduction of 72.4 Million euros agreed with the lender banks.

On the other hand, Inversora Carso acquired from Sareb (Company for the Management of Assets proceeding from Restructuring of the Banking System) the participating loan granted to Realia on 30 September 2009 for an initial amount of 50 Million euros, which reflected a balance of 61.3 Million at the acquisition date. This loan can be collected or capitalized through its conversion into 29,994,610 shares.

Subsequently, at year-end, Inversora Carso announced its intention to launch a takeover bid over 100% of REALIA, at a price of 0.80 euros per share. This takeover bid has been

admitted by the CNMV, subject to the approval of the prospectus, and the non-capitalization of the participating loan.

## Business orientation

In the property management business, it continued to maintain an optimization policy of the cost of building maintenance, and the implementation of energy saving measures. In parallel, it continued to bring forward the expiration of the contracts to ensure high occupancy.



Santa Bárbara, Valencia

In the homebuilding business, it continued to sell stock, but changed its housing sale policy in view of the prospects of recovery both of prices and in the sector. Thus, it applied a more restrictive policy on those products with room for improvement in prices and margins. As to land, it continued its urban management activities to increase their value.

## Forecast for 2016

REALIA has established four main priorities for 2016:

- ▶ Optimization and rationalization of all the costs and expenses of the group.
- ▶ Improvement and enhancement of revenues.
- ▶ Improvement of the profitability of all its assets (property and housebuilding).
- ▶ Completion of the financial restructuring of the Company, based upon three pillars: compliance with the new agreement with the current homebuilding

business creditors; improvement of equity, through capital increases and the capitalization of the group; renegotiation of a new contract for property business financing, which expires in April 2017.

In the property management business, the possible necessary actions needed for the optimization of revenues and expenses in all of its rental assets will be analyzed and implemented, maintaining high occupancy levels, increasing their yields and creating value for the shareholder. Additionally, it will monitor any possible investment opportunity.

In the homebuilding business, all the products that due to their type or location allow for price optimization will be actively managed. Furthermore, the viability of tackling up to three new development projects in areas where there is effective product demand will be analyzed.

Additionally, the Company will continue the urban management of land in several areas, which will have a positive impact on the profit and loss account when the market situation recovers.



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# 4.3

## Results of the year

REALIA generated profits again in 2015 after three years of negative results. Its statements record a positive balance of 17.2 Million euros, against the 77.5 Million in losses of 2014, thanks to the increased business margins, the reduction of financial costs and the revaluation of its property investments.

### Consolidated income statement

MILLION EUROS

	2015	2014*	Variation (%)
<b>Total operating revenues</b>	<b>94.9</b>	<b>115.4</b>	<b>-17.7</b>
Rents	77.8	78.6	-1.0
Sale of property (result)	0.2	0.0	325.0
Developments	13.1	27.4	-52.2
Land	0.1	7.7	-98.3
Other	3.8	1.7	118.0
<b>Gross Margin</b>	<b>52.2</b>	<b>42.1</b>	<b>24.0</b>
Rents	55.7	54.7	1.9
Sale of property	0.2	0.2	-26.1
Developments	-3.3	-7.6	56.2
Land	0.0	-4.8	100.0
Other	-0.4	-0.4	9.1
Overhead	-11.7	-11.2	-4.7
<b>EBITDA</b>	<b>40.5</b>	<b>30.9</b>	<b>30.9</b>
Amortizations	-0.4	-0.5	4.3
Provisions	-11.6	5.2	-321.6
<b>EBIT</b>	<b>28.4</b>	<b>35.7</b>	<b>-20.4</b>
Valuation result of property investments at fair value	26.8	-0.5	5,246.2
Net financial result	-19.4	-39.7	51.0
Equity method	3.3	2.6	24.2
<b>Earnings before taxes</b>	<b>39.0</b>	<b>-1.9</b>	<b>2,186.6</b>
Taxes	-13.0	-2.4	-436.0
<b>Result discontinued activities</b>	<b>0.0</b>	<b>-107.6</b>	<b>100.0</b>
<b>Earnings after taxes</b>	<b>26.1</b>	<b>-111.9</b>	<b>123.3</b>
External partners	8.8	-34.4	125.7
<b>Attributable net result</b>	<b>17.2</b>	<b>-77.5</b>	<b>122.2</b>

Source: Realia

(\*) Figures restated according to the change in the asset valuation standard due to the application of IAS 40 at their "fair value"



Avenida de Bruselas 36, Madrid



REALIA obtained an attributable net profit of 17.2 Million euros in 2015, a positive result that contrasts with the 77.5 Million euros in losses in 2014, once the accounts were restated according to the change in accounting standard for the valuation of its property investments, for the purposes of comparison.

For the first time, the financial statements of 2015 recognize a valuation of property assets at their fair value instead of their cost of acquisition, in keeping with International Accounting Standard 40 (IAS 40), which allows choosing between the two criteria.

The good results of 2015 are the result of the combination between increased activity margins, the improved financial result and the revaluation of property assets.

The Company generated revenues for 94.9 Million euros in 2015, 17.7% less than in 2014. This decrease is the result of the lower contribution from the homebuilding business due to the

decreased activity in the sale of developments and land. Property management revenues have remained stable and account for 82% of the group's total.

Despite the drop in revenues, EBIDTA grew 30.9% and reached 40.5 Million euros as a consequence of the increased profitability of the property management and development activities of the Company. Thus, the company's gross margin went up 52.2 Million euros, 24% higher than in 2014, due to the drop in maintenance costs of rental offices and the higher margin in the sale of housing units.

However, net operating profit fell 20.4%, down to 28.4 Million euros, due to the provisions for stock impairment, mainly in the Valdeapa (Guadalajara) land, where the absence of a Land-use Plan in the municipality drastically reduced its urban development expectations.

Overall, results before taxes went up to 39 Million euros for two reasons: higher asset valuation and the reduction of financial costs.





Serrano 21, Madrid

## Higher asset valuation

With the new asset valuation standard approved by the Board of Directors on 6 of October, the results of property investments reflect a positive balance of 26.8 Million euros, from the losses of 0.5 Million euros of 2014, using the same accounting standard.

## Reduction of financial costs

The financial result, in turn, improved by 51% over 2014, 19.4 Million versus the 39.7 Million of 2014, as a consequence of the reduction of the debt, the drop in interest rates and the maturity of all the debt hedges entered into on June 2014.

During the year, REALIA reached an agreement to refinance its syndicated housing development loan that entails a 9% reduction over the amount of the loan, 802.7 Million euros, if the payment conditions contemplated in the agreement are fulfilled. At the date of this report, the four payments scheduled have been made, thus consolidating the total reduction of 72.4 Million euros agreed with the banks.

## Prudence in tax credits

The Company recognized 13 Million euros in profit taxes. In keeping with its criterion of prudence, REALIA has unrecognized tax credits for 67.9 Million euros.

After the impact of taxes, net attributable result was positive by 17.2 Million euros, from the 77.5 Million in losses of 2014 (adjusted after the application of IAS 40).

## Robust property activity

Revenues from office and shopping centers rents in 2015 were similar to those in 2014. Until December 2015, total revenues in the property area amounted to 77.8 Million, a slight 1% drop due to the rent adjustments made during the renegotiation of contracts and the existence of negative CPI during some months of the year.

The gross margin of the property activity improved by 1.4%, due to the 41% reduction in non-recoverable common expenses and a slight increase in the recoverable expenses.

Except the Edificio Los Cubos, currently undergoing rehabilitation, rent revenues have gone up 0.5%, mainly due to the good results of shopping centers, up to 62.3 Million euros. 68% of the rents correspond to office rents, 27% to shopping centers, and 5% to other assets.

## Rent revenues (homogenous surface areas)\*

THOUSAND EUROS

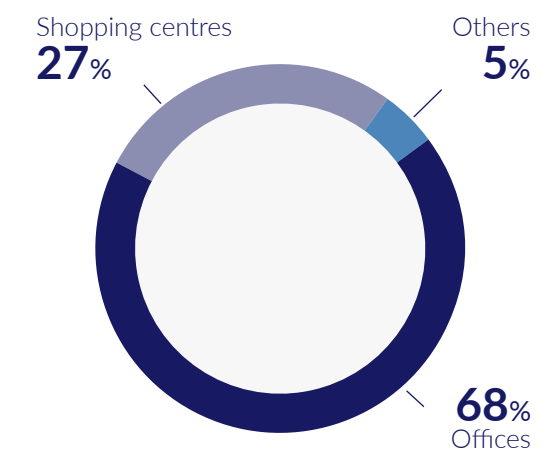
Rents	2015	2014	Var (%)	Occupancy in 2015 (%)
- Offices	42,092	41,961	0.3	90.7
- Shopping centres	17,052	16,691	2.2	90.4
- Others	3,195	3,389	-5.7	100
<b>TOTAL</b>	<b>62,339</b>	<b>62,040</b>	<b>0.5</b>	<b>91.5</b>

Source: Realia

(\*) Aggregated business operational data. Data from the subsidiary As Cancelas are stated proportionally (50%).

## Distribution of rents by uses

IN PERCENTAGE



Castellana 41, Madrid

Three quarters of the rents are generated in Madrid (75%), where 62% of the leasable surface area is located; 6% in Barcelona, which holds 8% of the leasable area, and 19% in other Spanish cities, which hold 30% of the leasable area.

Occupancy of buildings reached 91.5%: 90.7% for offices, 90.4% for shopping centers and 100% for other buildings.

The increase in rents from shopping centers amounts to 2.2%, due to the slight increase in consumption and the improvement in occupancy. 24% of the contracts will be renegotiated or will expire in 2014.

### Improvement of homebuilding margins

Even though the margins in the homebuilding activity continue to be negative (-25.5%), they have improved by 8.4% over the previous year. The result of the home sale activity is positive by 3.3 Million euros, after discounting the reversal of provisions for 6.6 Million in finished housing products.

Revenues from homebuilding activity have gone down 62.3% from 2014, due to lower sales of developments and the absence of land sales compared to the previous year.

During the year, 71 housing units were delivered, for an amount of 13.1 Million euros, from 152 units and 27.4 Million in 2014.

Broken down by regions, 32 housing units were delivered in Madrid and the central region, 11 in the Eastern region, 10 in Catalonia and 17 in Andalusia. Abroad, one unit was delivered in Poland.

After the sales made in 2015, REALIA had as of 31 December 624 housing units, including 57 plots for self-development. Discounting the latter, it holds a stock of 584 housing units (housing, commercial premises and offices), of which 17 are sold and pending delivery, and 567 for sale.

By geographical areas, the stock of housing units available for sale is as follows: 184 in Madrid and central region, 197 in Andalusia, 105 in the Eastern region, 63 in Catalonia, 14 in Portugal, and 4 in Poland.

Out of the units in stock, 77.6% are first residences and 22.4% second residences.

**Even though the margins of the homebuilding activity are still negative, they have improved by 8.4%**



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### 4.3.1

## Financial situation

In 2015, the doubts about REALIA's short and medium-term viability were cleared. After the arrival of a new leading shareholder in the company's capital, Inversora Carso, the Company reached an agreement in December with the main lenders of the homebuilding debt to refinance the syndicated residential business loan, which entails a reduction of 9% in its amount. As a result of this operation and the rest of the amortizations realized during the year, net banking debt has been reduced to 26.7%, down to 1.254 billion euros.

As of 31 December 2015, Realia had cash and cash equivalents amounting to 184 Million euros, and the net financial debt (with Banks and similar institutions) was 1.070 billion euros (from 1.903 billion at the end of 2014).

After the reduction of the debt, the drop in interest rates and the maturity of all the debt hedges contracted in June 2014, the financial result of 2015 improved by 51% over the previous year, down to 19.4 Million, from 39.7 Million in 2014.

Most of REALIA's debt stems from two syndicated loans:

► **Syndicated Property management loan:** taken out in 2007 for a maximum initial amount of 1.087 billion euros which, after several amortizations, left 750 Million euros pending amortization at the end of 2015.

### Financial structure

MILLION EUROS

	REALIA Patrimonio Property	REALIA Business Developments and Land	2015	Var (%)	2014
Syndicated	750	438	1,188	-27.1	1,630
Other loans	55	13	68	-16.3	81
Interest	0	0	0	-90.0	3
Arrangement costs	-3	0	-3	16.7	-3
<b>Total debt</b>	<b>803</b>	<b>451</b>	<b>1,254</b>	<b>-26.7</b>	<b>1,711</b>
Cash	247	37	184	-70.2	618
<b>NET DEBT</b>	<b>659</b>	<b>414</b>	<b>1,070</b>	<b>-2.1</b>	<b>1,093</b>

Source: Realia

► **Syndicated housing development loan:** taken out in 2009 for a maximum amount of 1.001 billion euros. Before the signing of the refinancing agreement mentioned above, 802.7 Million euros, maturing on 30 June 2015 were pending amortization. At year-end, the balance was 438 Million euros.

Goya 8, Madrid



## Refinancing agreement of the homebuilding debt

On 10 of December, REALIA signed a refinancing agreement of the syndicated homebuilding loan with the homebuilding debt lender entities (CF Aneto, Puffin Real Estate Lda and Goldman Sachs International), that established bringing forward the maturity date of the loan to 30 May 2016, the establishment of four payment milestones, and a 9% reduction of the debt, in case the conditions established for the repayment of the debt are fulfilled.

The payment milestones agreed upon by the parties were the following: the first payment, for 365.2 Million, was made the day after the agreement, the second, for 88.9 Million, payable on 29 January 2016; the third, for 94.1 Million, on 29 February 2016; and the fourth, for 732.2 Million, on 30 May 2016.

After the first payment was made in December, the Company launched a capital increase, concluded in January 2016, for an amount of 89 Million euros.

## Refinancing schedule

MILLION EUROS AND PERCENTAGE

	Original amount	Reduced amount	Haircut	Due date
1 <sup>st</sup> payment milestone	401.3	365.2	36.1	11/12/2015
2 <sup>nd</sup> payment milestone	97.8	89.0	8.8	29/01/2016
3 <sup>rd</sup> payment milestone	103.5	94.1	9.3	29/02/2016
4 <sup>th</sup> payment milestone	202.1	183.9	18.2	31/05/2016
<b>Total</b>	<b>804.6</b>	<b>732.2</b>	<b>72.4</b>	

Source: Realia





Príncipe de Vergara 132, Madrid

With this injection of capital, the second and third payments were made. The last payment was made on 7 April, before it was due, thus repaying the whole debt and consolidating the total reduction of the debt by 72.4 Million euros.

On the other hand, Inversora Carso acquired from Sareb the participating loan granted to Realia on 30 September 2009, for an initial amount of 50 Million euros, and which reflects a balance of 61.3 at the date of acquisition. This loan can be collected or capitalized through its conversion into 29.994,610 shares. Finally, Inversora Carso decided

not to capitalize the participating loan and collect it in cash according to the terms agreed in the loan.

### Prospects

REALIA has drawn up a financial viability plan that reveals the existence of liquidity to meet its payment obligations.

The main figures of the treasure forecasts for 2016 are the following: estimated collections for 255.7 Million euros, which together with estimated payments of 169.0 Million

### REALIA has prepared a financial feasibility plan to meet its payment obligations

euros, result in a positive cash flow of 86.7 Million euros that will be allocated to debt servicing, together with the current treasury position.

However, 96.2% of the total debt of the group matures in 2016 and 2017, and represents a risk for the company.





4.3.2

## Asset valuation

REALIA's property assets have a market value of 1.859 billion euros as of 31 December, 0.5% higher than in 2014. Out of the total value of assets, 76% corresponds to the rental office portfolio, and the remaining 24%, to homebuilding developments and land.

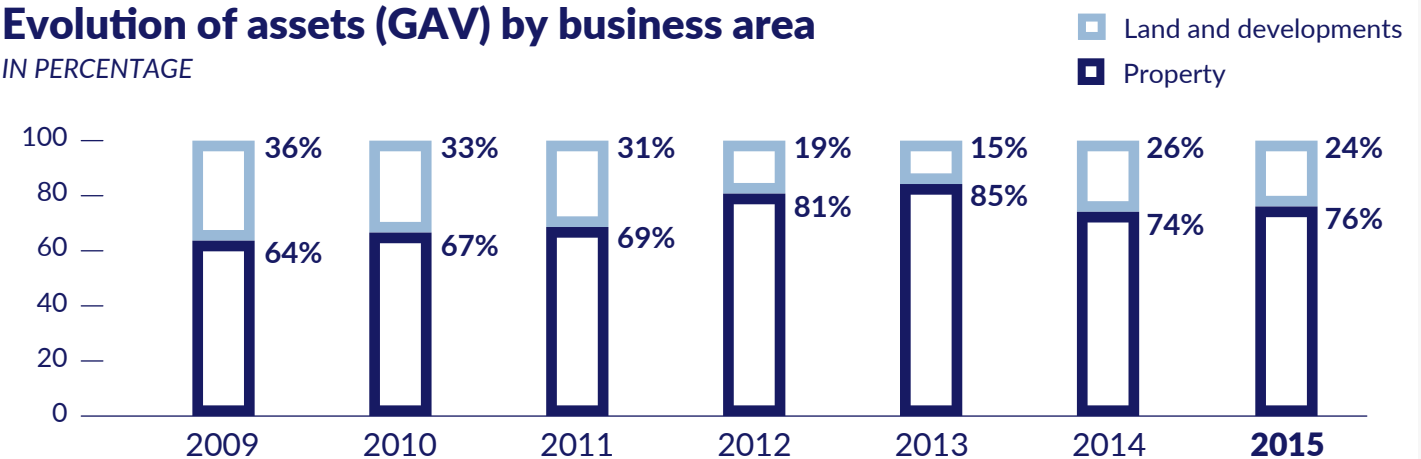
As in previous years, two independent experts have conducted the asset valuation. CBRE (CB Richard Ellis) valued the asset portfolio of REALIA Patrimonio and its subsidiaries, using the RICS (Royal Institution of Chartered Surveyors) standard, whereas Tinsa, which uses the ECO system, regulated by the Ministry of Economy, valued the asset portfolio of REALIA Business and its subsidiaries.

According to CBRE, the value of REALIA's property assets amounts to 1.4094 Billion Euros, 2.6% more than the previous year. This valuation was positively influenced by the rental building sale transactions that have materialized

REALIA's property assets have a market value of 1.859 billion euros

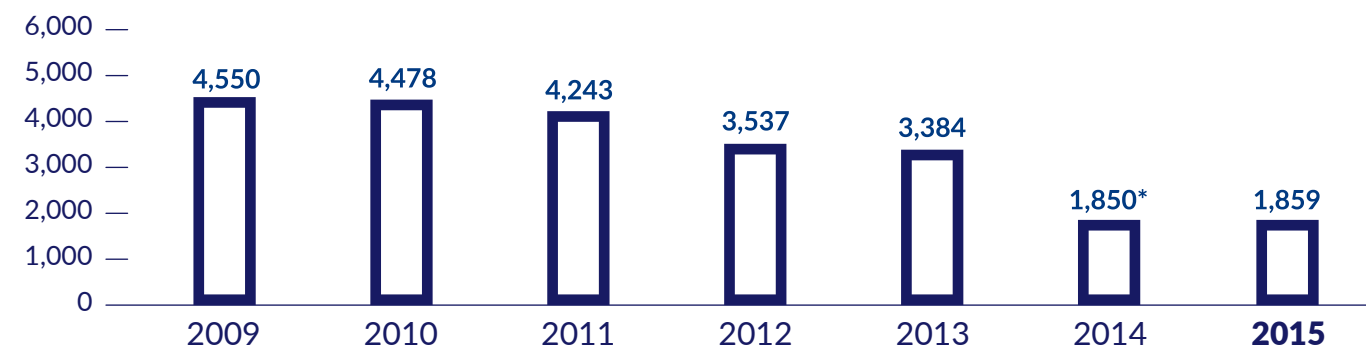
### Evolution of assets (GAV) by business area

IN PERCENTAGE



### Evolution of asset market value (GAV)

MILLION EUROS



Source: Realia

(\*) The drop in 2014 is mainly due to the sale of SIIC de Paris.

through different funds and companies during the year, as a result of the current investment trend the real estate sector is experiencing.

In turn, assets related to homebuilding developments and land have a market value of 449.3 Million, 5.6% lower than in 2014. This decrease is the result of the 11.3% fall in value of finished products due to stock reduction and the 3.9% decrease in valuation of homebuilding land, even though this fall was lower than in previous years.

## New accounting standard

On 6 of October, REALIA's Board of Directors decided to change the accounting standard for the valuation of its assets to market prices in its 2015 financial statements. Investments are now recognized according to their fair value, not at their acquisition cost, as it was the case until then, in keeping with International Accounting Standard 40 (IAS 40), which allows choosing between the two criteria.

This change in accounting standard recognizes more accurately the equity of the group and facilitates comparison with the rest of listed European property companies, which mainly use the market value criterion.

## Consolidated balance sheet

MILLION EUROS

	2015	2014		2015	2014
Property, plant and equipment	5	6	Net attributed equity	515	408
Property investments	1,354	1,321	Minority interests	228	225
Inventories	376	403	Banking debt	1,255	1,711
Accounts receivable	108	18	Trade and payables	22	25
Cash and cash equivalents	184	618	Other liabilities	225	212
Other assets	216	216			
<b>TOTAL ASSETS</b>	<b>2,245</b>	<b>2,581</b>	<b>TOTAL LIABILITIES</b>	<b>2,245</b>	<b>2,581</b>

(\*) Figures restated according to the change of asset valuation standard by application of IAS 40 at their "fair value".

Source: Realia

## Increase in equity

The application of IAS 40 resulted in a significant increase in equity, since reserves have gone up by 240 Million euros due to the net gains.

Additionally, at year end there was a capital increase under way with preferential subscription rights for 153,380,466 shares, representing a 50% increase in share capital, for an

**Property investments are recognized according to their market value in the 2015 financial statements**

María de Molina 40, Madrid



amount of 88.9 Million euros, with a share premium of 0.34 euros per share.

At year-end, net equity amounted to 515 Million euros, 107 Million more than in the prior year, after the restatement of 2014 financial statements. Net equity has grown 202.6%, compared to the figure obtained through asset valuation at their acquisition cost.

### Net asset value

REALIA's net asset value (NNAV) reached 551.9 Million euros or 1.2 euros per share. At year-end, REALIA's share price was 0.76 euros, a 37% discount on the NNAV.

NNAV is calculated adding to the net equity the different between net asset value and their carrying amount, a difference that in 2015 resulted in latent net gains of 302.1 Million euros, after minority shareholders and taxes.



### 4.3.3

## Economic and financial parameters

### 2015 results MILLION EUROS

	2015	2014**	2013*	2012	2011
<b>Total revenues</b>	<b>94.9</b>	<b>115.4</b>	<b>111.3</b>	<b>217.0</b>	<b>280.2</b>
Revenues	76.0	97.6	93.3	175.8	205.2
Revenues from asset sales	0.1	0.0	0.7	6.6	45.6
Other revenues	18.8	17.8	17.3	<b>34.6</b>	<b>29.4</b>
<b>Total Ebitda</b>	<b>40.5</b>	<b>30.9</b>	<b>40.4</b>	<b>124.1</b>	<b>165.5</b>
Ebitda from developments and land	-10.9	-19.2	-11.2	-5.3	-3.7
Ebitda from rents	51.7	50.5	51.4	123.1	123.9
Ebitda from services and other	-0.4	-0.4	-0.5	-0.3	-0.3
Ebitda from asset sales	0.1	0.0	0.7	6.6	45.6
<b>Amortizations and provisions</b>	<b>-12.1</b>	<b>4.8</b>	<b>-64.4</b>	<b>304.3</b>	<b>30.3</b>
<b>Net financial result</b>	<b>-19.4</b>	<b>-39.7</b>	<b>-2.3</b>	<b>84.2</b>	<b>101.7</b>
<b>Other results</b>	<b>30.0</b>	<b>2.1</b>	<b>-0.9</b>	<b>-93.6</b>	<b>-4.7</b>
<b>Earnings before taxes</b>	<b>39.0</b>	<b>-1.9</b>	<b>-27.2</b>	<b>-358.0</b>	<b>28.8</b>
Taxes	-13.0	-2.4	-0.8	34.6	-14.8
<b>Result from discontinued activities</b>	<b>0.0</b>	<b>-107.6</b>	<b>6.8</b>	<b>-</b>	<b>-</b>
<b>Earnings after taxes</b>	<b>26.0</b>	<b>-111.9</b>	<b>-21.2</b>	<b>-323.4</b>	<b>43.5</b>
<b>Minority interests</b>	<b>8.8</b>	<b>-34.4</b>	<b>29.8</b>	<b>-4.2</b>	<b>42.3</b>
<b>Net attributable profit</b>	<b>17.2</b>	<b>-77.5</b>	<b>-51.0</b>	<b>-319.2</b>	<b>1.2</b>

(\*) Figures restated after the sale of SIIC and adaptation to the new International Financial Reporting Standards (IFRS).  
(\*\*) Figures restated according to the change in the asset valuation standard by the application of IAS at their "fair value".

Source: Realia

## Property business results

MILLION EUROS

	2015	2014**	2013*	2012	2011
<b>REVENUES</b>	<b>80.0</b>	<b>79.4</b>	<b>81.1</b>	<b>181</b>	<b>219</b>
Rent revenues	62.0	61.9	64.5	145.9	145.7
Revenues from passed-on expenses	15.8	16.7	15.4	27.1	27.7
Asset sales (Result)	0.1	0.0	0.7	6.6	45.6
Other revenues	2.1	0.8	0.5	1.4	0.0
Recovered costs and other expenses	28.2	28.9	29	51.3	49.5
Cost of asset sales	0.0	0.0	0.0	0.0	0.0
<b>Ebitda Property</b>	<b>51.8</b>	<b>50.5</b>	<b>52.1</b>	<b>129.7</b>	<b>169.5</b>
Ebitda Rents	51.7	50.5	51.4	123.1	123.9
Asset sales	0.1	0.0	0.7	6.6	45.6
<b>Rent margin</b>	<b>83.4%</b>	<b>81.6%</b>	<b>79.7%</b>	<b>71%</b>	<b>71%</b>

(\*) Figures restated after the sale of SIIC de Paris and adaptation to the new International Financial Reporting Standards (IFRS).

(\*\*) Figures restated according to the change in asset valuation standard by the application of IAS 40 at their "fair value".

Source: Realia

Management information: property business

	2015	2014	2013*	2012	2011
Surface are in operation by type (sq.m)	400,574	418,856	413,795	573,834	553,474
Offices	226,191	244,492	239,792	398,309	402,999
Shopping centres	135,338	135,319	128,674	132,296	107,245
Logistics, recreation and other	39,045	39,045	45,329	45,329	45,329
Parking spaces	10,102	10,435	10,484	12,504	11,425
Occupancy (%)	91.5%	90.5%	91%	91%	91%
Average rent (€/sq.m/month)	16.2	16.9	17.9	22.8	23.4

(\*) Restated figures after the sale of SIIC de Paris and Setecampos.

Source: Realia



## Homebuilding business results

MILLION EUROS

	2015	2014*	2013	2012	2011
<b>Total revenues</b>	<b>14.2</b>	<b>35.3</b>	<b>28.9</b>	<b>36.0</b>	<b>58.3</b>
Development revenues	14.1	27.6	25.5	32.2	52.9
Land revenues	0.1	7.7	3.4	3.8	5.4
<b>Cost of developments</b>	<b>24.9</b>	<b>42.0</b>	<b>37.7</b>	<b>39.0</b>	<b>56.6</b>
<b>Land costs</b>	<b>0.1</b>	<b>12.5</b>	<b>2.4</b>	<b>2.3</b>	<b>5.4</b>
<b>Ebitda developments and land</b>	<b>-10.8</b>	<b>-19.2</b>	<b>-11.2</b>	<b>-5.3</b>	<b>-3.7</b>
Ebitda developments	-10.9	-14.4	-12.2	-6.8	-3.7
Ebitda land	0	-4.8	1.0	1.5	0.0
<b>Development sales margin</b>	<b>-77.3%</b>	<b>-52.2%</b>	<b>-47.8%</b>	<b>-21.1%</b>	<b>-7.1%</b>
Sales contracts	12.6	32.0	20.2	27.7	34.9

(\*) Data restated according to the change in asset valuation standard due to the application of IAS 40 at their "fair value".

Source: Realia

## Management information: homebuilding business

	2015	2014	2013	2012	2011
<b>Homes delivered</b>					
Number of homes	71	152	131	148	274
Revenues (M€)	13.1	27.4	24.3	24.8	52.9
Average price (€)	184,507	180,924	185,496	168,441	193,004
Average price (€/sq.m)	1,553	1,642	1,805	1,845	1,850
<b>Homes delivered by Autonomous Community</b>					
Madrid	32	51	33	47	123
Catalonia	10	33	17	22	33
Castilla y León	-	13	8	12	23
Andalusia	17	21	18	10	21
Balearic Islands	-	15	5	8	20
C. Valenciana	11	3	12	30	19
Canaries*	-	8	6	3	18
International	1	8	32	16	14
Asturias	-	-	-	-	3

Source: Realia

## Management information: Land

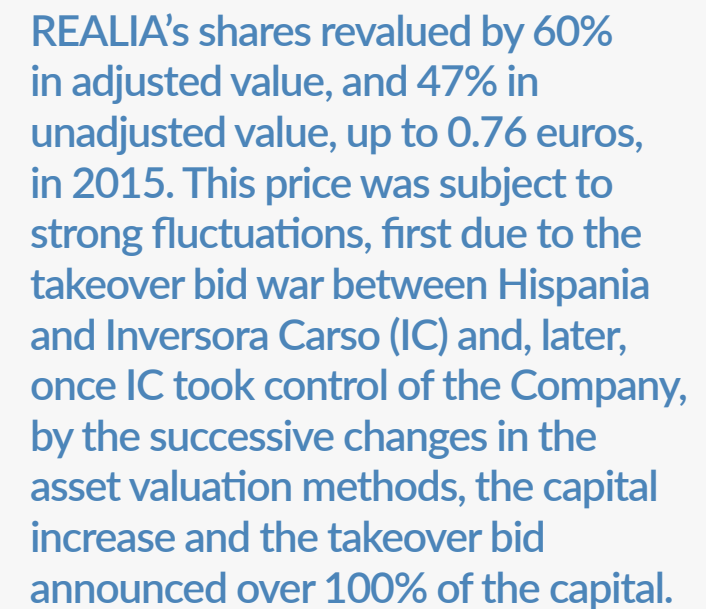
SQ.M

	2015	2014	2013	2012	2011
<b>Surface area (sq.m)</b>					
Land reserve	1,868,677	1,875,586	1,945,608	3,159,498	3,272,697
<b>Distribution by Autonomous Communities (sq.m)</b>					
Andalusia	669,977	676,907	676,852	1,541,943	1,539,639
Aragón	154,508	154,508	152,405	154,170	154,170
Balearic Islands	9,559	9,559	9,559	12,059	12,059
C. Valenciana	99,074	98,885	98,885	98,609	98,609
Canaries	18,541	18,541	18,531	18,541	18,541
Castilla-La Mancha	222,886	222,886	222,886	506,902	616,791
Castilla y León	63,323	63,323	63,323	63,636	63,636
Catalonia	93,034	93,190	92,584	96,483	99,983
Galicia	6,184	6,184	6,184	6,184	6,184
International	10,912	10,912	25,182	75,182	75,182
Madrid	479,081	479,093	487,619	544,192	546,306
Murcia	41,598	41,598	41,598	41,598	41,598

Source: Realia



# Evolution of share price



Source: Realia

Goya 8, Madrid

In a stock market year marked by the drop in oil prices, the collapse of the Chinese market and the struggles of emerging countries, in which the Ibex fell more than 7%, the value of REALIA's shares went up to 0.76 euros per share at year-end, way above the EPRA index, which went up by 15%, showing the confidence of investors on the property market.

Share prices ranged between a minimum of 0.46 euros to a maximum of 0.87 euros, in response to the different announcements on the new course for the Company: a takeover bid launched by Inversora Carso, the change in asset valuation standard, capital increase and the novation of the syndicated loan of the property management debt.

At 31 of December, stock market capitalization amounted to 233.6 Million euros.

## Takeover bids

The first part of the year was marked by the takeover bids launched by Hispania and Inmobiliaria Carso.

Hispania had announced in November 2014 its intention to launch a voluntary takeover bid on 100% of REALIA, at a price of 0.49 euros per share. The offer from the REIT was

preceded by an agreement with the main creditors to acquire 50% of the syndicated loan, with a 21% discount.

In the takeover bid prospectus, submitted to the Stock Market Authority (CNMV) on 17 of December, Hispania contemplated the sale of a great number of assets to meet its debt repayment obligations. The prospectus was approved on 11 of March.

A few days later, on 20 of March, Inversora Carso submitted to the CNMV a competitive takeover bid for 100% of REALIA for authorization, at a price of 0.58 euros per share, upsetting the deadline for the acceptance of Hispania's bid. Its prospectus was approved on 23 of June.

Inversora Carso had in its favor the agreement signed with one of the leading investors, Bankia, for the acquisition of its stake in Realia (24.95%). Against, Hispania's agreement with the debt lender funds, which entailed the early maturity of the debt in case there was a change in the control of the company.

Additionally, a little earlier, in February, FCC, in which Inversora Carso also holds a stake, had decided to suspend the sale of its shares.



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Musgo 1, Madrid



Both bids, Hispania's and Inversora Carso's, were assessed by the Board of Directors, which considered the offered prices "unreasonable". Both bids were way below the average share price during the first semester of the year, and way lower than the net asset value of the company in 2014.

After some months of uncertainty, on 23 of June, Hispania renounced to its bid, and Inversora Carso ratified the price of its own bid. During this period, the price of the company's shares was above 0.60 euros per share.

The deadline for the acceptance of the takeover bid launched by Inversora Carso ended on 24 of July 2015, but it was only accepted for 451,940 shares, 0.15% of the share capital.

The market received positively one of the first decisions taken by the new Board of Directors: to recognize in the 2015 financial statement the value of its property assets at their market value and not to their acquisition cost, as had

**On 23 of July, Hispania renounced to its takeover bid, and IC ratified the price of its bid**



been the case until then. After the decision from the Board of Directors was announced, share price went up nearly 15% at the start of the 7 of October session.

## Capital increase

At 31 December, share capital was represented by 307,370,932 shares, and there was a capital increase underway for 153,380,466 shares, representing an increase of 50% of the current share capital, for an amount of 88.9

Million euros, with a share premium of 0.34 euros per share. Inversora Carso guaranteed the capital increase.

At 31 December 2015, subscription was committed for 152,950,101 shares, or 99.72% of the total shares offered within the framework of the capital increase agreed by the Board of Directors on 3 December 2015.

The rest of the shares, 430,365, were subscribed during the first days of 2016.

The subscription rights went up by 87.5%, (from 0.048 to 0.090 euros)

## Refinancing agreement

Additionally, the Company hit a record in the Spanish Stock Market, with a 7.14% rise on 11 of December, after the announcement of the refinancing of the homebuilding debt-linked loan of 802.7 Million euros, with a haircut of 72 Million.

Musgo 3, Madrid







5

# CORPORATE GOVERNANCE

## 5.1 Corporate Governance Bodies

- 5.1.1 General Shareholders' Meeting
- 5.1.2 Board of Directors
- 5.1.3 Management Committee
- 5.1.4 Remuneration Policy

## 5.2 Ethical framework

- 5.2.1 Ethical Code
- 5.2.2 Internal Code of Conduct

## 5.3 Risk management

# 5.1

## Corporate Governance Bodies

REALIA has continued to improve its Corporate Governance system to facilitate compliance with its corporate goals and generate trust among its stakeholders. During 2015, it amended its Bylaws and the regulations of its main governance bodies to adapt them to the new legislation. In October, the Board of Directors appointed a new Non-Executive Chairman and a new CEO.

REALIA has a solid and stable organizational structure, based on the current legislation and in line with the international models accepted by the markets.

Thanks to the development of its own regulations, the roles and competences of its main governance bodies – General Shareholders' Meeting and Board of Directors – are clearly limited and defined; its relations with third parties are regulated, and its activity is clearly geared toward an efficient and upstanding conduct throughout the whole organization.

During 2015, the Bylaws, the General Meeting Regulation and the Regulation of Realia Business' Board of Directors were amended in order to adapt their content to the amendments introduced by the Corporations Law 31/2014 of 3 of December, which modifies the Corporations Law for the improvement of corporate governance and by Law 5/2015, of 27 of April, for the promotion of corporate financing. Additionally, some improvements were made in their wording to facilitate understanding, to adapt the text to the changes introduced by Law 31/2014, or simply to adapt it to the practices of the Company.

Castellana 41, Madrid





Santa Bárbara, Valencia

As a company operating in the Spanish Stock market, it intends to progress during 2016 in its internal restructuring to adapt, as much as possible, to the recommendations of the new Good Governance Code of Listed Companies, with a new focus on social issues and sustainability.

The Board of Directors, in turn, changed its composition to welcome the new leading shareholder, Inversora Carso, S.A. de C.V., which proposed the appointment of the new Non-Executive Chairman, Mr. Juan Rodríguez Torres, and the CEO, Mr. Gerardo Kuri Kaufmann.

## Organizational structure

The two main governance bodies of REALIA are the General Shareholders' Meeting and the Board of Directors.

The CEO is responsible for the design and review of the organizational structure of the group, under delegation by the Board of Directors.

The General Shareholders' Meeting is the highest representative body of the share capital. It meets at least

once a year, within the first six months of each year. Its duties include the approval of the accounts of the prior year, both the company's and its consolidated group's, and decide on the payment of dividends.

The main duty of the Board of Directors is the design of the corporate strategy, and the creation of the necessary structure for its implementation. Additionally, it supervises and controls that the Management fulfils the objectives defined, and evaluates its own performance. It also monitors compliance with the law in its relations with stakeholders. The Board of Directors performs its work through three



Alfonso XII 12, Madrid

committees: Executive Committee, Audit and Control Committee and Appointment and Remuneration Committee.

## Annual reports

Every year, REALIA submits to the Stock Market Authority (CNMV) a Corporate Governance Report and a Directors' Remuneration Report, which can be found at the corporate website.

Furthermore, it draws up a Management Report for both the Company and its consolidated group, which is attached to the annual accounts, which give an accurate picture of the evolution of the activities of the company and its group, and a Corporate Responsibility Report, available at the website.

REALIA submits  
several annual  
reports to the CNMV,  
available at their  
corporate website



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5.1.1

## General Shareholders' Meeting

The General Shareholders' Meeting is the body of the Company composed by all of its shareholders.

Its duties include the appointment, ratification, re-election or dismissal of the members of the Board of Directors and auditors, to approve the social administration, the accounts and the distribution of profits from the previous year, and to approve the issue of securities. It also authorizes the dissolution, merger, spin-off or global transfers of assets and liabilities; it approves the transactions that entail a structural change in the company; and discusses all matters reserved, according to the law or the bylaws, to its competence.

In 2015, the following articles were amended: articles 13, 16, 17 and 18 of the Bylaws related to the General Meeting; articles 21 to 26, related to the Board of Directors; articles 27 to 29 related to the Committees; and new articles 30 and 31 were introduced, related to the Annual and Corporate Responsibility Report and the Annual Report on the Remuneration of the Board of Directors, to adapt them to the changes in the Corporations Law for the improvement of corporate governance. Additionally, articles 4, 5, 6, 8, 9, 11, 15, 16, 19, 20 and 23 of the Regulation of the General Shareholders' Meeting were amended for the same purpose. These articles refer to the type of meetings, their competences, the call, and the right of information, the venue of the meeting, its constitution, and interventions

at the meetings, votes, adoption of agreements and their publication.

### Agreements of the General Shareholders' Meeting in 2015

Only one ordinary General Shareholder's Meeting was held in the year, on 22 June 2015.

Apart from the review and approval of the Annual Accounts and the Management Report of the company and its consolidated group, corresponding to 2014, the General

Junta General de Accionistas







Prim 19, Madrid

Meeting approved the result and the social administration of the year 2014, and ratified the appointment of the director Mr. Gerardo Kuri Kaufmann, agreed by the Board of Directors in its session held on 27 February 2015, and re-elected him for a period of four years.

It also approved the capital increase through credit compensation, of both the “freely convertible tranche” and the “non-voluntarily convertible” tranche of the participating loan, with the projection that it will not be fully subscribed.

A possible increase of the share capital for a period of five years, in one or more times, was given the green light, through monetary contributions and up to a maximum amount of 36.884 Million euros, equivalent to half the share capital, according to the terms and conditions that the Board of Directors decides on every case.

Furthermore, it granted the Board the power to issue debentures, bonds and other fixed income securities, either simple or convertible or redeemable by shares of the Company or another company, as well as promissory notes, warrants and other instruments that entail the acquisition of

rights of newly issued shares of the company or outstanding shares of the Company or another company.

It authorized the Board of Directors and the Executive Committee the derivative acquisition of own shares and authorized the subsidiaries to acquire shares of Realia Business.

Lastly, it approved, on a consultative character, the Report on the directors’ remuneration, and the remuneration of the Board for 2015, and re-elected the auditor of the accounts of the company and its consolidated group for the year 2015.



5.1.2

Board of Directors

In 2015, the Board of Directors of REALIA changed its composition and its regulation.

Name	Position	Type of position	Executive Committee	Appointment and Remuneration Committee	Audit and Control Committee
Mr. Juan Rodríguez Torres	Non-Executive Chairman	Proprietary, appointed on proposal from I.C.	Chairman	Member	Member
Mr. Gerardo Kuri Kaufmann	CEO	Executive	Member		
Mrs. Carmen Iglesias Cano	Member	Independent		Member	Member
EAC Inversiones Corporativas, S.L. Represented by Mrs. Esther Alcocer Koplowitz	Member	Proprietary, appointed on proposal by FCC	Member	Member	
Mr. Carlos Manuel Jarque Ubrique	Member	Proprietary, appointed on proposal by FCC			
Mrs. Antonia Linares Liébana	Member	Independent		Chairwoman	Chairwoman
Meliloto, S.L. Represented by Mrs. Alicia Alcocer Koplowitz	Member	Proprietary, appointed on proposal by FCC	Member	Member	
Mr. Jesús Rodrigo Fernández	Secretary, not a director		Secretary (not a member)	Undersecretary (not a member)	Undersecretary (not a member)
Mr. José María Richi Alberti	Undersecretary, not a member		Undersecretary (not a member)	Secretary (not a member)	Secretary (not a member)

Board of Directors of REALIA as at 31 December 2015

Source: Realia



Musgo 3, Madrid



## New Non-Executive Chairman

On 6 of October, Mr. Juan Rodríguez Torres was appointed non-Executive Chairman of the Board, after the resignation of the former Chairman of REALIA, Mr. Ignacio Bayón Maríné, who retired. During the same meeting, Mr. Íñigo Aldaz Barrera, CEO of the Company resigned as a member of the Board.

The Board of Directors acknowledged and publicly praised the performance of both directors during their term in the Company, both during its establishment and growth, and later during the time of the crisis.

The new non-Executive Chairman is a Civil Engineer who graduated from the Universidad Nacional Autónoma de México, Master Mathematician, did a Stage in France at the Beton Precontraint, has a Master in Engineering of Planning and Operational Research from UNAM and a completed a Senior Business Program AD-2 at the Instituto Panamericano de Alta Dirección de Empresa (IPADE Business School). He is a member of the Board of many companies in different sectors. His arrival at the Board of Directors as a proprietary director was proposed by the leading shareholder Inversora Carso, S.A. de C.V.

During the same meeting of the Board on 6 of October, Mr. Carlos Manuel Jarque Uribe was

appointed director at the proposal of FCC, where he is the CEO.

He has degree in Actuarial Sciences by the Universidad Anáhuac (Huixquilucan, Mexico). He has completed postgraduate studies in the London School of Economy, the University of Oslo, the National Australian University and Harvard University.

Mr. Carlos Manuel Jarque has held several positions in Mexico, in both the public and private sectors, was a member of the Board of Directors of Instituciones Financieras and of companies in the construction, mining, real estate and citizens service sectors and, since August of 2015, is the CEO of Fomento de Construcciones y Contratas, S.A.

## New CEO

Three days later, on 9 of October, the Board, with the favorable report from the Appointment and Remuneration Committee, appointed Mr. Gerardo Kuri Kaufmann as CEO, who had joined the Board of Directors in February 2015 on a motion from FCC.

The new chief executive of Realia has a degree in Industrial Engineering from the Universidad Anáhuac (Huixquilucan, Mexico) and has a long experience in the real estate sector, especially in the Carso Group, where he has held and currently holds senior positions.



## Exit of Bankia's directors

Before the appointments mentioned above, after the sale by Bankia of its 24.9% stake in the Company to Inversora Carso, the three directors appointed by Banco Financiero y de Ahorros (in which Bankia is integrated) resigned from their positions in June. The three positions were still vacant at year-end.

## Meetings of the Board of Directors and its committees

During 2015, the Board of Directors met on eleven (11) occasions, in January, February, March, May, June, July (2), October (2), November and December. Additionally, it adopted an agreement in writing, without a Board session, in December 2015.

All the directors are professionals of proven integrity, solvency, technical capability and experience, appointed after the corresponding report from the Appointment and Remuneration Committee.

In order to improve its efficiency, the Board of Directors organizes its work in three committees: Executive Committee, Appointment and Remuneration Committee, and Audit and Control Committee.

In the session of the Board of Directors held on 10 of November, the reduction in the number of members of all the committees was approved. Additionally, Mr. Juan Rodríguez Torres was appointed Chairman of the Executive Committee and new member of the Appointment and Remuneration Committee and the Audit and Control Committee; Meliloto, S.L. was appointed as new member of the Appointment and Remuneration Committee; and the resignations of Meliloto, S.L. and Mr. Gerardo Kuri Kaufmann as members of the Audit and Control Committee were accepted, and Mr. Kuri Kaufmann's resignation as member of the Appointment and Remuneration Committee was also accepted.

**The Board of Directors of REALIA met on eleven occasions during 2015.**

*García de Paredes 24, Madrid*



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Goya 6, Madrid



## ● Executive Committee

The Executive Committee assumes the duties and competences delegated by the Board of Directors, for the purposes of protecting the interests of the Company, that is, to maximize the economic value of the Company in a sustainable manner.

In general, it is in charge of monitoring and supervising the Company's management and administration matters which require continuous attention and, if necessary, a fast and conscientious adaptation, and of those matters that may influence the positioning and the potential of the company and its Group in the market.

It met on four occasions during 2015, in January, July, November and December, and reduced the number of its members from eight to five.

**The Executive Committee met on four occasions, and reduced the number of its members to five**

## ● Appointment and Remuneration Committee

Its duties or competences can be broken down into the following categories:

- ▶ Remuneration of directors;
- ▶ Remuneration of senior managers;
- ▶ Appointment and dismissal of directors and appointment of the positions at the Board of Directors;
- ▶ Succession of the Chairman and the CEO;
- ▶ Verification of the nature of the directors;
- ▶ Annual evaluation;
- ▶ Record of the information on directors and senior managers.

In 2015, it reduced the number of its members from six to five. It held six meetings during 2015, in January, February, May, October and November.

## ● Audit and Control Committee

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

CC El Jardín de Serrano, Madrid



The Audit and Control Committee held nine meetings during 2015, in January, February, March, April, May, July, October, November and December. The number of its members was reduced from six to three.

The Board of Directors will take care that in its composition, external or non-executive directors represent a large majority over the executive directors, and that there is a reasonable number of independent directors among non-executive members.

There are currently three vacancies in the Board. Most of its members (six out of seven) are external, and two are independent; only one of them is an executive

director. Taking into account the shareholding structure of the company, its current composition is considered reasonable.

Regarding the percentage of women in REALIA's Board of Directors, it is much higher than the average in Spanish companies: four of the seven Members of the Board are women (57%).

### **New Board Regulations**

The duties of the Board include the investment and financing policy, the definition of the structure of the group, the corporate governance policy and the corporate

social responsibility policy. It is also responsible for the approval of the strategic plan, the management and budgetary goals, and the remuneration policy. It assesses the performance of senior managers, risk control and management and the dividend policy.

In order to adapt to the new legislation, the General Shareholders' Meeting approved the amendment of the Bylaws in its articles related to the Board of Directors. Specifically, it amended articles 21 to 29, which establish the form of organization of the company, the characteristics of the directors, the composition of the Board and the election of its members, the operation of the Board, the committees of the Board and their remuneration.





Príncipe de vergara 11, Madrid

5.1.3

## Management Committee

Five professionals with extensive experience in the property sector compose REALIA's Management Committee.

Apart from the CEO, the different business areas are represented in this committee, as well as the Financial and Strategic Departments of the company.

One of the five members of the Management Committee is a woman.

One of the five members of the Management Committee is a woman

### Management Committee

CEO

**Mr. Gerardo Kuri Kaufmann**

Deputy Director/ Administration and Finance  
Director

**Mr. Juan Antonio Franco Díez**

Deputy Director / Director of Corporate Strategy and  
Relations with Investors

**Mr. Jaime Lloréns Coello**

Deputy Director / Director of Property

**Mr. Agustín González Sánchez**

Director of Developments

**Mrs. Ana Hernández Gómez**

Source: Realia





5.1.4

Remuneration Policy

Realia’s remuneration policy seeks to promote the long-term profitability and sustainability of the Company, on the basis of transparency, moderation and compensation for dedication.

Consequently, the remuneration of directors is applied taking into account the following criteria: (i) it must appropriate to attract and retain the directors of the desired profile and remunerate the dedication, qualification and responsibility that the position demands, without prejudice to the independence of criteria of non-executive directors; (ii) it must respond to a market criterion; and (iii) it must compensate the dedication and responsibility of the directors.

In 2015, the General Shareholders’ Meeting, in its ordinary session, approved the remuneration policy for the three years after the current year (Transitory Provision, section 2.a of Law 31/2014, of 3 of December, related to article 529 of the Consolidated Text of the Corporations Law).

Consequently, the maximum remuneration to be received by the Members of the Board for their conditions as members of this body and its different committees amounts to 692,282.00 euros, to be distributed by the Board among its members, according to their duties and responsibilities in the Board and its Committees.

This remuneration will be payable notwithstanding the remunerations that Executive Directors receive for the performance of their work as executive or senior managers,

Remuneration of the Board of Directors		
EUROS	Fixed annual amount per director	Attendance allowance for each meeting
Members of the Board	20,843.00	1,894.00
Members of the Executive Committee	10,419.00	1,158.00
Members of the Appointment and Remuneration Committee	3,049.00	600.00
Members of the Audit and Control Committee	3,049.00	600.00
Members of the Related Party Transactions Committee	3,049.00	600.00

Source: Realia

The General Shareholders’ Meeting approved in 2015 the remuneration policy for the next three years

for which a fixed remuneration was established of 1.093 Million euros, apart from the rest of benefits enjoyed by the employees of the company, such as the contributions the company makes to pension funds and schemes established for its employees, life insurance and medical insurance premiums, and the possible compensations agreed in their contracts.





Patraix, Valencia

During 2015, the Board of Directors distributed that maximum amount among its members according to the following criterion: a fixed amount was paid as remuneration for their conditions of members of the Board or its committees, and another part as remuneration for attendance allowances.

The remunerations in the table are the only components of the Directors' remuneration for their condition as members of the Board and its different Committees, and none of the rest of remuneration components contemplated in the Board Regulations have been applicable. These amounts were paid without prejudice to the remunerations paid to Executive Directors for their executive or senior management work in the Company during 2015.

446,000 euros were paid in 2015 to the Board of Directors, 34.5% less than the amount authorized by the General Shareholders' Meeting.

**In 2015, 446,000 euros were paid in 2015, a decrease of 34.55% over the remuneration authorized by the General Shareholders' Meeting.**



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# 5.2

## Ethical framework

REALIA carries out its activity with integrity and respect for the current legislation. The group has its own ethical framework composed by two rules than guide the conduct of the members of the organization; helps embrace its values and determine their relations with the stakeholders: the Ethical Code and the Internal Code of Conduct.

Integrity and compliance with the current legislation are present in all of the actions of REALIA. The Company has internal rules to ensure ethical behavior of all the members of the organization, tools to monitor their compliance and mechanisms of action in case of infringement of those rules.

The Ethical Code is the fundamental rule, mandatory for all the employees of the Group, regardless of their position, their relation with the company or the geographical area

where they perform their work. It also has an Internal Code of Conduct for stock market operations.

There are different instruments and procedures to monitor ethical conduct among its employees. The most important one is the PRINEX system, a real estate management software customized for the companies in the sector, which allows the commercial department to identify customers who have conducted fraudulent transactions in the past in order to avoid doing business with them.

Nudo Eisenhower, Madrid



5.2.1

## Ethical Code

REALIA has an Ethical Code since 2010, based on its corporate values, that serves as a guide of conduct for all employees of the Company, regardless of their position and their workplace.

The Ethical Code establishes rules of conduct in the following areas: compliance with the rules, respect for people, personal data protection, customer service, fraud prevention and commitment with the environment, as well as commitment to the market, the Company and the community.

All the employees of the REALIA Group have the obligation to sign formally the Ethical Code, and keeps a copy of it. This document is also available through the corporate Intranet.

Even though the Ethical Code is not mandatory for its suppliers, the Company expects from them honest conduct, compatible with the principles of the code, and consequently reserves the right to restrict the contracts for goods and services to the companies that respects them.

In order to ensure compliance with the code among its employees, it has a number of safeguard mechanisms that contribute to preserve the reputation of the Company.

### Principles of the Ethical Code

Compliance with the rules

Respect for people

Personal data protection

Taking care of customers

Preventing fraud

Commitment to the market, the company and the community

Commitment to society and the environment

Source: Realia

Marqués de Duero 10, Madrid

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YEAR 2015

CORPORATE RESPONSIBILITY





María de Molina 40, Madrid



## Internal whistleblowing channel

In order to ensure the compliance with the Ethical Code, prevent workplace harassment and report employment, financial or accounting incidences, REALIA has an internal incidence-reporting channel through the Intranet, to report on breaches of the corporate culture, make queries or suggest improvements. It also offers the possibility to file these reports by mail, which must be sent to the following address:

### GRUPO REALIA

Att. Delegado de procedimiento de comunicación del Comité de Seguimiento del Reglamento Interno y Ético. Paseo de la Castellana, 216  
28046 Madrid

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

No incidents regarding compliance with the Ethical Code have been reported in 2015.







5.2.2

## Internal Code of Conduct

Being a Company listed in the Spanish Stock Market since 2007, REALIA has an Internal Code of Conduct that establishes the criteria and procedures to follow in Stock Market transactions, and in the use and dissemination of relevant information.

In order to promote transparency in the activities of the group and the adequate investor information and protection, the Code establishes, among other provisions, the treatment of privileged information and confidential documents, the procedures for transactions of own shares or the roles of the Audit and Control Committee.

The Code is addressed to directors, managers, external advisors and the staff of the Stock Market and Investor Relations Departments.

The Chairman of the Audit and Control Committee has the responsibility of informing them of their obligations. Its Chairman is responsible for the Code and has the obligation of reporting periodically to the Board of Directors or the Executive Committee.

### Regular training

In order to guarantee the quality of financial information and

its compliance with the current legislation, REALIA organizes training sessions periodically for the staff responsible for its preparation, as well as in the evaluation of the Internal Control System on Financial Information, which covers accounting, audit, internal control and risk management rules.

Several training sessions were organized in 2015 on accounting, fiscal, labor and business rules, for a total of 399 hours of training.

Specifically, the Internal Audit Department has attended seminars and courses on the evaluation of internal control within organizations, organized externally.

Los Cubos, Madrid

085

YEAR 2015

CORPORATE RESPONSIBILITY

# 5.3

## Risk management

REALIA has a risk management system that helps it identify, evaluate, restrict and respond to those events that, if they were to materialize, could affect its economic profitability, its financial solvency, its corporate reputation and the integrity of its employees. This task involves the whole organization.

REALIA's risk management model is of a preventive nature and is based upon three pillars:

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

The control system is implemented through several phases. Initially, the key business processes are identified, as well as the critical risks associated according to their

nature. Later, risks are analyzed according to their potential impact on the management objectives and their likelihood of occurring. Finally, the policies, guidelines and limits associated to the risks are established and implemented,

This process involves the whole organization, since the system is developed and implemented in each of the functional areas.

Any risk considered critical is discussed during the periodic meetings of the Management Committee. In turn, it proposes to the Board of Directors the specific response plans, and the Board considers the proposal, accepting it or modifying it, if applicable.

Albasanz 12, Madrid



Avda de Bruselas 36, Madrid

The Internal Audit Area, under supervision by the Audit and Control Committee, provides an independent evaluation of the adequacy and efficiency of the internal control and risk management systems.

## Main risks of REALIA

REALIA comes across several different risks, on both its property management and property development activities. The most relevant ones are the financial risks, which include credit risks, interest rate risks, exchange rate risks, and liquidity or solvency risks.

► **Credit risk:** in the homebuilding business, it is a standard practice to grant payment deferrals in the sale of land to some customers. Currently, the amount of commercial credits without its corresponding surety is around 14.0 Million euros that the Company has impaired for its corresponding risk, estimated at 8.3 Million euros. In the property management business, risk is not significant and quite similar to that of the previous year.

► **Interest rate risk:** the comparative analysis of the financial costs included in the business plan and the yield curve trends led the Company to

decide not to hedge against interest rate, in order to minimize the cost of the debt. Nonetheless, the management continues to analyze the trend and does not rule out the convenience to hedge against interest rate risks in the future.

► **Liquidity risk:** The high level of indebtedness may have major consequences for the business. On 10 of December, the company reached an agreement with the lender banks to reduce by 9% the total amount of the debt of the syndicated loan related to homebuilding activity, 802.7 Million euros, once the conditions establishment for debt repayment are fulfilled.

The agreement established four payment milestones. At the date of this report, the four payments had been made, the last of them on 7 of April, thus consolidating the total haircut of 72.4 Million euros agreed with the banks.

The Company prepared a financial feasibility plan that recognizes the existence of liquidity to meet its payments obligations.

► **Exchange rate risk:** Given the scarce international activity of the group outside of the Euro zone, its exposure to this risk is not significant.



CC La Noria



## Risks that materialized in 2015

During the year, two types of risk have materialized.

▀ **Market risk:** The situation of the property sector, in which a mismatch between supply and demand persists, has resulted in a continued price adjustments in 2014 among the different products, with its corresponding impact on product margins. However, this reduction in

prices has not been as marked as in previous years, and only affected land and finished products. This trend is expected to reverse again in 2016, so that prices and margins can start to recover.

▀ **Reduction in value of property assets and stock:** Contrary to previous years, during 2015 homebuilding developments assets and land did not decrease their

prices significantly. In fact, provisions for the impairment of stock went up to 12.9 Million, and represented an average drop of 3.5% approximately.

The Company considered that the valuation that reflects more accurately the market value of its stock is their fair value, and has adapted accordingly the existing provisions for impairment.

Salvador de Madariaga 1, Madrid



## Procedure for the prevention of money laundering

REALIA has an internal procedure, mandatory for all its employees, to manage money laundering prevention risks. The Procedure and Control Rules for the Prevention of Money Laundering specifies the identification of customers, the review of transactions and the obligation to keep the documents.

A Control, Information and Communication body coordinates this activity with employees and the Prevention Services.

Additionally, REALIA undergoes an annual audit on money laundering and monetary offences prevention. In July 2015, the Audit and Control Committee analyzed the external report from the auditor on the topic of money laundering and terrorism financing prevention, before it was submitted to the Board of Directors, which proposed the actions to be taken to correct the incidences identified therein. In December, it proposed the approval of the amendments introduced in the group's Internal Manual on this matter.



**6**

# CORPORATE RESPONSIBILITY

- 6.1 REALIA, a responsible company
- 6.2 Achievement of goals
- 6.3 Challenges for 2016
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  - 6.5.4 Promotion of responsible conduct



# 6.1

## REALIA, a responsible company

### Economic value generated and distributed

MILLION EUROS

	2015	2014*
Revenues from own activities	94.9	115.4
Financial revenues and other	5.3	5.1
<b>1. ECONOMIC VALUE GENERATED</b>	<b>100.2</b>	<b>120.4</b>
1.a. Value created for suppliers	38.3	68.1
Wages and salaries	7.5	7.5
Pensions and other social contributions	0.5	0.6
1.b. Value created for employees	8.0	8.1
1.c. Value created for own and outside capital	24.7	44.7
1.d. Value recovered from Company	-21.1	-10.7
<b>2. DISTRIBUTED VALUE</b>	<b>92.1</b>	<b>131.6</b>
<b>3. RETAINED VALUE</b>	<b>8.1</b>	<b>-11.2</b>
Minorities	8.8	-34.4
Provisions, amortizations and other	-8.8	7.4
Result from discontinued activities	0.0	-107.6
Change in value of property investments	26.7	-0.5
Result attributable to shareholders	17.2	-77.5

(\*) Figures restated according to the change in asset valuation standard by the application of IAS 40 at their "fair value".

Source: Realia

REALIA generates value in its environment, beyond its economic profitability. In order to contribute to the progress and welfare of society, it attempts to respond to the expectations of its stakeholders; it helps to protect the natural environment and is committed to ethics, integrity and good governance.

Albasanz 16, Madrid



REALIA's Corporate Responsibility Master Plan, approved in 2009, establishes the guidelines that must be followed by the Company, and the responsibility for its design and implementation.

There are three main axes of action in the Plan: commitment and protection of the environment, commitment to the groups and communities with which it holds relations, and commitment to ethics and good governance.

In order to meet these commitments, it has an Ethical Code and the strength of its five corporate values: leadership, transparency, innovation, and dialog and customer service.

## REALIA's offices are singular buildings located in consolidated, well-connected business districts

The Board of Directors is responsible for the company's Corporate Responsibility policy; its implementation is the responsibility of the Communication, Marketing and Corporate Responsibility Department.




The Company considers CR as another dimension of its corporate activity, closely linked to its own viability in the future and its economic performance. Thanks to its sustainable business model, it contributes to the prosperity of its stakeholder through the provision of jobs, contracts with suppliers, the preservation of the value of its assets, and the payment of taxes.

As a consequence of the incorporation of CR in its management, REALIA is the only Company in the sector that submitted and Integrated Annual Report in 2015. The Reporta report considered it the best in the Spanish property sector, and the 24th among the companies that make up the General Index of the Madrid Stock Market.

6.2

Achievement of goals

Achievement of goals in 2015

ACHIEVEMENT OF GOALS IN 2015	DEGREE OF ACHIEVEMENT	ACTIONS THAT JUSTIFY IT
Homogenization of the measurement system of waste managed	Low 	Current conditions in the group have prevented the start of the process
Keeping up to date the control mechanisms associated to the Ethical Code and the whistleblowing channel	High 	<p>Any incidence associated to compliance with the Ethical Code is reported to the Audit and Control Committee</p> <p>The Internal Audit Department submits a report of its activities to the Audit and Control Committee, detailing the communications received related to the Ethical Code</p>
Review of the Corporate Governance Policy related to the current regulation	High 	

Source: Realia

REALIA incorporated to its Corporate Governance system the new provisions of Law 31/2014, that amends in turn the Corporations Law, and updated the mechanism associated to the Ethical Code, two of its three goals for 2015. However, it could not start the process of standardization of the waste measuring system, since no stability was achieved in the group until year-end, after Inversora Carso took control. Additionally, it progressed in its communication with stakeholders, through the launch of a new “responsive” website.



# 6.3

## Challenges for 2016

REALIA expects to start the process of standardization of the waste measuring system in 2016, provided that the arrival of new investors stabilizes the perimeter of the group. It also intends to adapt its corporate governance system to the recommendations of the new Good Governance Code of Listed Companies. Lastly, it will keep the control mechanisms associated to the Ethical Code up to date.

### Challenges for 2016



HOMOGENIZATION OF THE MEASUREMENT SYSTEM OF MANAGED WASTE



KEEPING UP TO DATE THE CONTROL MECHANISMS ASSOCIATED TO THE ETHICAL CODE AND THE WHISTLEBLOWING CHANNEL



ADAPTATION OF THE GOVERNANCE SYSTEM TO THE NEW CODE OF GOOD GOVERNANCE OF LISTED COMPANIES

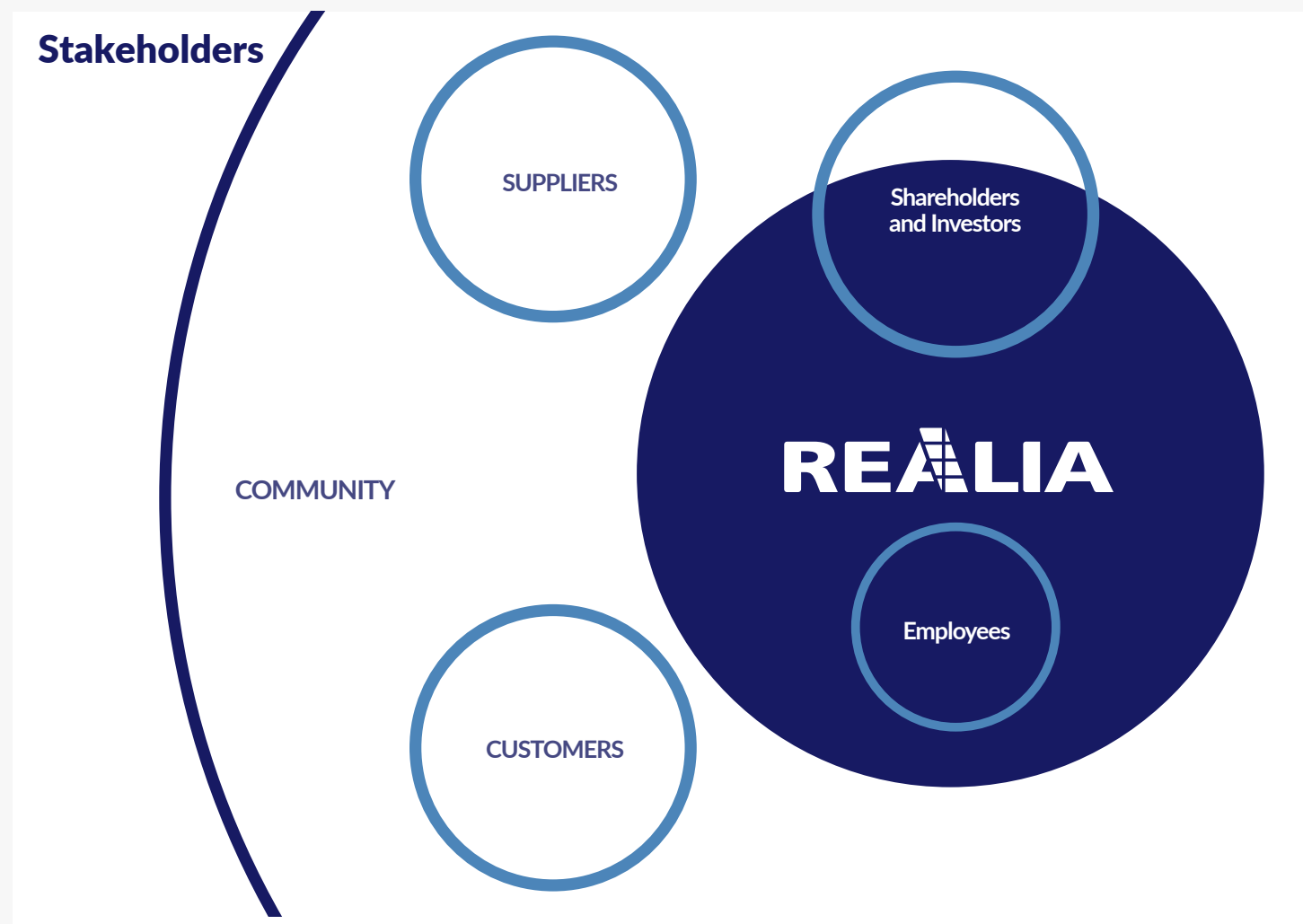
Source: Realia

6.4

## Stakeholders\*

(\*) G4-24, G4-25, G4-26, G4-27

REALIA continued to promote dialog and collaboration with its stakeholders in 2015: shareholders, employees, customers, suppliers and the community. The company kept an open communication with all, reinforced by the creation of a new corporate website containing all the relevant information about the company, its real estate products and its economic and stock market evolution.



Source: Realia



6.4.1

## Shareholders and investors\*

(\*) G4-24, G4-25, G4-26, G4-27

After the last changes in the shareholding structure, REALIA's main shareholders are FCC (36.91%) and Inversora Carso (30.46%), two solvent groups internationally renowned, whereas minority shareholders hold 32.63%.

The arrival of new investors allows the company to face the new challenges in the market with chances of success, and to meet one of its priority goals: to create long-term value for shareholders. This is the goal of its management and the viability plan currently under way, designed after the refinancing agreement of the syndicated loan related to its homebuilding debt.

One of the decisions best received by the market is the change in the valuation standard for its property assets in its 2015 accounts.

### Information actions

In a stock market year characterized by the war of takeover bids between Hispania and Inmobiliaria Carso, which resulted in the victory of the latter and the announcement of a capital increase, REALIA has provided at all times transparent information with the investor community.

It provided information periodically during the year to shareholders through the channels established by the Corporations Law, its Bylaws and the Regulations of the General Shareholders' Meeting. Proof of that is the delivery to the CNMV of fifty relevant events.

The Area of Investor Relations held ten face-to-face meetings and another ten conference calls with investors or professionals of the sector, as well as a breakfast with investors and experts. It also participated in the 12th Forum Medcap of medium-sized capitalization, held at the Madrid Stock Market.

Avenida de Bruselas 36, Madrid

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## Enhanced communication through the website

REALIA communicates openly with the investor community and the public through its corporate website, [www.realia.es](http://www.realia.es). In December 2015, it renewed the site to make it more attractive, accessible and useful for its stakeholders.

The new site, accessible through any fixed or mobile device, meets the technical and legal specifications of Newsletter 3/2015, published on 23 of June by the Stock Market Authority, Comisión Nacional del Mercado de Valores.

In the “Shareholders and investors” section, anyone interested can access the main financial information of REALIA, contents of interest about the shares and share

The new website meets the technical and legal specifications of Newsletter 3/2015 of the CNMV

## Contact Investor Relations

### ADDRESS

Paseo de la Castellana, 216, planta 1ª,  
28046 MADRID

### PHONE

+34 913534409

### FAX

+34 913534417

### EMAIL

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

Source: Realia

(\*) G4-24, G4-25, G4-26, G4-27

capital, the different financial figures, stock market data and the results of the company. They can also access the main aspects of the “Corporate Governance” and the “Press Room” of the company.

Shareholders and Investors can contact the Investor Relations Area via email.

## Shareholders' Electronic Forum

In order to facilitate communication with shareholders before the General Meeting, the company has established a Shareholders' Electronic Forum, as provided for in the Corporations Law.

This forum publishes the proposals that shareholders aim to submit as an addendum to the agenda, the requests for support of these proposals, the initiatives to achieve the percentages necessary to exercise the right of a minority, offers, requests, or voluntary proxies.

## Internal Code of Conduct

In order to protect the rights of shareholders and to guarantee the integrity of its activities in the stock market, REALIA has established an Internal Code of Conduct mandatory for the Board of Directors, managers and anyone related to the financial management of the company, as well as external and internal advisors.



## 6.4.2

### Employees\*

(\*) G4-24, G4-25, G4-26, G4-27

#### Number of employees (at 31/12/2015)

	2015	2014
REALIA Business, S.A.	45	49
REALIA Patrimonio S.L.U.	4	4
Hermanos Revilla	48	45
REALIA Polska	1	1
<b>TOTAL</b>	<b>98</b>	<b>99</b>

#### Geographical distribution of the workforce

	2015	2014
Madrid	91	91
Catalonia	2	2
Valencia	1	1
Andalusia	2	2
Canaries	0	1
Castilla-León	1	1
Poland	1	1
<b>TOTAL</b>	<b>98</b>	<b>99</b>

Source: Realia

REALIA has a workforce of expert professionals specialized in the real estate sector. The company tries to offer them the best possible working conditions, maintaining a working climate that allows their professional development and the achievement of the corporate goals.

Three new contracts were signed in 2015 at Hermanos Revilla, whereas in Realia Business four contracts terminated. The turnover rate of the group reached 4.04%.

Since its establishment, the company has held its commitment with stable, quality employment. Out of the 98 employees in its workforce, only one of them has a part-time contract, 61 have full-time contracts, whereas 36 are attached to contractors (in the subsidiary Hermanos Revilla).

Out of the 98 employees, 48 of them work in Hermanos Revilla, 45 at Realia Business, 4 in Realia Patrimonio and 1 in Realia Polska.

Most of the workforce concentrates in Madrid (91 of 98), whereas the rest work in the different Spanish offices and in Poland).

The employees are characterized by their high qualifications. 36 of them are managers and university graduates, 9 are middle-level graduates and technicians; 19 are clerical staff and attached, whereas the remaining 34 are attached to building operations (concierges, maintenance personnel, etc.)

As Cancelas (Santiago de Compostela)



098

Nudo Eisenhower, Madrid



(\*) G4-24, G4-25, G4-26, G4-27

## By gender, 69 men and 29 women.

Experience in the property market is very important to REALIA, especially in senior positions. For this reason, 33.7% of the workforce is over 50 years of age, 61.2% between 30 and 50, and only 5.1% of the workforce is under 30.

## Fundamental rights

REALIA meets the current legislation on labor rights in its relations with its employees, and promotes the universally

## Distribution of the workforce according to type of contract (31/12/2015)

	Men	Women	Total
Full-time contract	35	26	61
Temporary contract	0	1	1
Attached to contractors	34	2	36
<b>TOTAL</b>	<b>69</b>	<b>29</b>	<b>98</b>

Source: Realia

principles recognized by the United Nations Global Compact, as well as the right of collective bargaining and non-discrimination in employment, among others.

REALIA is aware that its business future relies largely on the commitment of its employees and the fulfilment of its legitimate expectations, and for that reason it tries to encourage an appropriate working climate that allows for the development of their capabilities. To that end, it follows three main lines of action: equal opportunities, the development of their capacities, health, and safety.



Prim 19, Madrid

## Equal opportunities

REALIA defends equal opportunities among individuals. According to this, its recruitment and promotion processes are linked to merits and the requirements of each position, and are publicized accordingly.

The company works actively to avoid any type of discrimination, including gender discrimination. Proof of that is the fact that, even though women accounted for 29.6% of the workforce in 2015, they held 42.6% of full-time contracts.

In 2015, the Board of Directors outdid gender parity (three men and four women), and the Management Committee is composed by three men and one woman.

## Job training

Despite the difficulties the company is going through, it continues to provide the necessary training to employees to perform their work successfully. In 2015, the investment on training increased by 16%, up to 9,829 euros.

743 training hours were given on different subjects: legal, languages, marketing, administration, project engineering, and risk prevention and safety at work. 56 employees received this training.

(\*) G4-24, G4-25, G4-26, G4-27

## Distribution of the workforce by gender and job category

	2015	2014
Managers and university graduates	<b>36</b>	<b>37</b>
Men	22	25
Women	14	12
Technical staff and middle-level graduates	<b>9</b>	<b>9</b>
Men	9	9
Women	0	0
Clerical staff and salaried	<b>19</b>	<b>18</b>
Men	4	4
Women	15	14
Rest of salaried personnel	<b>34</b>	<b>33</b>
Men	34	32
Women	0	1
<b>TOTAL MEN</b>	<b>69</b>	<b>70</b>
<b>TOTAL WOMEN</b>	<b>29</b>	<b>29</b>
<b>TOTAL</b>	<b>98</b>	<b>99</b>

Source: Realia

Valdebebas, Madrid



(\*) G4-24, G4-25, G4-26, G4-27

## Health and Safety at work

Health and safety of its employees is a priority for REALIA. For this reason, the company has commissioned the services of an external Prevention Service, which, just like in earlier years, conducted an evaluation of workplace risks and took care of the medical examinations.

Regarding accidents, no accidents involving medical leave occurred during the year.

Regarding the absenteeism rate due to a common illness, this was 1.23% for men and 0.31% for women. The hours lost for this reason fell to 2,109 hours, versus the 2,367 of the prior year.

In recent years, the employees of REALIA have seen their working hours adjusted in order to facilitate conciliation between family and work, and to reduce energy consumption. The rate of return after maternity/paternity leaves is 100%.

## Internal communication

Respect and transparency govern the relations between REALIA and its employees. The company communicates the main news and decisions of the company through the Intranet and internal memos sent by email.

Communication is a two-way street, since employees can use the Intranet to report infringements of the Ethical Code or to communicate incidents related to the economic and financial information.

## Retaining talent

REALIA tries to offer adequate working conditions to its employees to retain talent. Even though there have been no pay rises since 2008, due to the process of debt restructuring, the company maintains a number of social benefits that help retain talent and raise the average seniority of employees up to fifteen years.

The main social benefits are the following: medical insurance, to which 29,752.71 euros were allocated; life insurance, for an amount of 55,739.64 euros; food vouchers, for 65,628 euros; and the payment of an excess policy, for 90,103.08 euros. In turn, contributions to pension schemes went up to 244,161.01 euros in 2015.

## 6.4.3

### Customers\*

(\*) G4-24, G4-25, G4-26, G4-27

Excellence in service and in its relations with customers are the trademarks of REALIA, next to the quality and location of its buildings. Due to this, it expects to be perceived as the best property company.

The company has three different types of customers: office and shopping center tenants, homebuyers and investors in land and users of shopping centers. It keeps open communication with all of them, transparent and through different channels, which combines the direct and personal service of its commercial network and the staff of its headquarters with its presence on Internet.

In 2015, this multi-channel approach was reinforced with the update of its corporate website, [www.realia.es](http://www.realia.es), to make it more “user friendly” and facilitate its use through any device.

In the new site, customers can access in a simple, straightforward manner all the real estate products of the company, both for sale or for rental. Every product has a technical file explaining its characteristics, with large size images and drawings to facilitate comprehension.

User can request the information directly by clicking on each property. They also have access to an online personal advisor,

which responds to all queries from users within 24 hours, even though the commitment of the company is to respond within 72 hours.

In order to maximize the number of interactions with prospects, the company send a newsletter via email to the users registered in its database, with articles of interest on housing, tricks for the home or relevant information on the location of developments.

The main content of this newsletter is the articles in REALIA's blog, up to three every month.

#### Tenants

REALIA's tenants are generally companies, public agencies and large retailers of known solvency, such as Marsh & McLennan, Gómez-Acebo & Pombo, British Telecom, KPMG, St. Gobain, Amadeus, DHL or Ericsson.

To facilitate their settlement, REALIA is flexible in both the adaptation of space and the adequacy of the rent prices to their needs and to market trends. Additionally, it carries out a proactive maintenance of its buildings, and reduces the expenses for its tenants using energy efficiency measures.

Albasanz 12, Madrid







CC, Madrid



(\*) G4-24, G4-25, G4-26, G4-27

During 2015, the building modernization and maintenance strategy focused on the improvement of their energy efficiency, the access, control and security, and the modernization of buildings. These actions were implemented in the following buildings: Principe de Vergara 132, Goya 29, El Jardín de Serrano, Serrano 21, Acanto 22, Albasanz 16 and Salvador de Madariaga.

### Homebuyers

REALIA focuses its work toward meeting the needs of homebuyers. To that end, a highly experienced sales team informs them about the qualities of each development; it shows them the homes units, explains the financial conditions and provides support for the purchase process.

In order to improve the Access of customers to the credit needed to buy a home, the company enters into agreements with Banks on some developments. During 2015, it facilitated the financing and subrogation of housing in collaboration with Kutza Bank in the developments of Jardín de Vivero de Fuenlabrada (Madrid), Ronda Luz de Pinto (Madrid) and 2@Patria (Valencia).

In the rest of developments, it negotiated advantageous financial conditions for its customers with different banks. Examples are Bankinter, for the development REALIA Parque Valdebebas (Madrid) or Caja Sol for the development Equmar (Mijas, Malaga).

Once the home purchase has been completed, REALIA offers an aftersales service until a minimum of one year after the handover of the keys.

### Users of shopping centers

More than 19.5 million people visited the main shopping centers owned by REALIA in 2015, nearly one million more than in 2014. To absorb this huge attendance, shopping

**More than 19.5 million people visited the main shopping centers owned by REALIA in 2015**



centers have large common areas and adequate spaces for traffic and pedestrians. In order to facilitate access to people with reduced mobility, REALIA has created several communication cores, and has followed strictly the regulations on accessibility.

In order to guarantee the security and improve the comfort of its properties, it carried out several improvements of the common areas of the shopping centers during 2015.

As Cancelas in Santiago de Compostela improved the security intervention room, reinforced the interior handrails and demarcated the evacuation area of the loading docks, among other measures in the area of health and safety. It also improved the outdoor furniture and installed a system of localization of vehicles in the car park.

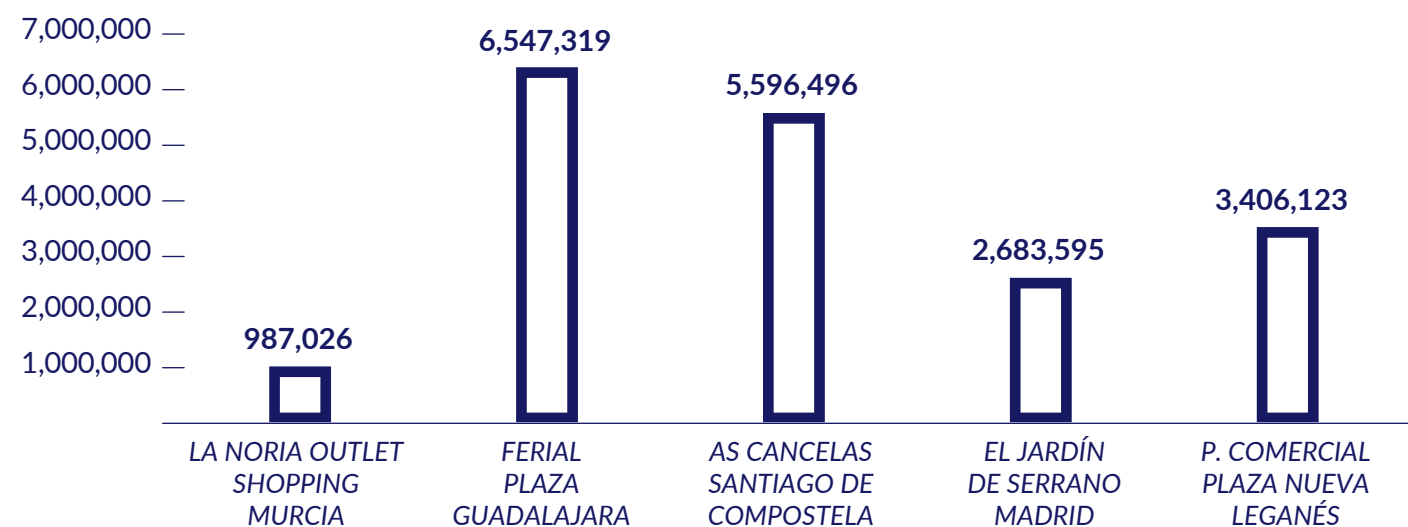
Parque Comercial Plaza Nueva in Leganés modernized the image of the main facades with large-sized vinyl panels, planted trees that are more luxuriant in the planters, renovated some of the equipment in the children's park, and replaced the tiles in the shopping gallery. Additionally, it installed vertical signs on the disabled parking spaces, bicycle parking and on the location of fire hydrants, and painted zebra crossing in the areas of greater pedestrian traffic.

La Noria Murcia Outlet Shopping, in turn, renovated its PA system, and free internet access via Wi-Fi was added to the services provided.

(\*) G4-24, G4-25, G4-26, G4-27

## Number of visitors to Realia's main shopping centres

NUMBER OF PEOPLE



Source: Realia

Several improvements were made in 2015 on the common areas of shopping centers to guarantee safety and comfort





Príncipe de Vergara 132, Madrid

## 6.4.4

### Suppliers\*

(\*) G4-24, G4-25, G4-26, G4-27

REALIA has more than 700 suppliers, who collaborate loyally in the creation of a property offering with high value added. During the year, procurements were made for an amount of 29.3 Million euros, all of them from local suppliers.

This is how the company contributes to the progress in the locations where it has a presence, even though this contribution is smaller than in the past, due to the suspension of the property development activity of the company.

In 2015, the number of product and service suppliers was 704, versus 760 the prior year.

Most of the suppliers are Spanish companies that offer their services domestically. Abroad, it has 13 suppliers in Portugal and 25 in Poland, to meet the needs of its homebuilding business in Lisbon and Warsaw, respectively.

Broken down by autonomous communities, 446 of them were based in Madrid, where the headquarters of REALIA are located, and the rest are distributed among Catalonia (47), Castilla-La Mancha (44), Castilla y León (21), Murcia (21), Comunidad Valenciana (19), Balearic Islands (7), Canaries (4), Basque Country (2), Cantabria (2), Galicia (2), La Rioja (1) and Navarra (1).

As to the value of the procurements, Madrid concentrated

more than 77% of the total amount, whereas Castilla-La Mancha exceeded 7%; Andalusia and Murcia, 3% each, and Comunidad Valenciana and Cataluña, 2%, each.

All payments to suppliers during the year were made within the maximum period established by the law of 60 days. The average payment period to suppliers was 55.1 days.

#### Selection criteria

The selection and contracting of REALIA's suppliers is based on economic and technical criteria, in both works and building rehabilitation.

The Procurement Area is governed by the following principles:

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







## 6.4.5

## Community\*

(\*) G4-24, G4-25, G4-26, G4-27

REALIA aims to involve the community in the planning and management of its property developments to minimize the potential negative impact they may have on the social and natural environments.

Throughout the different phases of a project, from the acquisition of land to the opening of a property, it maintains contacts with all stakeholders – government bodies, neighbors' associations, merchants and other groups – and takes into consideration their proposals for improvement.

During the process of approval of the instruments of urban planning and organization, it holds contacts with the administrations in accordance with the current legislation and with the highest transparency.

During the planning stage, it encourages citizen participation through meetings with stakeholders to find out the effects of its activity on the community, to prevent possible damages and to incorporate, as much as possible, their initiatives for improvement.

Once the Project is completed, it participates in several social activities for the benefit of the community, especially on shopping centers.

### Shopping center campaigns

Under REALIA's supervision, shopping center managers lend

space to several foundations and NGOs for social, cultural and scientific projects, and to encourage membership or raise the awareness of the people on some social issues. In 2015, twenty such actions took place in the shopping centers.

Cruz Roja, Banco de Alimentos, Fundación Humana, Ciudad Escuela Muchachos de Leganés, ACNUR, Asociación Cris Contra el Cáncer or Fundación NIPACE are some of the non-profit organizations that benefited from these initiatives.

In the area of cultural dissemination, especially among children, a number of actions took place this year in As Cancelas, with the exhibition of the winners of the graffiti contest Xuventude Crea, or an exhibition on World War II, or the III Xornada de Folclore Galego.

### Social actions of the employees

REALIA disseminates the social initiatives of its employees, who participated in a toy-collection campaign in Christmas of 2015. The beneficiaries were the Fundación Balía, which seeks to provide alternatives to children and youths in a situation of social exclusion, and the soup kitchen Comedor Social del Padre Ángel.

This initiative came from the volunteers' association of the company Marsh, a tenant in Torre REALIA, who managed the generous contributions of REALIA's employees.

## 6.5

## Environmental management

Historically, REALIA has proven its commitment to environmental conservation. In its rental buildings, it has implemented energy efficiency systems and manages its products appropriately. In its homebuilding developments, it favors sustainable construction. Additionally, it promotes responsible conduct among its customers, employees and suppliers. During 2015, it allocated 115,000 euros to environment-related expenses.

Hato Verde, Sevilla

Basic principles of environmental protection

<b>Natural resources</b>	<b>Prevention</b>	<b>Planning</b>	<b>Management</b>	<b>Innovation</b>
The REALIA Group is aware of the impact of its activity on natural resources and the landscape. The objective of this Plan is to minimize this impact.	The approach aims to achieve the business objectives and environmental sustainability.	Planning and execution of the activities in an orderly and rational manner, in order to reduce the impact on the environment.	Management of developments in order to: <ul style="list-style-type: none"><li>- Prevent pollution of water and land</li><li>- Control of emissions to the atmosphere</li><li>- Control of property and urban developments</li></ul>	Identification and Analysis of improvements and opportunities in the use of materials, energies and environmental management systems.
<b>Application of 3R's</b>	<b>Consumption</b>	<b>Employees</b>	<b>Suppliers</b>	<b>Feedback</b>
Application of the 3R's principle (Reduction, Reuse and Recycling) in the processes of architectural design, management and production.	Use of recycled and/or recyclable products to reduce consumption of resources.	Involvement of the workforce in the use of environmentally responsible techniques and products, without impairing the improvement of the budgetary system and control.	Active management with contractors and subcontractors in order to involve the whole supply chain in environmental management.	Open to continuous improvement and collaboration with the environment.

Source: Realia



REALIA's Corporate Responsibility Master Plan, approved in 2009, establishes among its commitments the need for an environmental management that reduces the footprint of its activities on the environment and guarantees a sustainable use of its human resources.

This Plan was translated in 2013 into a compendium of basic Principles for the Protection of the Environment, established in the group's Guide of Good Practices, and related to prevention, planning, management and 3R (Reduction, Reuse and recycling), among others.

During 2015, it has not been necessary to incorporate equipment, systems, materials or facilities for environmental protection and improvement to the company's plant and equipment.

Nonetheless, the company incurred in expenses related to the environment for an amount of 115,000 euros.

Given the suspension of the homebuilding development activity in 2015 and the low impact of the property management activity on the environment, there have been no risks or contingencies related to environmental actions and, therefore, there is no potential liability related to environmental activities, so no provisions have been made for this concept.

## Environmental balance\*

	2015	2014	2013	2012	2011
<b>Consumptions</b>					
- Power consumption (MWh)	16,393	16,587	16,513	16,967	18,475
- Water consumption (m <sup>3</sup> )	128,218	131,363	131,483	133,530	136,792
- Gas consumption (MWh)	5,970	6,121	7,233	5,658	4,222
- Diesel consumption (litres)	60,959	60,860	83,693	70,342	77,187
<b>Reduction of emissions</b>					
- Reduction of CO <sub>2</sub> emissions	81,583	-31,008	190,697	633,433	263,989
<b>Waste collection</b>					
- Hazardous waste collection (kg)	642	181	369	275	791
(*) Like for like terms					

Source: Realia

Similarly, no subsidies related to the environment have been received, and no revenues have been generated as a consequence of environment-related activities for any significant amounts.

REALIA's environmental management is based on four areas of action:

- ▶ Energy efficiency.
- ▶ Adequate waste management.
- ▶ Sustainable construction.
- ▶ Promotion of responsible conduct.



6.5.3

## Energy efficiency

In order to minimize the negative impact of its activities on the environment and to reduce costs, REALIA assesses its energy consumptions every year, and invests in the implementation of efficiency measures in its buildings. Thanks to this policy, during the last five years, energy consumption and CO<sub>2</sub> have been reduced, as described in the information below.

The scope of the environmental information of the group described here covers 85.2% of the assets in operation by surface area, and 72.5% by number (29 out of 40 assets). Additionally, there is no information on 14.8% of the assets by surface area, either because there is only one tenant that manages its utilities directly (14% of the assets), or because they affect joint ownerships where REALIA does not have the majority to decide on utilities (0.8% of assets).

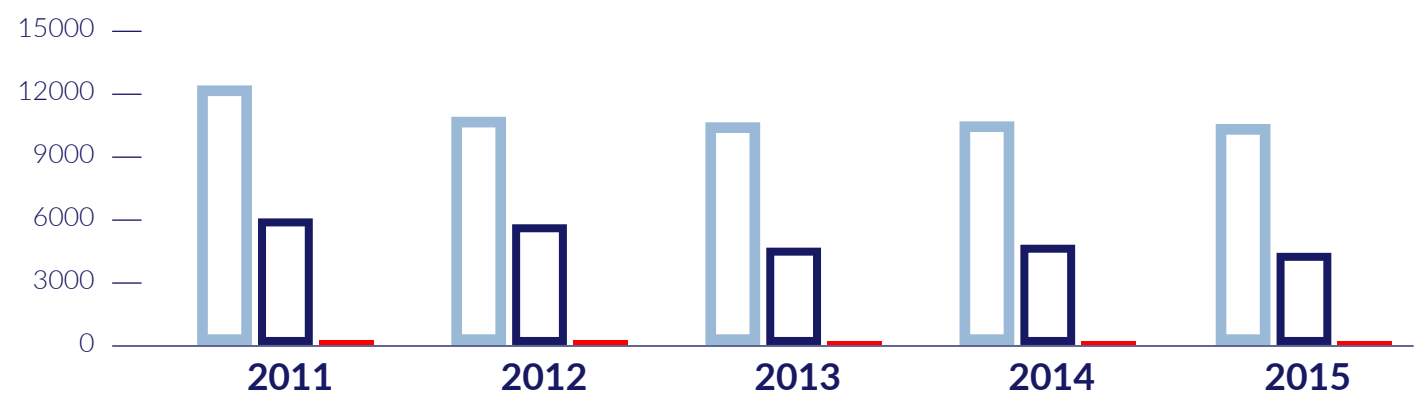
### Power consumption

Total power consumption has increased by 1% over 2014, up to 21,013 Kwh, as a consequence of the higher occupancy of the Madrid buildings during the year. This higher occupancy has translated into a consumption of 12,778 MWh in the capital, whereas in the rest of Spain, consumption has decreased by 2%, down to 8,235 MWh.

Despite the temporary increase in consumption registered in 2015, during the last five years, and taking as a reference the buildings on which there is available information for

### Power consumption\*

En MWh



Source: Realia

comparison, power consumption has gone down 1.2% with respect to the previous year, and 11.3% over the last five years.

In recent years, the shopping centers owned by REALIA have made a decisive contribution to the reduction of energy consumption.

This is the case of As Cancelas, which conducted an energy

audit to determine the focuses of energy consumption and potential savings. Additionally, it upgraded the air conditioning system, replaced the lights of the shopping gallery to make them more efficient, and improved lighting management for a greater utilization of natural sunlight, which contributed to improve efficiency.

At the Parque Comercial Ferial Plaza in Guadalajara, energy savings of 6% were achieved through the replacement of





lights in the marquees, the optimization of the lighting system and the upgrade of the air condition system.

As in previous years, lights in La Noria Outlet (Murcia) were replaced by LED lights in common areas, whereas in the Centro Comercial Ferial Plaza de Guadalajara, the lighting times and the operation of the air conditioning systems were optimized.

## Pollutant emissions to the atmosphere

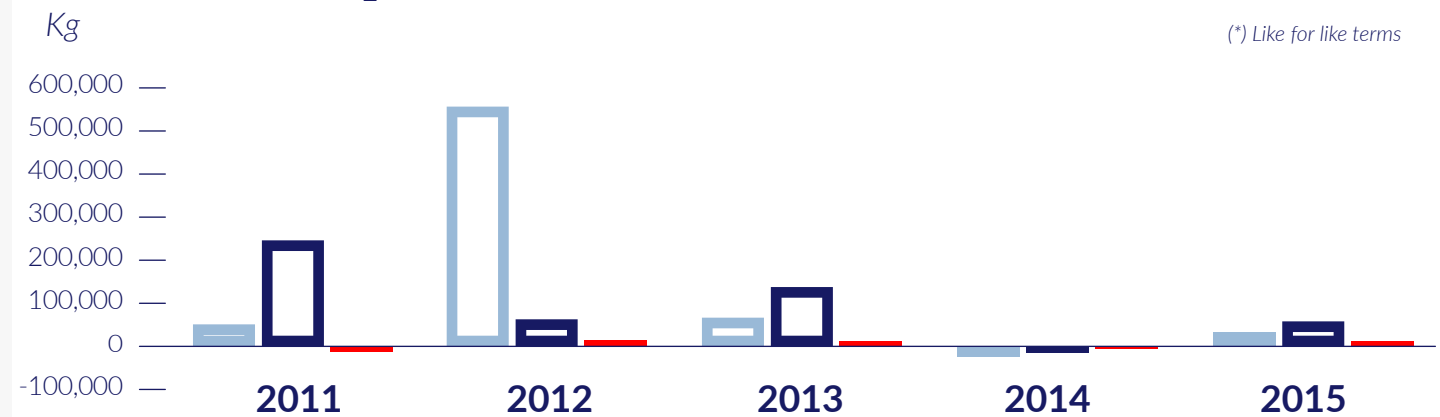
Savings in energy consumption over the last five years, in like for like terms, have resulted in a reduction of emissions to the atmosphere of 81, 583 kg of CO<sub>2</sub> in 2015 and 1,138.694 kg of CO<sub>2</sub> in the period 2011-2015.

The greatest reduction took place in commercial building, where pollutant emissions were reduced by 58,233 kg of CO<sub>2</sub>, whereas office emissions dropped by 23,300 kg and emissions from the rest of the buildings dropped by 50 kg.

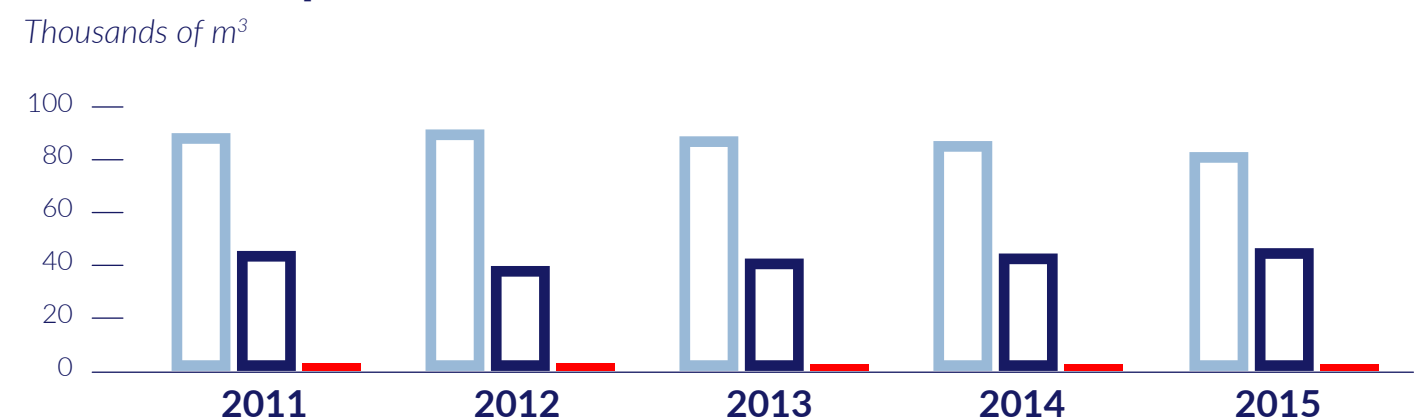
## Water consumption

The buildings managed by REALIA that can be analyzed in a homogenous manner over the last five years, 72% of the total, consumed 128,218 m<sup>3</sup> in 2015. This represents a saving of 3,145 m<sup>3</sup> (2.4%) over the year before, and 10,574 m<sup>3</sup> (6.7%) over 2011.

## Reduction of CO<sub>2</sub> emissions\*



## Water consumption\*



Source: Realia





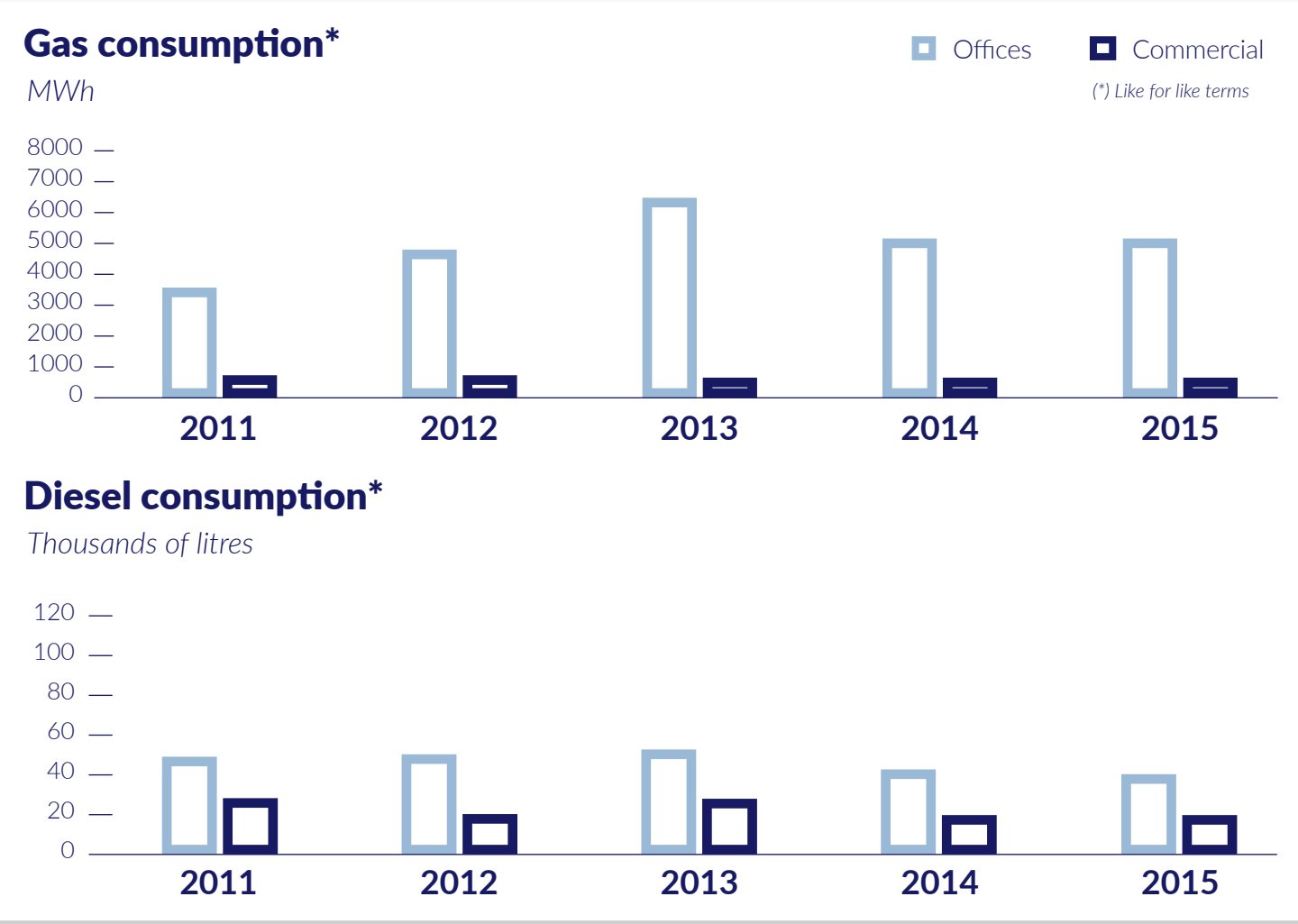


Gas Consumption

Of the buildings analyzed, 18 of them, with a surface area of 236,741 sq. m., consume gas. The gas consumption has decreased by 2.5% over 2014.

Diesel consumption

There are only four buildings, with a surface area above ground of 16,967 sq. m. that consume diesel. The diesel consumption has remained practically identical to that of 2014.



Source: Realia





6.5.2

## Adequate waste management

REALIA's adequate management of its waste in the development of its activity or that of its tenants is one of the priorities in the area of environmental conservation.

In its office buildings and shopping centers, REALIA encourages the selective collection of waste, through the establishment of recycling points where each material is sorted to favor its adequate management.

In its construction or rehabilitation works, the company applies the 3R principle (Reduction, Reuse and Recycling) in the processes of design, management and production.

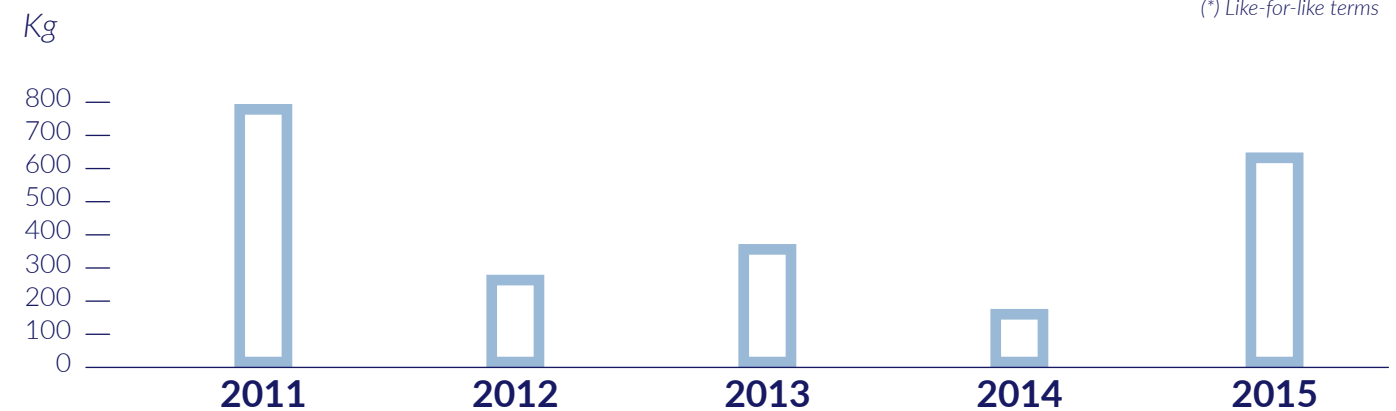
### Selective waste collection in buildings

Since the composition of waste is heterogeneous, REALIA promotes the selective collection of waste in its buildings to favor the recycling of paper, cardboard and toner. Toxic and hazardous waste are segregated for their subsequent collection and delivery to authorized waste managers.

During 2015, in Madrid, REALIA has a collection service for toxic and hazardous waste on property assets representing 41,672 sq. m., which has collected a total of 642 kg of hazardous waste, from the 181 kg collected the previous year.

The only hazardous components generated in REALIA's rental buildings are batteries and fluorescent tubes. In

### Consumption of toxic and hazardous waste\*



Source: Realia

2015, 618 kg of fluorescent tubes and 24 kg of alkaline batteries were collected.

Specialized companies manage the collection of electronic waste sporadically produced – such as Ni-Cd batteries (that store data during voltage drops), lead batteries and electronic devices.

Additionally, shopping centers collaborate with non-

REALIA promotes selective waste collection in its office buildings and shopping centers



Albasanz 14, Madrid



profit organizations in the collection of electrical waste, such as the collaboration between Ferial Plaza de Guadalajara and Ambilamp.

### Construction and rehabilitation

In construction and rehabilitation Works, it applies the 3R principle throughout all the processes:

Since the composition of waste is heterogeneous, REALIA promotes selective waste collection in its properties

- ▶ Sorting of waste according to their type.
- ▶ Storage in designated, clearly marked areas to prevent them being mixed-up.
- ▶ Special treatment for hazardous waste.
- ▶ Reuse of waste from excavation in construction works.
- ▶ Shipping of construction and demolition waste to deposits, crushing plants or authorized waste managers.





6.5.3

## Sustainable construction

In its urban developments, REALIA follows the principles of sustainable construction: respect for the environment, use of materials with low impact on the environment and implementation of energy efficiency measures.

Before the urban development of land, it carries out a diagnosis of the impacts on the landscape and the community and, once the study and the planning have been completed, it proceeds to the procurement of materials under the criteria of sustainability, technical quality and price.

In homebuilding projects, besides the inclusions of the systems contemplated in the Technical Building Code, additional energy saving and water management measures

are incorporated. This is the case of the development Altos de Santa Bárbara (Valencia) that is equipped with a Storm Tank for water management, and REALIA Parque Valdebebas (Madrid), that incorporates energy efficiency measures, a solar energy system for domestic hot water, and LED lights.

Shopping centers have gradually incorporated the latest technologies to reduce the environmental impact and to attain maximum energy efficiency. The example is the Centro Comercial As Cancelas in Santiago de Compostela, equipped with a photovoltaic solar energy installation that generates 50,000 kWh a year for its own consumption. This reduces CO<sub>2</sub> emissions to the atmosphere by 19.5 tons per year.

### Homes with renewable energies

All the developments for sale meet the March 2006 regulation on the use of renewable energies, applicable to new buildings and the rehabilitation of existing buildings of any type where there is demand for domestic hot water or for the temperature regulation of an indoor swimming pool. In Spain, it is mandatory to use thermal solar energy, and a certain percentage of the total demand for domestic hot water must be produced using this system.

Additionally, all homes have their corresponding energy certificate, delivered to the customers upon the signing of the purchase agreement.

Patraix, Madrid



6.5.4

## Promoting responsible conduct

As a socially responsible company, REALIA disseminates its environmental principles throughout all the links of its supply chain. To that end, it has drafted an environmental Guide of Best Practices addressed to employees, external personnel, suppliers and contractors.

The guide is a compendium of good practices that affect the use of materials and products, energy management, and the processing and transport of waste. It is especially useful in the areas related to product procurement, energy consumption and pollutant emissions.

Sustainable behavior is encouraged among tenants and users of shopping centers.

In shopping centers, maintenance teams inform merchants and store managers of the possible measures that can be adopted to reduce energy consumption, such as changes in working hours or improved insulations. At the Parque Comercial Plaza Nueva de Leganés, for example, informative meetings have been organized with the tenants to increase their environmental awareness.

Sustainable behavior is encouraged among the customers of shopping centers, through signs describing the preferential use of elevators or the right use of the waste collection points, among other measures. Additionally, there are signs are posted to try to raise the awareness of workers and customers about the responsible use of water.

The new initiatives of the year for the promotion of recycling include the activities carried out in As Cancelas de Santiago de Compostela, where recycling workshops were organized run by a sculptor, and interactive containers equipped with touch screens were installed, to provide information and give tips on recycling.

REALIA promotes the separation of waste and recycling in its workplaces, through the installation of containers in the offices, with the slogan "When you recycle, you win".

Prim 19, Madrid







7

# ATTACHMENTS

- 7.1 Map of relevant issues
- 7.2 Index of contents GRI G4



# 7.1

## Map of relevant issues\*

This Corporate Responsibility and Annual Report 2015, prepared in accordance with the guidelines of the Global Reporting Initiative G4, reports on the relevant issues for stakeholders taken from the Materiality Survey conducted in 2014. Through this analysis, the main concerns identified were, in that order: matters related to the social dimension of the company, good governance, the business environment and environmental concerns.

(\*) G4-18, G4-19, G4-24, G4-25, G4-26, G4-27

### Global Relevance Valuation for the different Stakeholders of REALIA

SOCIAL



GOVERNANCE



BUSINESS ENVIRONMENT



ENVIRONMENTAL



Source: Realia

REALIA has identified the most relevant issues for its stakeholders, through a Materiality Survey conducted by an independent expert. This analysis served as the basis to improve the content of the Corporate Responsibility and Annual Report, and can be a useful tool for the design of corporate communication and as a guideline for the preparation of a strategic plan.

The Relevant Issue Map resulting from the study took into account the following aspects related to corporate responsibility:

- ▶ Information published by real estate sector companies.
- ▶ Matters raised by analysts and institutional investors.
- ▶ Matters covered by the media on Corporate Responsibility in the real estate sector.

▶ Priority matters for Internet prescriptors, professional associations and neighbors' associations.

Among the material issues for stakeholders, the main ones are the health of workers, building security, labor relations and the impact of the company's activity on the communities.

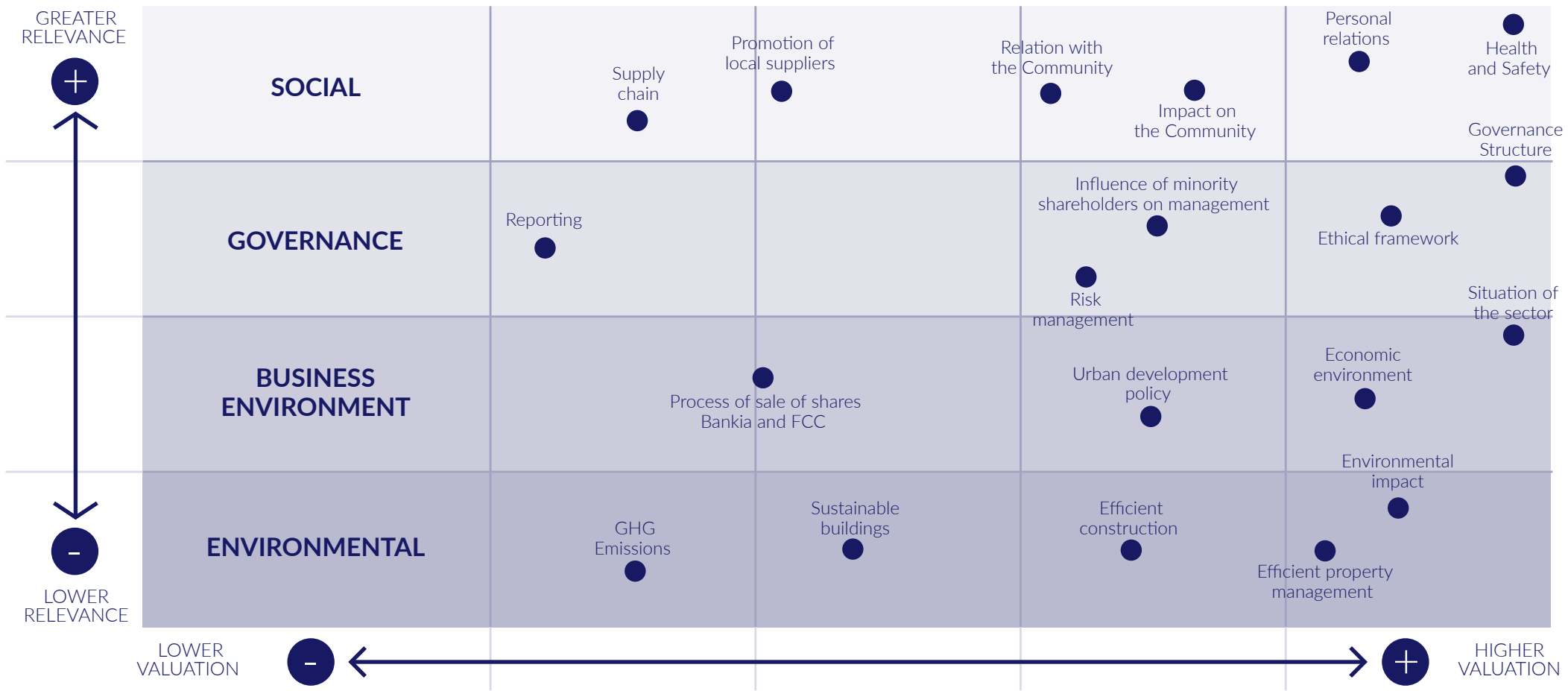
In the area of Corporate Governance, the main demands for information focus on the governance structure and the ethical framework.

In the business environment area, the concerns revolve around the consequences of the economic and social situation on the activities of the company, and its medium and long-term prospects.

As to the environmental dimension, the relevant issues are the global impact of the activity and the issues related to energy efficiency and waste management.

(\*) G4-18, G4-19, G4-24, G4-25, G4-26, G4-27

Relevance matrix of the identified issues



Source: Realia

# 7.2

## Index of contents GRI G4

The current Corporate Responsibility and Annual Report follows the standards of Guide G4 of the Global Reporting Initiative (GRI). In the following table the location of the most relevant content is indicated, according to the criteria of this international organization.

CC Ferial Plaza, Guadalajara







Index of contents GRI G4



PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Strategy and analysis		
G4-1	Statement from the top decision-maker of the organization on the relevance of sustainability for the organization and its strategy.	<b>Complete</b> CR and Annual Report. Letters, pages 5-7.
G4-2	Description of the main impacts, risks and opportunities.	<b>Complete</b> CR and Annual Report. Innovation linked to sustainability, page 27, risk management pages 86 - 89, materiality analysis, pages 118 - 119.
Profile of the organization		
G4-3	Name of the organization.	<b>Complete</b> CR and Annual Report, page 21.
G4-4	Main brands, products and services.	<b>Complete</b> CR and Annual Report, page 21.
G4-5	Headquarters of the organization.	<b>Complete</b> CR and Annual Report, page 21.
G4-6	Number of countries where the organization operates, and name of the countries where it has significant activities or relevant to the sustainability aspects discussed in the annual report.	<b>Complete</b> CR and Annual Report, page 10.
G4-7	Nature of ownership and legal structure.	<b>Complete</b> CR and Annual Report, page 21.
G4-8	Markets served (including geographical breakdown, sectors supplied and customers/beneficiaries).	<b>Complete</b> CR and Annual Report, page 10 and 23 to 27.





PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Profile of the organization (Cont.)		
G4-9	Dimension of the reporting organization.	<b>Complete</b> CR and Annual Report, page 9 and pages 47 to 63.
G4-10	Workforce categories.	<b>Complete</b> CR and Annual Report, pages 98 to 101.
G4-11	Number of employees covered by collective agreements.	<b>Complete</b> The whole Spanish workforce is covered by collective agreements. In the rest of the countries, the agreements with the employees follow the legislation of each country.
G4-12	Description of the organization's supply chain.	<b>Complete</b> CR and Annual Report, page 105.
G4-13	Significant changes during the period covered by the annual report in the size, structure and ownership of the organization and the supply chain.	<b>Complete</b> CR and Annual Report, pages 12, 13, 17 and 67.
G4-14	Description of how the organization has adopted a cautionary environmental principle or approach.	<b>Complete</b> CR and Annual Report, page. 108.
G4-15	Social, environmental and economic principles or developed externally, and initiatives that the organization supports or approves.	<b>Complete</b> Page 106.
G4-16	Main organizations of which it is a member.	<b>Complete</b> REALIA is a member of ASPRIMA, the association of the leading real estate companies in Madrid.





PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Relevant issues identified and reporting perimeter		
G4-17	List of the entities included in the consolidated financial statements, specifying whether they are inside the reporting perimeter.	<b>Complete</b> G4-17a: The entities included in the CR and Annual Report are the main operating companies of the Realia Group (REALIA Business and its subsidiaries REALIA Patrimonio and Hermanos Revilla), as reported in the CR and Annual Report, under the sections Profile of the Group. Page 21, and About this Report, page.2. G4-17b: Complete list of companies that form part of the REALIA group is found in Attachments I, II and III of the Consolidated Annual Accounts 2015, pages 86, 87 and 88.
G4-18	Process of identification of the content of the annual report.	<b>Complete</b> REALIA has identified the material issues to describe in the report through the existing internal and external communication channels. During the first quarter of 2014, REALIA prepared an independent study of the Map of Relevant Issues, whose results are in Annex I of the CR and Annual Report, pages 118 and 119.
G4-19	List of relevant issues identified.	<b>Complete</b> CR and Annual Report, Annex 1, Relevant Issue Map, pages 118 and 119. The material aspects identified by REALIA have been broken down into 4 categories: <b>Social:</b> (Health and safety; Labour relations; Impact on the community; Relations with the community; Local suppliers and Supply Chain). <b>Corporate governance:</b> (Governance structure; Ethical framework; Influence of the leading shareholders on management; Risk management; and Reporting). <b>Business environment:</b> Sectorial environment; Economic environment; Urban development policy. <b>Environmental:</b> Environmental impact of activities; Efficient building management; Sustainable buildings and Greenhouse gas emissions (GHG).
G4-20	Relevance for the organization of the relevant issues identified and areas of implementation within the organization.	<b>Complete</b> The CR and Annual Report covers all the entities over which REALIA has control of management.





PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Relevant issues identified and reporting perimeter (Cont)		
G4-21	Relevance of the relevant issues identified and area of implementation outside the organization.	<b>Complete</b> The relevant issues identified are not material outside of the organization.
G4-22	Description of the effect that the restatement of information from previous annual reports can have, together with the reasons that caused the restatement.	<b>Complete</b> Restated 2014 data according to the change in the valuation standard due to the application of IAS 40 at their "fair value".
G4-23	Significant changes related to earlier periods in the scope, the coverage or the valuation methods applied in the annual report.	<b>Complete</b> No significant changes in the scope, coverage or valuation methods applied in the annual report. CR and Annual Report, section About this Report, Page 2.
Dialogue with stakeholders		
G4-24	List of stakeholders of the organization.	<b>Complete</b> The description of the dialog policy with stakeholders includes the list of main stakeholders, and is found on the CR and Annual Report, section 6.4, page 95. The relation with each stakeholder is on the following pages of the CR and Annual Report. Pages 96 - 97 investors and shareholders, pages 98-101 employees, pages 102 -104 customers, page 105 suppliers and page 106 community. On Annex I, pages 118 and 119 is the relevant issue map, obtained through the materiality study.
G4-25	Basis for the identification and selection of the stakeholders with which the organization holds a dialogue.	<b>Complete</b> The description of the dialogue with stakeholders includes the list of the main stakeholders, and is found on the CR and Annual Report, section 6.4, page 95. The relation with each stakeholders is found on the following pages of the CR and Annual Report. Pages 96 - 97 investors and shareholders, pages 97-100 employees, pages 102 -104 customers, page 105 suppliers and page 106 community. On Annex I, pages 118 and 119 is the relevant issue map, obtained through the materiality study.



PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Dialogue with stakeholders (Cont.)		
G4-26	Approaches adapted to the dialogue with stakeholders, frequency of participation by stakeholder type and category, specifying whether the dialogue has been part of the process of drafting of the report.	<b>Complete</b> The description of the dialogue with stakeholders includes the list of the main stakeholders, and is found on the CR and Annual Report, section 6.4, page 95. The relation with each stakeholders is found on the following pages of the CR and Annual Report. Pages 96 - 97 investors and shareholders, pages 97-100 employees, pages 102 -104 customers, page 105 suppliers and page 106 community. On Annex I, pages 118 and 119 is the relevant issue map, obtained through the materiality study.
G4-27	Key issues identified in the process of dialogue with stakeholders and response from the organization.	<b>Complete</b> The description of the dialogue with stakeholders includes the list of the main stakeholders, and is found on the CR and Annual Report, section 6.4, page 95. The relation with each stakeholders is found on the following pages of the CR and Annual Report. Pages 96 - 97 investors and shareholders, pages 97-100 employees, pages 102 -104 customers, page 105 suppliers and page 106 community. On Annex I, pages 118 and 119 is the relevant issue map, obtained through the materiality study.
Parameters of the annual report		
G4-28	Period covered by the information contained in the annual report (for example, fiscal year, calendar year).	<b>Complete</b> Calendar year ended on 31 December 2015.
G4-29	Date of the most recent previous annual report.	<b>Complete</b> The previous CR and Annual Report covers the year 2014 and was published on 23 of June 2015.
G4-30	Cycle of submission of annual reports.	<b>Complete</b> Annual, based on calendar year.





PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Parameters of the annual report (Cont.)		
G4-31	Contact for matters related to the annual report or its content.	<b>Complete</b> María Prieto Directora de Comunicación, Marketing y RC. <a href="mailto:maria.prieto@realia.es">maria.prieto@realia.es</a>
G4-32	Option “in accordance” selected.	“in accordance Comprehensive”
G4-33	Current policy and practice related to the external verification of the annual report.	<b>Complete</b> REALIA does not seek the external verification of non-financial information in the CR and Annual Report.
Corporate governance		
G4-34	Governance structure of the organization, including the committees of the highest governance body. Existence of committees responsible for decision-making related to economic, social and environmental impacts.	<b>Complete</b> CR and Annual Report, pages 7 to 27. The Board of Directors is responsible for the definition of the group's CR policy. There is no specific committee in charge of decisions related to economic, social and environmental impacts. All these matters are reserved to the exclusive competence of the Board of Directors.
G4-35	Report on the process of delegation of powers on economic, social and environmental issues to the management team and other employees.	<b>Complete</b> CR and Annual Report, page 79. Annual and Corporate Responsibility Report, pages 13 to 16. The Board has some powers delegated to the Management Committee, chaired by the CEO of the company, and in which the heads of the operational and functional areas are members.
G4-36	Appointment of the persons in charge of economic, social and environmental issues who report directly to the Board of Directors.	<b>Complete</b> The Communication, Marketing and CR Director is responsible for the coordination of CR-related issues (economic, social and environmental) within the Group and reports on these matters to the CEO of the Group.





PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Corporate governance (Cont.)		
G4-37	Consultation procedures of the highest governance body with stakeholders on economic, social and environmental issues. If the consultation process is delegated, explain to whom, and the reporting process to the highest governance body.	<b>Complete</b> The process of stakeholder consultation is delegated to the Direction of Communication and Marketing, which reports on the results of the process to the CEO and he, in turn, reports to the Board of Directors.
G4-38	Composition of the highest governance body.	<b>Complete</b> CR and Annual Report, pages 73 to 79. Annual and Corporate Responsibility Report, pages 8 to 11.
G4-39	State if the chairman of the highest governance body also holds an executive position (in that case, describe its role within the management of the organization and the reasons that justify it).	<b>Complete</b> The Chairman of the Board does not hold an executive position.
G4-40	Procedure for the determination of the expertise and knowledge required from the members of the highest governance body to guide the strategy of the organization on social, environmental and economic issues.	<b>Complete</b> Annual and Corporate Responsibility Report, page 17. The procedures for the appointment and re-election of the members of the Board of Directors take into account the experience and knowledge of the candidates on social, environmental and economic issues that affect REALIA's business, and gender diversity and the interests of stakeholders are also taken into account.
G4-41	Procedures to avoid conflicts of interest in the highest governance body. Information to stakeholders on the existence of conflicts of interest.	<b>Complete</b> Annual and Corporate Responsibility Report, pages 28 and 29. The procedures to avoid conflicts of interest within the Board of Directors are regulated in the Board Regulations, Ethical Code and Internal Code of Conduct. Additionally, there is a Related Party Transactions Committee within the Board of Directors.
G4-42	Participation of the highest governance body and senior management in the definition, approval and update of the organization's goals, values and mission, strategies, and the policies on economic, social and environmental impacts.	<b>Complete</b> Annual and Corporate Responsibility Report, pages 21 to 25. The definition, approval and update of REALIA's objectives, values and mission, strategies, policies related to economic, social and environmental impacts is a competence reserved to the Board of Directors. The risk management structure is delegated to the CEO of the company, and supervised by the Audit and Control Committee.



PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Corporate governance (Cont.)		
G4-43	Measures adopted to develop and enhance the knowledge of the highest governance body on social, economic and environmental issues.	<b>Complete</b> Annual and Corporate Responsibility Report, pages 17 and 22 to 24. The procedures for the appointment and re-election of directors guarantee their capability and expertise on social, environmental and economic aspects that affect REALIA's business. The Board Regulations contemplate the possibility that directors can obtain external advice for a better performance of their duties.
G4-44	Procedures to evaluate the performance of the highest governance body, regarding economic, environmental and social performance.	<b>Complete</b> CR and Annual Report, pages 74 to 78. Annual and Corporate Responsibility Report, page 19. The procedure for performance evaluation of the Board of Directors and the members of the Board is contemplated in the Board Regulations. The Appointment and Remuneration Committee, part of the Board, conducts the evaluation annually. The evaluations conducted so far have not revealed the need to change the structure and composition of the Board.
G4-45	Duties of the highest governance body in the identification and management of environmental, social and economic impact and risk and opportunity management.	<b>Complete</b> CR and Annual Report, pages 74 to 78. The identification and management of economic, social and environmental impact, risks and opportunities is a power reserved to the Board of Directors. Contacts are held with the stakeholders through internal and external communication channels for the identification and management of impacts and risks and opportunities by the Board of Directors. In 2014, REALIA prepared a Relevant Issue Map as a first step in the improvement of the identification of economic, social and environmental impacts, risks and opportunities.
G4-46	Duties of the highest governance body in the review of the effectiveness of the procedures existing in the organization for the management of economic, social and environmental risk.	<b>Complete</b> Annual and Corporate Responsibility Report, pages 58 to 61. The review of the effectiveness of the management of economic, social and environmental impacts, risks and opportunities is reserved exclusively to the Board of Directors.





PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Corporate governance (Cont.)		
G4-47	Frequency of the review by the highest governance body of the economic, social and environmental impacts, risks and opportunities.	<b>Complete</b> Annual and Corporate Responsibility Report, pages 58 to 61. The Board of Directors reviews the economic, social and environmental impact, risks and opportunities in its ordinary and extraordinary meetings.
G4-48	Committee or senior manager responsible for the review and approval of the sustainability report and the coverage of all material aspects.	<b>Complete</b> The CR and Annual Report is reviewed and approved by the Management Committee before submitting it to the Board's approval.
G4-49	Reporting procedure on critical issues of concern to the highest governance body.	<b>Complete</b> Annual and Corporate Responsibility Report, pages 58 to 61. Critical issues are constantly reviewed by the Management Committee of the Group, which is in charge of keeping the Board of Directors duly informed, and of requesting its intervention when necessary, according to the Board Regulations and the company's bylaws.
G4-50	Number and nature of the critical points of concern reported to the highest governance body and procedures used to face them and resolve them.	<b>Complete</b> CR and Annual Report pages 48 to 54. The most important critical point is the financial situation of the company as a result of the real estate crisis.
G4 -51	Remuneration policy for the highest governance body and the senior management.	<b>Complete</b> CR and Annual Report pages 80 and 81. Annual and Corporate Responsibility Report, page 15. The remuneration of the Board and the senior management must be approved by the Appointment and Remuneration Committee, and the Board of Directors. There are no bonuses for recruitments or recruitment incentives. Employment termination is governed by the contractual clauses and the current legislation.





PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Corporate governance (Cont.)		
G4-52	Process of determination of remuneration. Report if external consultants are used and if they are independent from the managers. Report on any other relations that consultants may have with the organization.	<b>Complete</b> CR and Annual Report pages 80 and 81. The Board of Directors approves the remuneration of the members of the Board and senior managers at the proposal of the Appointment and Remuneration Committee and is reported to the General Shareholders' Meeting through the Remuneration Report. No external consultants are used to determine the remuneration.
G4-53	Procedures to obtain and consider the points of view of stakeholders on remuneration, and results of votes of remuneration policies and proposals, if applicable.	<b>Complete</b> Remuneration policies and proposals are available in the Annual Report, Corporate Governance Report and Remuneration Report. The Remuneration Report is submitted for approval by the General Meeting every year. The 2015 Report was published at the company's website on 26 of February 2016.
G4-54	Report on the ratio between total annual compensation of the best paid individual in the organization in each country where the company has a significant presence, and the median annual compensation of the employees, excluding the best paid person.	<b>Complete</b> Currently, REALIA only has significant operations in Spain. The 2015 ratio calculated on the median is 7.50.
G4-55	Report on the percentage ratio of increase in total annual remuneration of the best paid individual in the organization in each country and the percentage median of annual compensation increase of the employees in each country, excluding the best paid individual of the organization in each country.	<b>Complete</b> Annual Remuneration Report, pages 3 to 12. No pay rises took place in 2015.

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Ethics and integrity		
G4-56	Description of values, principles, standards and rules of conduct such as codes of conduct and ethical codes.	<b>Complete</b> CR and Annual Report, page 20.
G4-57	Internal and external procedures to seek advice of ethical and legal conduct, and matters related with integrity in the organization such as help lines and advisory services.	<b>Complete</b> CR and Annual Report, pages 82 to 85. Attachment to the Annual and Corporate Responsibility Report pages 59 to 60. Ethical Code / Money Laundering Prevention / Internal Code of Conduct.
G4-58	Internal and external procedures to report concerns about unethical or illegal behaviour and matters related to integrity in the organization such as incident reporting channel, hotlines, or whistleblowing.	<b>Complete</b> CR and Annual Report, pages 89 to 71 and 82 to 85. Annual and Corporate Responsibility Report, pages 28 and 29.





Management approach  
(disclosures on management approach – DMA)

G4-DMA	DESCRIPTION		REPORT / LOCATION / EXPLANATION
DMA-EC	Economic Dimension		Issues relevant to REALIA are those related with Economic Performance and are discussed in the CR and Annual Report page 23 and following (Business Model), page 44 and following (Strategy) and page 47 and following (Annual Results).
DMA-EN	Environmental Dimension		The environmental aspects that are relevant for REALIA's activity are discusses in the CR and Annual Report, Environmental management, pages 107 to 116.
DMA-SO	Social Dimension	1. Labour	CR and Annual Report, Employees, pages 98 to 101.
		2. Human Rights	REALIA's activities take place in European Union member countries, where the current legislation adequately protects working conditions and the human rights of workers.
		3. Society	CR and Annual Report, Employees, pages 98 to 101 and Community, page 106.
		4. Customers	CR and Annual Report Customers, pages 102 to 104.







Performance indicators

ECONOMIC DIMENSION

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Economic performance		
G4-EC1	Direct economic value generated and distributed.	<b>Complete</b> CR and Annual Report page 91.
G4-EC2	Financial consequences and other risks and opportunities for the activities of the organization due to climate change.	<b>Unreported</b> REALIA's activities are not affected by climate change.
G4-EC3	Coverage of the obligations of the organization due to social benefit programs.	<b>Complete</b> REALIA has covered adequately its obligations due to social benefit programs.
G4-EC4	Significant financial aid received from governments.	<b>Unreported</b> REALIA does not receive any significant financial aid from public administrations.
Market presence		
G4-EC5	Range of relations between the standard initial salary by gender and the local minimum wage in locations where significant operations take place.	<b>Unreported</b> REALIA does not have any minimum wage employees. The initial salary depends on the type of job and contract, and is not affected by gender considerations.
G4-EC6	Proportion of senior managers coming from the local community in locations where significant operations take place.	<b>Complete</b> REALIA's activities are conducted in the Spanish territory.
Indirect economic impact		
G4-EC7	Development and impact of investments on infrastructures and services rendered.	<b>Unreported</b> REALIA does not invest significantly in infrastructures.
G4-EC8	Significant indirect economic impacts, including the scope of such impacts.	<b>Unreported</b> REALIA does not have any significant indirect economic impacts.



ECONOMIC DIMENSION (Cont.)

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Suppliers		
G4-EC9	Proportion of expenditure on local suppliers in locations where significant operations take place.	<b>Partially reported</b> CR and Annual Report page 105. REALIA's Budget is relatively small, given the nature of its main line of business and the lack of activity in the homebuilding business.

ENVIRONMENTAL DIMENSION

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Materials		
G4-EN1	Materials used by weight or volume.	<b>Unreported</b> This aspect is not relevant for REALIA given the nature of its main line of business, Property management, and the lack of activity in the Homebuilding business.
G4-EN2	Percentage of the materials used that are recovered.	<b>Unreported</b> This aspect is not relevant for REALIA given the nature of its main line of business, Property management, and the lack of activity in the Homebuilding business.
Energy		
G4-EN3	Energy consumption within the organization broken down by power sources (renewable and non-renewable), and type of fuel used.	<b>Complete</b> CR and Annual Report, pages 109 to 112.
G4-EN4	Energy consumption outside of the organization.	<b>Partially reported</b> Information unavailable.

ENVIRONMENTAL DIMENSION (Cont.)

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Energy (Cont.)		
G4-EN5	Energy intensity in buildings.	<b>Unreported</b> CR and Annual Report, pages 109 to 112.
G4-EN6	Reduction in energy consumption.	<b>Complete</b> CR and Annual Report, pages 109 to 112.
G4-EN7	Reduction in the need for energy consumption in products and services.	<b>Complete</b> CR and Annual Report, pages 109 to 112.
Water		
G4-EN8	Total water abstracted by sources.	<b>Unreported</b> Water consumption is irrelevant in REALIA's activities.
G4-EN9	Water sources affected significantly by water abstraction.	<b>Unreported</b> Water consumption is irrelevant in REALIA's activities.
G4-EN10	Percentage and total volume of water recycled and reused.	<b>Partial</b> Water consumption is irrelevant in REALIA's activities.
Biodiversity		
G4-EN11	Land owned, rented or managed, adjacent to or located within natural protected spaces or unprotected areas of high diversity.	<b>Unreported</b> The impact of REALIA's activities on biodiversity is minimum or non-existent.
G4-EN12	Description of the most significant impacts on activities, products and services on the biodiversity of natural protected spaces or unprotected areas of high biodiversity.	<b>Unreported</b> The impact of REALIA's activities on biodiversity is minimum or non-existent.
G4-EN13	Natural or protected habitats.	<b>Unreported</b> The impact of REALIA's activities on biodiversity is minimum or non-existent.



ENVIRONMENTAL DIMENSION (Cont.)

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Biodiversity (Cont.)		
G4-EN14	Number of species included in the Red List of the IUCN and in national listings whose habitats are in areas affected by operations, according to the degree of threat to each species.	<b>Unreported</b> The impact of REALIA's activities on biodiversity is minimum or non-existent.
Emissions		
G4-EN15	Direct greenhouse effect gases (GHG) Scope 1.	<b>Partial</b> CR and Annual Report, pages 109 to 112.
G4-EN16	Indirect greenhouse effect gases (GHG) Scope 2.	<b>Partial</b> CR and Annual Report, pages 109 to 112.
G4-EN17	Other greenhouse gas emissions (GHG) Scope 3.	<b>Unreported</b> REALIA is currently working on the methodology to calculate this information, and is expected to be available from 2016.
G4-EN18	Intensity of greenhouse gas emissions (GHG).	<b>Unreported</b> REALIA is working on the methodology to calculate this information, and is expected to be available from 2016.
G4-EN19	Reduction of greenhouse gas emissions (GHG).	<b>Unreported</b> CR and Annual Report, page 109.
G4-EN20	Emission of ozone-depleting substances (ODS).	<b>Unreported</b> REALIA's emissions of ozone-depleting substances (ODS) are irrelevant.
G4-EN21	Emissions of NOx, SOx and other significant emissions.	<b>Unreported</b> REALIA's emissions of NOx, SOx and other are irrelevant.



ENVIRONMENTAL DIMENSION (Cont.)

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Discharges and waste		
G4-EN22	Total discharges of wastewater, according to their nature and destination.	<b>Unreported</b> Not applicable, given the nature of REALIA's activities.
G4-EN23	Total weight of waste generated, by type of method of treatment.	<b>Unreported</b> CR and Annual Report, page 113. Total weight of hazardous waste is stated, no data about other waste.
G4-EN24	Total number and volume of the most significant accidental spills.	<b>Unreported</b> Not applicable, given the nature of REALIA's activities.
G4-EN25	Weight of the waste shipped, imported, exported or processes that are considered hazardous according to the Basel Convention classification, annexes I, II, III and VIII and percentage of was internationally shipped.	<b>Unreported</b> Not applicable, given the nature of REALIA's activities.
G4-EN26	Identification, size, protection status, and biodiversity value of water resources and related habitats, significantly affected by water and runoff waters discharges of the reporting organization.	<b>Unreported</b> Not applicable, given the nature of REALIA's activities.
Products and services		
G4-EN27	Impact of the initiatives to mitigate the environmental impact of products and services.	<b>Unreported</b> Not applicable, given the nature of REALIA's activities.
G4-EN28	Percentage of products sold, and their packaging materials, that are recovered at the end of their useful life.	<b>Unreported</b> Not applicable, given the nature of REALIA's activities.
Regulatory compliance		
G4-EN29	Cost of significant fines and number of non-monetary sanctions for non-compliance with environmental regulations.	<b>Complete</b> REALIA has not been fined or sanctioned for non-compliance with environmental regulations.



ENVIRONMENTAL DIMENSION (Cont.)

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Transport		
G4-EN30	Significant environmental impacts of the transport of products and other goods and materials used in the activities of the organization, and of personnel transport.	<b>Unreported</b> Not applicable, given the nature of REALIA's activities.
General		
G4-EN31	Breakdown by type of the total environmental expenses and investments.	<b>Unreported</b> REALIA measures and manages energy, water and fuel consumption, and other potential environmental impacts, but does not have an exact figure of environmental expenses and investments for the reduction of these impacts and consumptions.
The environment in the supply chain		
G4-EN32	Percentage of new suppliers that have been certified using environmental criteria.	<b>Complete</b> CR and Annual Report page 79. 100% of suppliers have been certified taking into account environmental criteria.
GN-EN33	Potential negative environmental impacts in the supply chain and measures adopted.	<b>Complete</b> There have been no negative environmental impacts in the supply chain.
Procedures for handling environmental complaints		
G4-EN34	Number of environmental complaints received, handled and resolved through formally established procedures.	<b>Complete</b> No environmental complaints were registered in 2015.



## SOCIAL DIMENSION

### HUMAN RESORUCES

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Employment		
G4-LA1	Total number of employees, rate of new recruitments and turnover rate by type of employment, by contract, by gender and by region.	<b>Complete</b> CR and Annual Report, pages 98 to 101. Turnover ratio employees lost/year average: 4.04%. In 2015, one job was lost (4 employees left the company and 3 new employees were recruited).
G4-LA2	Social benefits for full-time employees, not offered to part-time or temporary workers, broken down by the main workplaces.	<b>Complete</b> CR and Annual Report pages 98 to 101. Social benefits offered by REALIA are identical for all employees.
G4-LA3	Levels of incorporation to work and retention after maternity or paternity leaves, broken down by gender.	<b>Complete</b> CR and Annual Report pages 98 to 101. Rate of return to work is 100%.
Company/ employees relations		
G4-LA4	Minimum period(s) of advance notice about organizational changes, including whether these notices are specified in collective agreements.	<b>Complete</b> There is no specific period established for an advanced notice about organizational changes.
Health and safety at work		
G4-LA5	Percentage of the total number of workers represented in joint company-employees' health and safety committees, established to help control and advice on health and safety schemes at work.	<b>Complete</b> There are no health and safety committees (There is a coordinator that acts as liaison between the company and the external prevention service contracted).
G4-LA6	Types of accidents and accident rates, occupational diseases, days of work lost, and absenteeism rate, number of fatal accidents, by region and by gender.	<b>Complete</b> CR and Annual Report, page 101.
G4-LA7	Number of worker with high incidence or high risk of work-related diseases.	<b>Unreported</b> Not applicable, given the activity and location of REALIA.
G4-LA8	Health and safety issues covered in formal agreements with trade unions.	<b>Unreported</b> Not applicable, given the size and activity of REALIA.



## SOCIAL DIMENSION

### HUMAN RESORUCES (Cont.)

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Training and education		
G4-LA9	Average number of hours of training per employee, broken down by gender and employee category.	<b>Complete</b> CR and Annual Report, pages 100 and 101.
G4-LA10	Skill management and continuous training programs that encourage the employability of employees and that provide them support in the management of the end of their professional careers.	<b>Unreported</b> Considered as irrelevant, given the size of REALIA's workforce.
G4-LA11	Percentage of employees whose performance and professional development are regularly assessed, broken down by gender.	<b>Unreported</b> Considered as irrelevant, given the size of REALIA's workforce.
Diversity and equal opportunities		
G4-LA12	Composition of the corporate governance bodies and the workforce, broken down by employee category, gender, age group, minority groups.	<b>Complete</b> CR and Annual Report pages 69 to 71 and 99 to 100. Annual and Corporate Responsibility Report, pages 10 and 11.
Equal pay for men and women		
G4-LA13	Relation between the base salary of men compared to that of women, broken down by professional category and region.	<b>Complete</b> Base salaries of REALIA's employees are established according to the collective agreements in place that apply the principles and legislation on equal pay.
Labour practices in the supply chain		
G4-LA14	Percentage of new suppliers certified using labour practices criteria.	<b>Complete</b> CR and Annual Report page 105. 100% of suppliers have been certified taking into account labour practices criteria.
G4-LA15	Potential negative impact of labour practices along the supply chain and measures adopted.	<b>Complete</b> No negative impact from labour practices in the supply chain.



## SOCIAL DIMENSION HUMAN RESORUCES (Cont.)

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Procedures for handling labour complaints		
G4-LA16	Number of labour complaints received, handled and resolved through formally established procedures.	<b>Complete</b> CR and Annual Report, pages 98 to 101. No labour complaints were received in 2015.

## SOCIAL DIMENSION HUMAN RIGHTS

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Investment		
G4-HR1	Percentage and total number of significant investment agreements that include clauses on human rights or that have been subject to analysis on the topic of human rights.	<b>Unreported</b> REALIA carries out its activities on European Union countries, where human rights and working conditions are adequately protected.
G4-HR2	Total number of training hours to employees on policies and procedures related to human rights issues relevant for their activities, including the percentage of employees trained.	<b>Unreported</b> REALIA carries out its activities on European Union countries, where human rights and working conditions are adequately protected.
Non discrimination		
G4-HR3	Total number of incidents of discrimination and measures adopted.	<b>Complete</b> CR and Annual Report, pages 98 and 101. No incidents of discrimination have been recorded.



SOCIAL DIMENSION  
HUMAN RIGHTS (Cont.)

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Freedom of association and collective bargaining		
G4-HR4	Operations and suppliers identified in which the right to freedom of association and collective bargaining might be infringed or may be subject to significant risks, and measures adopted to protect these rights.	<b>Unreported</b> REALIA carries out its activity in European countries where freedom of association is guaranteed by law.
Child labour		
G4-HR5	Operations and suppliers identified in which there must be a risk of child labour, and measures adopted to protect these rights.	<b>Unreported</b> REALIA carries out its commercial activity in countries where child labour is strictly forbidden.
Forced or compulsory work		
G4-HR6	Operations and significant suppliers identified as significant risks of being sources of episodes of forced or compulsory labour, and the measures adopted to contribute to the elimination of all forms of forced or compulsory work.	<b>Unreported</b> REALIA carries out its commercial activity in countries where forced or compulsory labour are strictly forbidden.
Security practices		
G4-HR7	Percentage of the security personnel trained in the policies or procedures of the organization on human rights topics relevant for the activities.	<b>Unreported</b> The performance of the security personnel, essentially subcontracted, is regulated by law.
Rights of indigenous people		
G4-HR8	Total number of incidents related to violations of the rights of the indigenous people and measures adopted.	<b>Unreported</b> There are no indigenous populations in the countries where REALIA is present.
Evaluation		
G4-HR9	Percentage and total number of operations that have been reviewed or evaluated for their impact on the topic of human rights.	<b>Unreported</b> In the countries where REALIA carries out its operations there are no significant risks of human right violations, so these evaluations are considered as unnecessary.

## SOCIAL DIMENSION

### HUMAN RIGHTS (Cont.)

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Human Rights in the supply chain		
G4-HR10	Percentage of new suppliers certified using the criteria of respect for human rights.	<b>Unreported</b> In the countries where REALIA carries out its activities there are no significant risks of human rights violations.
G4-HR11	Negative, current and potential impacts in the area of Human Rights in the supply chain and measures adopted.	<b>Unreported</b> No negative impact, actual or potential, from suppliers.
Procedures for the handling of complaints in the area of human rights		
G4-HR12	Number of complaints received related to Human Rights, handled and resolved through formally established procedures.	<b>Complete</b> No complaints related to human rights were received in 2015.

## SOCIAL DIMENSION

### SOCIETY

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Community		
G4-SO1	Percentage of operations in which development programs have been implemented, impact assessment and local community participation.	<b>Unreported</b> The negative impact of REALIA's activity on the communities is irrelevant.
G4-SO2	Operations with significant negative impact, potential or actual, on local communities.	<b>Unreported</b> The negative impact of REALIA's activity on the communities is irrelevant.



## SOCIAL DIMENSION

### SOCIETY (Cont.)

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Corruption		
G4-SO3	Percentage and total number of business units analysed regarding risks related to corruption.	<b>Complete</b> All the business units have been analysed for risks related to corruption, and no significant risks have been identified.
G4-SO4	Communication and training in anti-corruption policies and procedures.	<b>Complete</b> CR and Annual Report, pages 82 and following. All the business units have been analysed for risks related to corruption, and no significant risks have been identified.
G3-SO5	Corruption incidents confirmed and measures adopted.	<b>Complete</b> No corruption incidents have been registered in 2015.
Participation in public matters		
G4-SO6	Total value of financial contributions and contributions in kind to political parties or related institutions, by countries.	<b>Complete</b> REALIA does not and has never made contributions to political parties and related institutions.
Behaviour anti free competition		
G4-SO7	Total number of legal actions related to monopolistic practices and practices against free competition, and their outcome.	<b>Complete</b> No legal actions have taken place in 2015.
Regulatory compliance		
G4-SO8	Monetary value of sanctions, significant fines, and total number of non-monetary sanctions resulting from non-compliance of rules and regulations.	<b>Complete</b> No sanctions of this type took place in 2015.





## SOCIAL DIMENSION

### SOCIETY (Cont.)

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Impact of society on the supply chain		
G4-SO9	Percentage of new suppliers certified using the criterion of impact on society.	<b>Complete</b> CR and Annual Report page 105. 100% of suppliers have been certified taking into account the criterion of impact on society.
G4-SO10	Negative impacts, current and potential, in the area of impacts on society of the supply chain, and measures adopted.	<b>Complete</b> No negative impacts.
Procedures for handling complaints in the area of human rights		
G4-SO11	Number of complaints received due to impact on society, handled and resolved through formally established procedures.	<b>Complete</b> No complaints were received during 2015.

## PRODUCT LIABILITY

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
Health and safety of customers		
G4-PR1	Percentage of significant product and service categories in which health and safety are assessed for their improvement.	<b>Unreported</b> REALIA's finished product does not have an impact on the health and safety of the user. The inspection of buildings and shopping centres follows Health and Safety regulations.
G4-PR2	Total number of incidents derived from non-compliance of legal regulations or voluntary codes on the impact of products and services on health and safety during their life cycle, distributed according to the type of outcome of those incidents.	<b>Unreported</b> REALIA's final product does not have an impact on the health and safety of the user, The inspection of buildings and shopping centres follows Health and Safety regulations.



## PRODUCT LIABILITY (Cont.)

PROFILE		DESCRIPTION	REPORT / LOCATION / EXPLANATION
Labelling of products and services			
G4-PR3		Types of information on the products and services required by the procedures of the organization in the area of product and service labelling and information, and percentage of products and services subject to such information requirements.	<b>Unreported</b> Not applicable, due to the nature of REALIA's business.
G4-PR4		Total number of non-compliances of regulation and voluntary codes related to product and service labelling and information, distributed according to the type of outcome of these incidents.	<b>Complete</b> No incidents of this nature were registered during 2015.
G4-PR5		Results of customer satisfaction surveys.	<b>Complete</b> No Satisfaction surveys are conducted, neither in Homebuilding nor in Property.
Marketing communication			
G4-PR6		Sale of prohibited or controversial products.	<b>Unreported</b> Not applicable, given the nature of REALIA's business.
G4-PR7		Total number of incidents resulting from non-compliance of regulations on marketing communications, including advertising, promotion and sponsorship, distributed according to the outcome of these incidents.	<b>Complete</b> No incidents of this nature were registered in 2015.
Customer privacy			
G4-PR8		Total number of duly justified claims related to respect of privacy and the leak of personal customer information.	<b>Complete</b> No claims were received during 2015.
Regulatory compliance			
G4-PR9		Cost of significant fines resulting from non-compliance with the regulation related to the supply and use of the products and services of the organization.	<b>Complete</b> No incidents of this nature were registered during 2015.

