

## ANNEX I – FORM

### ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

#### PARTICULARS OF THE ISSUER

REPORTING DATE	2020
Tax No. A- 95786562	
Registered office: C/ Ercilla 24, Bilbao	
Company: NEINOR HOMES, S.A.	

## ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

### A OWNERSHIP STRUCTURE

A.1 Complete the following table with information about the company's share capital:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
28/03/2017	790.050.340	79.005.034	79.005.034

Remarks

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

Sí  No

Class	Number of shares	Nominal unit price	Number of unit voting rights	Rights and obligations conferred

Remarks

A.2. Indicate the direct and indirect owners of significant shareholdings at the reporting date, excluding directors:

Shareholder's name	% voting rights attached to the shares		% voting rights held via financial instruments	% total voting rights
	Direct	Indirect		
ORION EUROPEAN REAL ESTATE FUND V, SLP	0	28,009%	0	28,009%
ADAR CAPITAL PARTNERS LTD	0	17,444%	1,899%	19,343%
BANK OF MONTREAL	0	5,209%	0	5,209%

Remarks

Details of indirect shareholdings:

Indirect shareholder's name	Direct shareholder's name	% of voting rights associated with the shares	% of voting rights held through financial instruments	% of total voting rights
<b>Remarks</b>				

State any material changes in the shareholder structure arising during the year:

Shareholder's name	Transaction date	Description of the transaction
NEINOR HOMES, S.A.	01/06/2020	Increase in the percentage of treasury stock voting rights from 5.252% to 5.896%.

**A.3.** Complete the following tables with information about members of the company's board of directors holding voting rights associated with shares in the company:

Name or company name of the director	% of voting rights associated with the shares		% of voting rights held through financial instruments		% of total voting rights	% voting rights transferable via financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
SEGAL, ANDREAS	0,013				0,013		

**% of total voting rights held by the board of directors** 0,013%

<b>Remarks</b>

Details of indirect shareholdings:

Name or company name of the director	Name or company name of the direct owner	% of voting rights associated with the shares	% of voting rights held through financial instruments	% of total voting rights	% voting rights that can be transferred through financial instruments

<b>Remarks</b>

**A.4.** Where appropriate, state any family, business, contractual or corporate relations existing between the owners of significant shareholdings, insofar as they may be known to the company, unless such relations are immaterial or are the result of ordinary business or trading activities, except for the relations reported in section **A.6 below**:

The Company has no knowledge of any family, business, contractual or corporate relations between owners of significant shareholdings.

Related party's name	Nature of relationship	Brief description
-	-	-

**A.5.** Where appropriate, state any business, contractual or corporate relations existing between the owners of significant shareholdings and the company and/or its group, unless such relations are immaterial or are the result of ordinary business or trading activities.:

The Company has no knowledge of any family, business, contractual or corporate relations between owners of significant shareholdings.

Related party's name	Nature of relationship	Brief description
-	-	-

**A.6.** Describe any relations, unless immaterial to both parties, existing between significant shareholders and/or shareholders represented on the board and the directors or their representatives in the case of legal entity directors.

Where appropriate, explain how significant shareholders are represented. Specifically, identify any directors appointed to represent significant shareholders, any directors appointed at the instigation of a significant shareholder, and any directors related with a significant shareholder and/or group entity, stating the nature of the relationship.

In particular, state the existence, identity and office held by any members of the board or representatives of directors of the listed company who are, in turn, members of the boards of directors, or representatives of directors of any companies owning significant shareholdings in the listed company or in any entities belonging to such significant shareholders' business groups.

Related director's or representative's name	Related significant shareholder's name	Name of the significant shareholder's group entity	Description of relationship / office
JORGE PEPA	ADAR MACRO FUND LTD		Proprietary director until 8 April 2019 and since that date has been an executive director and vice-president of the company.
LAHHAM, AREF H.	ORION EUROPEAN REAL ESTATE FUND V, SLP		
STULTS, VAN J.	ORION EUROPEAN REAL ESTATE FUND V, SLP		

Remarks

**A.7.** State whether the company has been notified of any shareholders' agreements affecting it pursuant to Articles 530 and 531 of the Capital Companies Law. Where appropriate, provide a brief description and list the shareholders bound by the agreement:

Sí  No

Parties to the shareholders' agreement	% share capital affected	Brief description of the agreement	Termination date of the agreement, if any

Remarks

State whether the company has knowledge of any concerted action between shareholders. Describe, where appropriate:

Sí  No

Parties to concerted action	% of share capital affected	Brief description of the concerted action	Termination date of the concerted action, if any

Remarks

State whether any shareholders' agreements or concerted actions were amended or broken off during the year, expressly indicated the arrangements concerned:

Not applicable.

**A.8.** State whether there are any natural persons or legal entities who exert, or could exert, control over the company within the meaning of Article 5 of the Securities Market Law. Identify any such individuals or entities, where appropriate:

Sí  No

Name of the individual or entity

Remarks

**A.9.** Complete the following tables with information about treasury shares held by the company:

At the reporting date:

Number of direct shares	Number of indirect shares (*)	% of total share capital
4.645.608		5,880%

Remarks

Name of the direct owner of the shareholding	Number of direct shares
Neinor Homes S.A.	4.645.608
<b>Total:</b>	4.645.608

Remarks

Explain any significant changes arising during the year:

Explain the significant changes
<p>On 20/12/2018, the liquidity agreement was suspended and the second treasury stock programme was initiated, through which a total of 4,517,367 own shares were acquired up to 10/12/2019.</p> <p>As of that date, the liquidity agreement was restarted, with a balance as of 31/12/2020 of 41.900 shares and 327,385.20 euros.</p> <p>At year-end, the total number of own shares in the company was 4,645,608 of which 41,900 are deposited in the account associated with the liquidity agreement, 4,603,708 in an account related to a previous treasury stock, where the shares of the second treasury stock with Goldman Sachs have been transferred.</p>

**A.10.** State the terms of the prevailing mandate granted by the General Shareholders Meeting authorizing the board of directors to issue, buy back or transfer treasury shares

The sole shareholder of the company before the stock market listing granted the Board the following mandate on 6 March 2017:

- 1) To issue bonds or other similar securities, convertible into new shares of the company and/or exchangeable for existing shares of the company, as well as warrants or other similar securities directly or indirectly entitling holders to subscribe new shares or acquire existing shares in the company, subject to the following conditions:
  - Securities: Bonds, notes and other fixed interest or similar securities exchangeable for shares of the company or of any other company, whether or not forming part of the group, and/or convertible into shares of the company, promissory notes, preference shares or warrants.

- Term of the mandate: 5 years
  - Maximum amount: €500,000,000
- 2) Derivative acquisition of treasury shares either by the company or by its affiliates for a period of five years up to a maximum 10% of share capital and for a price or value ranging from a minimum equal to par value and a maximum equal to the higher of (i) 105% of the quoted share price of the company in the Spanish Continuous Market at the time of acquisition, or the closing price in the last stock market session held prior to acquisition, and (ii) the value calculated by increasing the maximum quotation for the three months proceeding the date of acquisition by 10%. The treasury shares may be acquired either for disposal or redemption, for delivery directly to employees or directors of the company, or as a consequence of the exercise of stock options by their holders.

**A.11. Estimated free float**

<b>Estimated free float</b>	%
	72%

Remarks

**A.12.** State whether there are any statutory, legislative or other restrictions on the transferability of securities and/or any restrictions on voting rights. In particular, you should report the existence of any kind of restrictions that could hinder or prevent a takeover of the company by means of the acquisition of shares in the market, as well as any requirements established under applicable industry regulations for prior authorization or notification of the acquisition or transfer of financial instruments issued by the company.

Sí                       No

Description of restrictions

**A.13.** State whether the General Shareholders Meeting has resolved to adopt any anti-takeover measures in accordance with Spanish Law 6/2007.

Sí                       No

Where appropriate, explain the measures approved and the conditions under which the resulting restrictions would be lifted:

Explain the measures approved and the conditions under which they would be lifted

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

Sí                       No

Where appropriate, list the different classes of shares and the rights and obligations conferred by each class of share.

List the different classes of shares

**B GENERAL MEETING**

**B.1.** Indicate and, where applicable, detail, if there are differences with the minimum regime established in the Capital Companies Law with respect to the quorum for the constitution of the general meeting+.

Sí  No

	Different % quorum to that established in Art. 193, CCL for general assumptions	Different % quorum to that established in Art. 194, CCL for the special cases of the art. 194 LSC
Quorum required on first call		
Quorum required on second call		
<b>Description of differences</b>		

**B.2.** State whether there are any differences with the system for the adoption of corporate resolutions established under the Capital Companies Law, and describe said differences where appropriate:

Sí  No

Describe any differences with the Capital Companies Law

% established by the entity for the adoption of resolutions	Different qualified majority from Art. 201.2 for the cases mentioned in Art. 194.1 of the Limited Companies Act	Other cases requiring qualified majorities
<b>Description of differences</b>		

**B.3.** State the rules applicable to amendment of the company's bylaws. In particular, you should report the majorities required and, where appropriate, the rules established for the protection of shareholders' rights in the event of amendment of the bylaws.

In accordance with Article 28.1 of the bylaws, a separate vote must be held for the amendment of each article or group of articles of the bylaws, even where such amendments are included in the same point on the agenda for the meeting.

Article 30 of the Regulations for the General Shareholders Meeting requires an absolute majority of the votes cast to amend the Bylaws where the shares present or represented by proxy exceed 50% of total share capital, or two thirds of shares present or represented by proxy when the shareholders present or represented by proxy at second call hold 25% or more of total subscribed capital with voting rights but less than 50%.

**B.4.** Provide figures for attendance at the general meetings held during the year referred to in this report and in the prior year:

Date of general meeting	Attendance figures				Total
	% physical attendance	% attendance by proxy	% remote votes cast		
			Electronic votes	Other	
03/04/2019	0,9696%	61,3929%			62,3625%
01/04/2020	6,6279%	47,9817%			54,6096%
<b>Of which floating capital:</b>	6,6279%	19,98%			26.60%

**B.5.** State whether there were any motions proposed in the agenda for the general meetings held during the year that were not approved by the shareholders for any reason.

Sí  No

Motions not approved	% votes against (*)

(\*) Where any motion was not approved for reasons other than a majority of votes against, the explanation should be included in the text field, and the remark "n/a" should be entered in the column headed "% votes against".

**B.6.** State whether there are any statutory restrictions establishing a minimum number of shares needed to attend general meetings, or to vote remotely:

Sí  No

Number of shares needed to attend general meetings	
Number of shares needed for remote voting	

Remarks

**B.7.** State whether the bylaws require that decisions regarding the acquisition, disposal or assignment to any other company of core assets, or any other similar corporate transactions, must be submitted for approval by the shareholders at their general meeting, other than in the cases established by Law.

Sí  No

Decisions that must be submitted for approval by the General Shareholders Meeting, other than as required by Law

**B.8.** State the internet address and means of access to the company webpage containing corporate governance and other information concerning general meetings which must be made available to the shareholders online via the corporate website.

The address where the corporate governance information is posted online is  
<https://www.neinorhomes.com/shareholders-inversors>

**C CORPORATE MANAGEMENT STRUCTURE**
**C.1 Board of directors**

**C.1.1.** Maximum and minimum number of directors allowed under the bylaws and number of directors established by the General Shareholders Meeting.

<b>Maximum number of directors</b>	15
<b>Minimum number of directors</b>	5
<b>Number of directors established by the general meeting</b>	9

Remarks

**C.1.2.** Complete the following table with information about the board members:

Director's name	Representative	Category of director	Office	Date of first appointment	Date of last appointment	Selection procedure	Date of birth
Ricardo Martí Fluxá		Independiente	Presidente	08/03/2017	01/04/2020	Appointed by sole shareholder	08/09/1950
Anna M. Birulés Bertrán		Independiente	Vocal	08/03/2017	01/04/2020	Appointed by sole shareholder	28/06/1954
Alfonso Rodés Vilà		Independiente	Vocal	08/03/2017	01/04/2020	Appointed by sole shareholder	09/08/1961
Jorge Pepa		Ejecutivo	Vocal	18/04/2018		Appointed by the General Meeting	29/10/1980
Andreas Segal		Independiente	Vocal	27/02/2019	03/04/2019	Appointed by the General Meeting	30/08/1969
Van J. Stults		Dominical	Vocal	22/10/2019	01/04/2020	Appointed by sole shareholder	30/09/1954
Felipe Morenés Botín Sanz-de Sautuola		Otros Externos	Vocal	14/05/2015	01/04/2020	Appointed by sole shareholder	13/02/1986
Aref H. Lahham		Dominical	Vocal	12/12/2019	01/04/2020	Appointed by sole shareholder	15/02/1965
Borja García-Egotxeaga Vergara		Ejecutivo	Consejero Delegado	08/04/2019	01/04/2020	Appointed by sole shareholder	23/11/1967

<b>Total number of directors</b>	9
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Indicate any exits from the board of directors during the reporting period, whether due to resignation or by resolution of the general shareholders' meeting:

Director's name	Category of director upon leaving office	Date of last appointment	Leaving date	Membership of any specialist committees	State whether the director served the full term of office

Reasons for leaving the board and remarks

**C.1.3.** Complete the following tables with information about the members of the board and the different categories of director:

EXECUTIVE DIRECTORS

Director's name	Office held in the company's organization chart	Profile
Borja García-Egoitzeaga Vergara	Chief Executive	<p>Borja has extensive experience in the field of residential development, project management in the real estate and industrial sector and strategic business planning.</p> <p>In June 2016, he joined Neinor Homes as Technical Director for the Northern zone, coming from the development company Construcciones Gerrickabeitia where he worked for 13 years in technical and construction management of the group's developments, planning management, land acquisition and sale, and general business planning and supervision.</p> <p>Previously, during his first professional phase, for a period of 10 years, he was linked to the industrial world in the company Befesa Zinc of the Abengoa Group, where he led the continuous improvement of processes and the environmental situation of the company as Deputy Technical and Production Manager, and was also responsible for external relations, various systems of management and benchmarking with other factories of the group distributed throughout Europe.</p> <p>He was also a member of the board of directors of the companies of Abengoa, Sondika Zinc and Zindes and worked with Aclima and Eurometaux with headquarters in Brussels. After graduating from a high school in the USA, Borja studied Industrial Engineering at the Escuela Superior de Ingenieros Industriales in Bilbao and has a Master's degree in Business Management from INSIDE at the University of Deusto.</p>
Jorge Pepa	Executive vice-president	<p>Jorge was a Director at 1810 Capital Investments S.L., a real estate investment company, before becoming Executive Vice President of the company. He has over 15 years of investment banking experience. He recently worked as Executive Director at UBS in New York, in charge of the Latin American division of private financing. Previously, he was Vice President at Credit Suisse New York, where he was in charge of Latin American client accounts. Before that, Jorge worked in the emerging markets division of Deutsche Bank in New York. Jorge has a degree in Business Administration and Management from the Universidad de San Andrés in Buenos Aires.</p>

Total number of executive directors	2
% of total board	22,2%

Remarks

EXTERNAL PROPRIETARY DIRECTORS

Director's name	Name of the significant shareholder represented or who proposed the director's appointment	Profile
Aref H. Lahham	Pyxis V Lux S.À.R.L. (Orion)	<p>Aref H. Lahham is Managing Director and Founding Partner of Orion Capital Managers and is a member of the Firm's Investment Committee. Based in Orion's London offices, he serves as Orion's Managing Director and Chief Investment Officer, setting strategy and leading Orion's acquisition team and investment activities, as well as directing asset management activities in a significant number of Orion's investments.</p> <p>Mr Lahham has 33 years of experience in real estate investment and development in the United States and Europe. Prior to forming Orion in 1999, he was Managing Director of LaSalle Partners, which he joined in 1992 and directed its operations and investment activities in France.</p> <p>Before working for LaSalle Partners, Mr Lahham was a Project Manager for SEGECE (a subsidiary of the BNP group), a French shopping centre developer based in Paris. Previously, Mr Lahham was an International Project Manager and Design Engineer in New York with the structural engineering consulting firm Leslie E. Robertson Associates.</p> <p>Previously, he was also a member of the Board and Strategic Committee of the French-listed real estate company, Société Foncière Lyonnaise.</p> <p>Mr Lahham holds a B.Sc. in Civil Engineering from Purdue University, an M.Sc. in Civil Engineering from Cornell University where he serves on the Board of the School of Engineering, and an MBA from INSEAD</p>
Van J. Stults	Pyxis V Lux S.À.R.L. (Orion)	<p>Mr Van J. Stults is Managing Director and Founding Partner of Orion Capital Managers and is a member of the Firm's Investment Committee.</p> <p>Mr Stults has 41 years of experience in real estate investment management. Prior to forming Orion in 1999, Mr Stults was a member of the Board of Directors of LaSalle Partners (now "JLL"), Managing Director, member of the Operating Committee and head of European investment activities.</p>

		<p>Mr Stults joined LaSalle Partners in 1984. Prior to LaSalle Partners, he was Assistant Treasurer of Lane Industries, a privately held U.S. family-owned conglomerate, and before Lane Industries, he was a Commercial Banking Officer at First National Bank of Chicago.</p> <p>Mr Stults is a member of the Pension Real Estate Association and is a Global Governing Trustee of the Urban Land Institute. Mr Stults holds a bachelor's degree in economics from Claremont McKenna College and an MBA in finance and accounting from the University of Chicago Booth School of Business.</p>
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<b>Total number of proprietary directors</b>	2
<b>% of total board</b>	22,2%

Remarks

#### INDEPENDENT EXTERNAL DIRECTORS

Nombre o denominación del consejero	Perfil
Ricardo Martí Fluxá	<p>Mr Martí Fluxá is Chairman of the Spanish Association of Real Estate Consulting Companies (ACI), Director of Liteyca and Advisor to John Cockerill Defense España, S.U.L. and Órbital Critical Systems.</p> <p>He was Secretary of State for Security from 1996 to 2000. As a member of the Spanish Diplomatic Profession he held different positions abroad and finally that of Head of Protocol and Activities of His Majesty the King of Spain.</p> <p>In the private sector, he was Chairman of Industria de Turbo Propulsores, S. A. (ITP), of Marco Polo Investments, Director of the Tomás Pascual Group, Member of the Advisory Board of the investment bank Arcano Capital, Director of Ibersecurities, Director of the technology company IKUSI and member of the Executive Committee and Chairman of the Remuneration Committee of the Caja de Ahorros y Monte de Piedad de Navarra.</p> <p>He is currently chairman of the Board of Trustees of the Museo Nacional Centro de Arte Reina Sofía, chairman of the Tomás Pascual Institute for Nutrition and Health and chairman of the Ankaría Foundation.</p>
Anna M. Birulés Bertrán	<p>Ms Birulés is an independent director, Chairman of the Investment Committee and a member of the Executive and Remuneration and Appointments Committees of the Pelayo Group, a mutual insurance and reinsurance company. She is also an independent director, Chairman of the Audit and Risk Committee and a member of the Remuneration and Appointments Committee of Banco Mediolanum. She is a member of several business advisory boards. She was Minister of Science and Technology of the Spanish Government and Secretary General of Banco Sabadell. With a doctorate in Economics, she began her professional career at the Ministry of Industry and Energy of the Catalonia Regional Government and was Managing Director of the Centre for Information</p>

	<p>and Business Development (CIDEM), as well as chair of the Consortium for Commercial Promotion of Catalonia (COPCA). She was Managing Director of Retevisión (now owned by the Abertis and Vodafone groups), from where she led the expansion process of the telecommunications operator and its subsidiaries (now owned by Orange).</p> <p>She has been a director of companies in various sectors and terrains. She is a member of the Círculo de Empresarios and the Círculo de Economía. She has strong links with leading business schools; IESE, where she chairs Finaves, international entrepreneurial initiatives, through seed capital, and ESADE, where she is a member of the Professional Advisory Board.</p>
Andreas Segal	<p>Mr Segal has over 20 years of experience in the real estate sector. He was a member of the board of directors of several listed companies in this sector, including Buwog Group, Deutsche Wohnen and GSW Immobilien.</p> <p>Mr Segal has a degree in Economics from the University of Berlin FU (Germany) and is also a graduate in Law. He also has a Senior Management Program at Harvard Business School (Boston, USA).</p>
Alfonso Rodés Vilà	<p>Mr Rodés is Chairman of Havas Media Group, Chairman of Havas Group Spain and Director of Havas SA, a multinational advertising company with a capitalization of over €4,000 million and part of the Vivendi group.</p> <p>Previously, Mr Rodés was Managing Director of Media Planning Group, S.A. ("MPG"). MPG was a company controlled by the Rodés family, which merged with Havas in 2001. Mr Rodés joined MPG in 1996 as Director of Corporate Development after a period in private banking. Mr Rodés has been Executive Director of Havas SA since 19 June 2012.</p> <p>Additionally, he participates in other investment vehicle boards controlled by the Rodés family.</p>

<b>Total number of independent directors</b>	4
<b>% of total board</b>	44,4%

Remarks

State whether any director categorized as an independent receives any moneys or benefits from the company or its group in respect of any item other than director's remuneration, or maintains, or in the last year maintained, any business relationship with the company or with any company forming part of its group, either on their own behalf or as a significant shareholder, director or senior executive of an entity maintaining, or which may in the past have maintained, any such relationship.

Where appropriate, include a reasoned statement from the board stating the reasons why it considers that the director concerned can nevertheless discharge his/her functions as an independent director.

Director's name	Description of the relation-ship	Reasoned statement

**OTHER EXTERNAL DIRECTORS**

Identify any other external directors and state the reasons why they should not be considered either proprietary or independent directors, as well as their links with the company, its management or its shareholders:

In the financial year to which this report refers, one member of the board is still classified under "other external directors"; said director was a proprietary director appointed by the previous sole shareholder Neinor Holdings, S.L. two years ago (Lone Star). However, the reduction of the shareholding of said shareholder, together with the resignation of the directors from their positions in said shareholder, led the Board of the company to consider the continuity of this person due to the significant value and experience that he/she contributed and the fact that he/she had been involved since the beginning of the Company. Therefore the appointments and remuneration committee agreed on his/her continuity and proceeded to reclassify him/her under 'other external directors' at its meeting held on 22 January 2018. As of 31 December 2020, Mr Morenés continues to serve as a director as "Other external".

Director's name	Reasons	Company, executive or shareholder with whom the director is related	Profile
Felipe Morenés Botín Sanz-de Sautuola	Proprietary director of the former shareholder		<p>Felipe Morenés Botín-Sanz de Sautuola is a founding partner of Stoneshield Capital. He was previously a Director of Lone Star, where he was involved in the fund's investment operations in Europe. In 2013 he was put in charge of analysis structuring and supervising a number of investments in both debt and equity. Before joining Lone Star, he worked for five years as an Associate Director in UBS Investment Banking and in the UBS Credit Restructuring Desk in London. While working for UBS, he advised on M&amp;A transactions, capital raising and structured finance for banks and hedge funds.</p> <p>Mr Morenés holds a degree in Political Science and Economics from Georgetown University.</p>

<b>Total other external directors</b>	1	1
<b>% of total board</b>	11,1%	11,1%

Remarks

Indicate any changes arising in the category of each director over the period, where applicable:

Director's name	Date of change	Previous category	Current category

Remarks

**C.1.4.** Complete the following table with information about the number of female directors at the close of each of the last four years, and the category of the directors concerned:

	Number of female directors				% of total directors in each category			
	2020	2019	2018	2017	2020	2019	2018	2017
<b>Executive</b>	0	0	0	0	0%	0%	0%	0%
<b>Proprietary</b>	0	0	0	0	0%	0%	0%	0%
<b>Independent</b>	1	1	1	1	25%	25%	33%	25%
<b>Other external</b>	0	0	0	0	0%	0%	0%	0%
<b>Total:</b>	1	1	1	1	11,1%	11,1%	12,5%	14,29%

Remarks

**C.1.5.** State whether the company has diversity policies for the board of directors in relation to issues such as age, gender, disability, and professional qualifications and expertise. In accordance with the definition established in the Spanish Audit Act, small and medium-sized enterprises should report at least on the policy established in relation to gender diversity.

Sí  No

If yes, describe the diversity policies, their objectives, the measures implemented and the manner in which they were applied, and the results obtained in the year. You should also indicate the specific measures adopted by the board of directors and the appointments and Remunerations Committee to ensure a balanced and diverse make-up of directors.

If the company does not apply a diversity policy, explain the reasons why not.

Description of the policies, objectives, measures and how they have been implemented, and the results achieved.
<p>In 2017, the company approved a director selection policy which establishes that it will favour the diversity of gender, experience and knowledge of its directors and will ensure that there are no implicit biases that could lead to any type of discrimination, especially that which impedes selection of female directors.</p> <p>A clear equal opportunities policy is adhered to for the avoidance of any kind of discrimination based on gender. Gender is not considered to be grounds for selection under any circumstances, and this also applies to the appointment of directors.</p> <p>Diversity is understood in its broadest sense, covering, by way of example and not exhaustively, aspects such as age, nationality, gender, disability and professional experience and training.</p> <p>During the financial year, it was not considered necessary to replace or appoint new directors in order to deliberately incorporate people who could improve the board's gender balance.</p>

The policy is available at

<https://www.neinorhomes.com/accionistas-inversores/Gobierno/Corporativo/Códigos y políticas>

**C.1.6.** Explain any measures adopted by the appointments committee, where applicable, to ensure that selection procedures are free of any bias which might hinder the selection of female directors, and that the company deliberately seeks and includes women meeting the professional profile sought among potential candidates so as to ensure that it achieves a balanced make-up between women and men:

#### Explanation of the measures

In 2017, the company approved a director selection policy which establishes that it will favour the diversity of gender, experience and knowledge of its directors and will ensure that there are no implicit biases that could lead to any type of discrimination, especially that which impedes selection of female directors.

The Appointments and Remuneration Committee (ARC) oversees the implementation of the diversity policy in the appointment of the boards. In this regard, care was taken to ensure the inclusion of women among the candidates and at least one woman among the board members.

In compliance with the provisions of the Board Regulations, the selection policy and the group's code of conduct, the ARC includes women with the appropriate professional experience among the potential candidates and ensures that there is no implicit bias in the selection procedures that might hinder the selection of female directors.

With a view to a new appointment, in the event of a balance of skills, knowledge and abilities between two applicants, the female gender will be given priority in the selection process with the aim of achieving greater parity on the Board.

New appointments will arise as a result of the departure of existing board members. The company is not currently planning to increase the number of directors as this number is appropriate for the size of the company and its effective and efficient management, as described in the evaluation of the functioning of the Board and its committees by an independent third party of recognised standing.

The policy is available at

<https://www.neinorhomes.com/accionistas-inversores/Gobierno/Corporativo/Códigos y políticas>

Where there are few or no female directors despite the measures adopted, where applicable, explain the reasons for this circumstance:

#### Explanation of reasons

The board has, except for gender, a wide diversity of directors and its number is considered adequate for the size of the company and for its effective and efficient management.

It would be considered unfair for the company to resort to the removal of a highly qualified and experienced current board member in order to reduce the current gender gap on the board.

With a view to future appointments, female applicants should always be considered and, if they are equally qualified, they should be selected with a view to obtaining the representation required by the good governance recommendations.

**C.1.7.** Explain the appointments committee's findings on its verification of compliance with policy aimed at promoting an appropriate composition of the board of directors.

The Appointments and Remuneration Committee has not reached any conclusions regarding compliance with the selection policy insofar as:

(i) In the financial year 2020, there have been no appointments as a director of the company.

On the occasion of the removal of any independent director, the Appointments and Remuneration Committee is assisted in the process of searching for and selecting a replacement by an external specialised professional firm, which always includes in its instructions that the profile sought must comply exhaustively with the director selection policy.

**C.1.8.** Where appropriate, explain the reasons why any proprietary directors were appointed at the proposal of shareholders owning less than 3% of capital:

Not applicable.

Shareholder's name	Reason for appointment

State whether the company has refused any formal requests for seats on the board made by shareholders holding interests in share capital equal to or greater than the holdings of other shareholders at whose request proprietary directors were appointed. Where appropriate, explain the reasons why these requests were turned down:

Sí  No

Shareholder's name	Explanation

**C.1.9.** Indicate any powers and authorizations, if any, delegated by the board to directors or any of the board committees:

Director's name	Brief description
Borja García-Egotxeaga Vergara	The CEO has been delegated all the powers of the Board except those that cannot be delegated by law or by the company's bylaws (in particular, the power to acquire land).

**C.1.10.** Where appropriate, list any board members who also hold office as directors or executive positions in other companies forming part of the listed company's group:

Director's name	Group entity's name	Office	Executive functions?
Borja García-Egotxeaga Vergara	Neinor Norte, S.L.U. Neinor Península, S.L.U. Neinor Sur, S.A.U.	Sole Director	Sí
Borja García-Egotxeaga Vergara	Promociones Neinor 1, S.L.U. Promociones Neinor 2, S.L.U. Promociones Neinor 3, S.L.U. Neinor Works, S.L.U. Promociones Neinor 5, S.L	Joint director	Sí
Jorge Pepa	Renta Garantizada, S.A.	Counselor	No

Remarks

**C.1.11.** Where appropriate, list any directors or representatives of corporate directors of your company, who have notified the same that they hold seats on the boards of any other listed companies unrelated with your group as directors or representatives of corporate directors:

Not applicable.

Director's name	Listed company's name	Office

Remarks

**C.1.12.** State whether the company has established any rules with regard to the maximum number of company boards on which it Directors may hold seats, and where appropriate explain such rules, indicating where such they are established:

Sí  No

Explanation of rules and identification of the document establishing the same
In accordance with the Board's Regulations, the directors may not hold seats on more than four boards of other listed companies (aside from the company itself).

**C.1.13.** State the total amounts paid out in respect of the following directors' remuneration items:

Remuneration accruing to the Board of Directors during the year (thousands of euros)	1.821
Cumulative pension rights accruing to current directors (thousands of euros)	N/A
Cumulative pension rights accruing to former directors (thousands of euros)	N/A

Remarks

**C.1.14.** Identify any senior managers who are not also executive directors, and state the total remuneration earned by the same during year:

Name of the individual or entity	Position
Jordi Argemí García	Deputy CEO and y Chief Financial Officer
Mikel Etxebarria Dobarán	Chief Corporate Officer
Gabriel Sánchez Cassinello	Chief Business Officer
Mario Lapiedra Vivanco	Chief Investment Officer
Julio Egusquiza González-Gil	Chief Servicing Officer
Fernando Hernanz de Dueñas	Chief Investor Relations Officer
Álvaro Conde Herranz	Governance, Risk and Compliance Officer

Number of women in senior management	
Percentage of total senior management members	

<b>Total senior management remuneration (thousands of euros)</b>	1.943
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Remarks

**C.1.15.** State whether there have been any changes in the board's regulation during the year:

Sí                       No

Description of changes

**C.1.16.** Explain the procedures in place for the selection, appointment, resell action and removal of directors. Indicate the competent bodies, the procedural steps involved and the criteria applicable to each procedure.

**Selection:**

The company has approved a Directors Selection Policy, which sets out the selection procedure. In accordance with this policy, the selection process shall be based on a prior analysis of the Company's needs by the Board of Directors assisted by the Appointments and Remunerations Committee. The Appointments and Remunerations Committee shall define the candidates' functions and skills and shall assess the time and dedication required for each vacancy, so as to ensure that the eventual appointee is able appropriately to discharge his/her responsibilities.

The Company may seek external advice in order to complete its needs analysis and/or its annual assessment of compliance with the selection policy.

With regard to the criteria for the selection or reelection of directors, candidates shall meet the conditions established in point 4.2 of the policy (i.e. they must be reputable persons of acknowledged ability and professional solvency, with the appropriate experience, qualifications, training, availability and commitment to discharge the office concerned, and they must be unaffected by any of the incompatibilities enumerated in this section).

Additionally, in the evaluation of the Board for the 2018 financial year, among the measures that had to be taken by the Appointments and Remuneration Committee, one of them was the definition of the characteristics that the directors had to comply with in their profile, as detailed below:

- Honourable, honest, upright person of good repute.
- Experience and qualified training in the following areas, preferably:
  - ✓ Real estate sector and market (transactions and regulations)
  - ✓ Finance and accounting.
  - ✓ Risk control and management.
  - ✓ Cybersecurity and digital transformation.
  - ✓ Sustainability and non-financial information.
  - ✓ Capital market and financing.
- Experience in administrative, management, control or advisory functions to other companies.
- Availability and commitment to perform their role.
- Fluent in Spanish and English.
- Professional career in line with the principles set out in the company's Code of Ethics.
- No conflicts of interest with Neinor Homes or with companies in the sector that are competitors.
- Not involved in any case of incompatibility or prohibition established in the applicable law.
- Not affecting for any reason the image and reputation of Neinor Homes or putting at risk, in any other way, the company's interests, including not having a criminal record or accusation in legal proceedings.

The Company shall foster diversity in terms of gender, experience and expertise among the directors and shall ensure that no implicit bias exists such as might result in any kind of discrimination, especially where this might hinder the selection of female directors.

#### **Appointment and reelection:**

The directors are appointed by the General Shareholders Meeting or may be co-opted by the Board of Directors, subject to a report from the Appointments and Remunerations Committee, or in the case of independent directors at the proposal of said committee.

The directors shall hold office for a term of three years, at the end of which they may be reselected one or more times for the same maximum term.

Directors co-opted onto the Board shall hold office until the next General Shareholders Meeting held after their appointment, and they shall resign their office in the event that said appointment is not ratified at the General Shareholders Meeting.

Before proposing the reelection of directors to the General Shareholders Meeting, the board shall assess the quality of the work carried out and the dedication to their office shown by the directors proposed during their previous term in office, who shall absent themselves from said assessment.

**Assessment:**

With regard to assessment, Article 18 of the Regulation of the Board of Directors requires the Board annually to assess (i) its functioning and the quality of work; (ii) the discharge by the Chairman and the Chief Executive Officer of their functions as such, based on the report issued by the Appointments and Remunerations Committee; (iii) the diversity of the Board's members and the skills of the directors; and (iv) the functioning of the Board Committees based on the reports issued by the same. For these purposes, the Chairman of the Board of Directors shall organize and coordinate the assessment process with the Chairs of the Board Committees.

Every three years, the Board of Directors shall be assisted in its evaluation by an external consultant, whose independence shall be verified by the Appointments and Remunerations Committee.

Based on the results of the annual assessment, the Board of Directors may propose an action plan to correct any weaknesses observed in relation to the quality and efficiency of the Board's functioning, the functioning and membership of committees, diversity, the work of the Chairman and of the Chief Executive, and the work and contributions made by each director.

**Removal:**

The directors shall cease to hold office when the term for which they were appointed ends, or where so decided by the General Shareholders Meeting.

Directors shall tender their resignation to the Board in the cases mentioned in Article 21.2 of the Board's Regulation (see section C.1.21 below).

The Board of Directors may only propose the removal of an independent director before the end of his/her statutory term of office upon sufficient grounds, established by the Board of Directors subject to a report by the Appointments and Remunerations Committee. The removal of independent directors may also be proposed as a consequence of a public takeover bid or of mergers and other similar corporate operations that would result in changes in the company's capital structure, provided such changes arise in line with corporate good governance recommendations applicable to the Company from time to time.

**C.1.17.** Explain the extent to which annual Board assessments have resulted in significant changes in its internal organization and in the procedures applicable to its activity:

**Description of modifications**

In accordance with the provisions of Article 529 *nonies* of the LSC and Recommendation 36 of the Good Governance Code, as well as with the CNMV's Technical Guide 3/2017, in relation to the Audit Committee, the Company, in the last quarter of the financial year, carried out an evaluation of the functioning of the Board and of its respective Committees assisted by an external expert, as this was the third year that it had carried out such evaluation following the best national and international market practices.

The evaluation carried out has been linked to an action plan for improvement measures.

The evaluation of the Board has not led to major changes in its internal organisation, as the Board and the respective Committees have been assessed as functioning very positively and in line with the best practices of good governance of public interest companies.

The strengths identified in the external expert's evaluation of the Board were:

1. As regards both the directors' assessments and the external advisor's analysis, Neinor Homes' Board of Directors has a structure aligned with good practices in terms of its current size, including a high level of diversity in terms of qualifications, experience, knowledge and nationalities. In this regard, the international diversity of Neinor Homes' Board of Directors is above the national industry average and very close to benchmark Ibex 35 companies.
2. Proper internal functioning of the Board of Directors as regards the frequency of meetings, the advance notice given and the level of director attendance. In this respect, various members of the Board of Directors have highlighted the proper functioning of the governing body, particularly in view of COVID-19 restrictions.
3. Effective and satisfactory decision-making process of the Board of Directors, resolving differences of opinion within the Board in a smooth and orderly manner.

4. Good level of interaction between the Board of Directors and Senior Management, particularly the availability of the company's executives, the rigour and preparation of their appearances and the appreciation of the Board's guidance and oversight role.
5. The findings of the analysis of the documents provided to the external advisor and the information available on the Neinor Homes website, the existence of a policy on the communication of economic-financial, non-financial and corporate information, a procedure for conflicts of interest and related-party transactions, as well as a corporate criminal liability prevention model, are very positive. As regards the above-mentioned policies and procedures, and bearing in mind the findings of the benchmark study performed, Neinor Homes is one of the pioneering listed companies in complying with recommendations 2, 4 and 22 of the CGGLC Recommendations, having put in place and communicated rules and mechanisms to prevent possible negative attitudes or actions by directors from causing harm or possible harm to the Company's credibility and reputation.
6. Although the Neinor Homes Board did not need the advice/collaboration of numerous external advisors or consultants during the year assessed, the directors' perception as regards the availability of the same is very positive, highlighting the Board's access to services of this kind when so required. In this regard, and as evidence of this accessibility, this self-assessment exercise addressing the Board of Directors of Neinor Homes and its Committees has been conducted with the support of an external consultant, thereby fulfilling CGGLC Recommendation 36, which states that the Board will be assisted during the assessment, every three years, by an external consultant, whose independence will be verified by the appointments committee. In addition, and as an illustrative example of the Board of Directors' access to external advisors, during 2020 the Appointments and Remuneration Committee received support from a specialised firm to analyse the suitability and qualifications of the directors and in relation to the Company's incentive plan.
7. Highly positive opinion of the directors with respect to the activities of the committees of the Neinor Homes Board of Directors.
8. Very positive assessment of the activities of the Chairman in his areas of responsibility, the calling and chairing of meetings, coordination of the periodic assessment of the Board and its Committees and preservation of the Board's independence having been generally highlighted.
9. Very positive assessment of the activities of the CEO in his areas of responsibility, highlighting aspects related to his approach to extraordinary/urgent events, implementation of control systems and reporting to the Board.
10. Very positive assessment of the activities of the Board Secretary in her areas of responsibility, highlighting her support for the Chairman, advice to the Board, raising of minutes and assurance that the CNMV's recommendations were observed.
11. Very positive assessment in general as regards the quality and level of detail of the information and documents made available to the directors for analysis and decision-making during the performance of their duties.
12. Very positive unanimous assessment of the performance of the head of Neinor Homes' Governance, Risk and Compliance (GRC) and Internal Audit Department, as a management unit reporting to the Audit and Control Committee (ACC), in relation to the support and reasonable assurance functions carried out when monitoring good practices in corporate governance, compliance, risk management, internal control, internal audit and Corporate Social Responsibility (CSR), both from the perspective of the directors and through the analysis of Neinor Homes' internal documentation and regulations.
13. The analysis of Neinor Homes' internal documents and regulations reveals a high level of fulfilment of the CGGLC Recommendations (54 fulfilled, 3 partially fulfilled and 7 not applicable due to the Company's structure).

The improvement measures in the action plan are to:

- Continue working to promote gender diversity.
- Increase the detail and depth of the Succession Plan.
- Give more information on the variable remuneration of executive directors in the annual remuneration report.
- Ensure that committee meetings have sufficient space to ensure their independence.

Describe the assessment process and the areas evaluated by the Board of Directors with the assistance, where applicable, of an external consultant, with respect to the functioning and membership of the board and its committees, and any other area or issue subject to assessment.

The evaluation of the functioning and composition of the Board and its committees has been carried out in 2018 and 2019 internally by the company's GRC management, which encompasses the areas of Internal Audit, Corporate Governance, Risks, Compliance, Quality and Corporate Social Responsibility.

Upon completion of the 3-year period in the current financial year, for this purpose and in accordance with the provisions of Article 18.3 of the Regulations of the Board of Directors of the company, Neinor Homes has considered it appropriate to carry out a process of self-assessment of the Board of Directors and its Committees for the financial year 2020 with the help of an external consultant, in accordance with Article 18 of the Regulations of the Board of Directors and thus following recommendation 36 of the CNMV's Good Governance Code for Listed Companies.

**The evaluation process in which we have been assisted by the external expert has been carried out following four working approaches in order to try to obtain greater visibility and objectivity; these four approaches are:**

1. Support for self-assessment of the functioning and quality of the work of the Board of Directors of Neinor Homes and its Committees, through questionnaires and personal interviews, with the anonymity of the answers being preserved.
2. Analysis of the documentation, internal functioning, dedication, commitment, involvement and knowledge of the directors and analysis of the fulfilment of responsibilities on the following specific fronts:
  - Compliance with best practices: Analysis of the "tone at the top", awareness and interest on the part of the Board and its Committees in ethics, compliance, transparency and continuous improvement for the implementation of best practices in corporate governance.
  - Diversity: Analysis of the number of women on the Board and its Committees. Number of foreign members on the Board and its Committees.
  - Experience and expertise of directors:
    - Analysis of the directors' sector experience based on the information contained in their CVs.
    - Analysis of experience in Corporate Governance based on the number and type of Boards on which they participate other than that of Neinor Homes.
    - Analysis of the training given to directors, within the framework of their membership of the Board and its Committees, in sectorial aspects and Corporate Governance.
  - Succession of directors: Analysis of the existence of a succession plan for the CEO and other directors.
  - Quality and availability of information:
    - Analysis of the level of adequacy and quality of the information supplied to directors for decision-making.
    - Analysis of the availability, in due time and form, of the information supplied to the directors for decision-making.
  - Operation:
    - Analysis of the planning of the calendar of meetings and of the actual meetings.
    - Analysis of the time taken to send out notices of meetings, as well as the agenda for the sessions.
    - Analysis of the duration of meetings of the Board and its Committees.
  - Composition:
    - Analysis of the number of members of the Board and its Committees.
    - Analysis of the number of directors by type: executive, proprietary, independent and other external.
    - Analysis of the number of years in office of each director.
  - Connection with senior management and/or external parties: analysis based on the information in the minutes of the Board and its Committees of the participation of General Management and/or external auditors in the meetings of the Board and its Committees without the presence of the CEO.
  - Dedication / involvement of directors: Analysis of the number of absences by directors from meetings of the Board and its Committees, also considering the analysis of non-executive directors in accordance with Art. 11 a) of the Regulations of the Appointments and Remuneration Committee.

- Directors' remuneration: Analysis of the use of comparative market studies carried out by external experts on directors' remuneration.
3. Comparative analysis of the corporate governance practices of Neinor Homes analysed against the performance of comparable listed companies and companies in the sector (6 to 8 companies), both national and international. The benchmark has been based on public information from the 2019 and 2020 financial years of the selected companies (Annual Corporate Governance Report (ACGR), policies, website content, etc.). The selection of the companies included in the benchmark has been from among consolidated Ibex 35 companies, listed companies in the sector in Spain and peers in Europe. The external expert contributed his experience as a consultant of repute in various listed companies.
4. Diagnosis of the company's situation in terms of Good Corporate Governance, considering the following reference standards:
- CNMV Recommendations on Good Governance, good practices stated in the Code of Good Governance approved by the Board of the National Securities Market Commission (CNMV) in February 2015.
  - Best practices on the functioning of the audit and control committees (Technical Guide 3/2017) as well as the appointments and remuneration committee (Technical Guide 1/2019).
  - The CNMV's new recommendations of the Good Governance Code, June 2020.
  - The CNMV's recommendations on the information published in the previous year's Annual Corporate Governance Reports (ACGRs).
  - The Directors Institute's Proprietary Director's Guide, Spain 2019.
  - The European Banking Authority (EBA) corporate governance guidelines in 2018.
  - The King IV Report of the Institute of Directors in Southern Africa, South Africa, 2016

**C.1.18.** For those years in which evaluations were assisted by an external consultant, describe the business relations maintained by the consultant or any entity forming part of its group with the company or any group company.

The external consultant selected by the Appointments and Remuneration Committee on the basis of a selection and tendering process, in which Deloitte, KPMG and E&Y also participated, was PricewaterhouseCoopers Auditores S.L.

The business relationships maintained with the consultant or any company of its group in the current financial year with such consultant or any company of its group, in addition to the actual work of assisting in the evaluation of the Board and its committees, are detailed below:

- Limited review and testing of the effectiveness and efficiency of the controls established in the company's internal Financial Reporting Control System.
- Support in the review of anti-money laundering analysis operations.
- Advising on the integration and restructuring of companies acquired in the current financial year.
- Prior review and analysis of the legal, tax, employment and financial aspects of companies acquired by or merged with by the company.
- Advice and analysis of the servicing market at the national level.

The amount of the business relations that the external consultant has maintained with the company and its group companies in the current financial year and which have been detailed above amounted to 629 thousand euros.

**C.1.19.** Describe the circumstances in which directors are obliged to resign.

Directors must tender their resignations to the Board of Directors in the following circumstances:

- when they cease to hold the executive posts associated with their appointment to directorships;
- where they are affected by any case of incompatibility or disbarment established by law or in the bylaws.
- when they are admonished by the Board of Directors for infringing any of the obligations incumbent upon the directors;
- when their continuance as members of the Board could jeopardize or harm the interest, credit or reputation of the Company, or where the reasons for their appointment are removed, including, without limitation, as a result of significant changes in their professional situation or in the conditions under which they were appointed to their directorship;
- when they are prosecuted for any offence or are the subject of disciplinary proceedings instigated by the supervisory authorities in relation to any serious or very serious offence;

- in the case of proprietary directors, (i) when the shareholder represented sells its entire shareholding or materially reduces said the same, or (ii) by the requisite number, when the shareholder represented reduces its shareholding to a level requiring a reduction in the number of proprietary directors;
- when a director is a member of more than four Boards of listed companies (aside from the Company);
- when alleged wrongdoing by a director means that his/her continuance could be seriously detrimental to equity or corporate the reputation in the Board's opinion.

**C.1.20.** Are qualified majorities other than those established by law required for any decisions?:

Sí  No

Describe the differences, where applicable.

Description of differences

**C.1.21.** State whether any specific conditions exist for appointment as chairman the board other than those applicable to directors.

Sí  No

Description of conditions

**C.1.22** State whether the bylaws or the Board's Regulations establish any age limits for directors:

Sí  No

Edad límite presidente

Edad límite consejero delegado

Edad límite consejero

Remarks

**C.1.23.** State whether the bylaws or the Board's Regulations establish any limits on mandates or other stricter requirements in addition to the conditions established by law or applicable regulations for independent directors:

Sí  No

Additional requirements and/or maximum term of mandates in years

**C.1.24.** State whether the bylaws or the Board's Regulations establish any specific rules for proxy votes by other directors at board meetings, the procedure for the issue of proxies and, in particular, the maximum number of proxies a director may hold. Likewise, state whether any restrictions exist with regard to the categories of director to whom proxies may be issued above and beyond the restrictions established by law. Where appropriate, provide a brief description of the rules.

Neither the bylaws nor the Board's Regulations establish any specific rules for proxy votes at Board meetings, and there are no restrictions with regard to the categories of directors to whom proxies may be granted above and beyond the restrictions established by law.

**C.1.25** State the number of meetings held by the board of directors during the year. Where appropriate, indicate the number of board meetings that were not attended by the chairman. In this computation, the chairman should be treated as attending where represented by proxy with specific instructions.

<b>Number of board meetings</b>	8
<b>Number of board meetings not attended by the chairman</b>	0

Remarks	

State the number of meetings held by the coordinating director with the other directors but not attended by the CEO either in person or by proxy.

Not applicable, because the chairman is not the CEO.

<b>Number of meetings</b>	-
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State the number of meetings held by the different board committees during the year:

<b>Number of meetings of the executive or steering committee</b>	- *
<b>Number of meetings of the audit committee</b>	7
<b>Number of meetings of the appointments and Remunerations Committee</b>	5
<b>Number of meetings of the appointments committee</b>	- *
<b>Number of meetings of the remuneration committee</b>	- *
<b>Number of meetings of the Land Investment Committee (LIC)</b>	5

\* Not applicable, because of this committee does not exist.

Remarks	

**C.1.26.** State the number of meetings held by the board of directors during the year and the attendance data for the board members:

<b>Number of meetings attended in person by at least 80% of directors</b>	8
<b>% attendance in person / total votes cast during the year</b>	97,22%
<b>Number of meetings attended by all directors either in person or by proxies issued with specific instructions</b>	8
<b>% of votes cast by directors in person or by proxies issued with specific instructions / total votes cast during the year</b>	100%

Remarks

**C.1.27** State whether the individual and consolidated annual accounts presented to the board for approval are previously certified:

Sí  No

Where appropriate, identify the person(s) who certified the individual and consolidated annual accounts of the company for preparation by the board:

Name	Office

Remarks

**C.1.28.** Explain the mechanisms, if any, established by the Board of Directors to ensure that the annual accounts submitted by the Board of Directors to the General Shareholders' Meeting are drawn up in accordance with accounting regulations.

In accordance with Article 39.3 of the Board's Regulations, the Board of Directors shall endeavour to the prepare the final annual accounts in such manner as to ensure that there is no need for the auditor to include any emphasis of matter or qualifications in the opinion issued. In the exceptional cases where emphasis of matter paragraphs or qualifications may exist, both the Chair of the Audit and Control Committee and the external auditors shall provide the shareholders with clear explanations as to the contents of the same. Where the Board considers that it must maintain its stance, it shall publicly explain the meaning and extent of the difference of opinion.

Article 9.1(d) of the Audit and Control Committee Regulation expressly requires the Committee to ensure that the Board of Directors is able to present the financial statements to the Annual General Meeting without scope limitations or qualifications and, in the exceptional cases where such may exist, the Chair of the Audit and Control Committee and the external auditors shall clearly explain to the shareholders of the meaning and extent of such scope limitations and qualifications.

In accordance with Article 9.6(e) of the Audit and Control Committee Regulation, the Committee shall meet periodically with the external auditor (once in the planning phase before audit procedures begin and once after the audit in the drafting phase for reports). At least one such meeting each year shall be held without the presence of any members of the Company's management team in order to debate audit tasks and any issues arising from the audit procedures carried out.

**C.1.29.** Is the secretary to the board a director?

Sí  No

Complete the following table if the secretary is not a director:

Secretary's name	Representative
Silvia López Jiménez	

Remarks

**C.1.30.** Describe the specific mechanisms established by the company to protect the independence of external auditors, as well as the mechanisms, if any, to protect the independence of financial analysts, investment banks and rating agencies, including a brief explanation of how the pertinent legal provisions were implemented in practice.

The company has established selection, approval and evaluation procedures for all relevant providers to support and ensure transparency in tender processes.

With regard to the services concerned in this section, the company retains the services of external auditors applying the procedures mentioned in the preceding paragraph on the same basis as for other service providers.

In order to safeguard the independence of the company's external auditors, the Audit and Control Committee has also established the following policies and procedures:

- Employment policy for former auditors
- Policy for the provision of non-audit services by the external auditor
- Annual internal audit report on the independence of the external auditor
- Annual Independence Letter/Report issued by the external auditor

The company's Governance, Risk and Compliance management ensures compliance with these policies.

**C.1.31.** State whether the company changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

Sí  No

Outgoing auditor	Incoming auditor

Remarks

State whether there were any disagreements with the outgoing auditor and explain their content:

Sí  No

Explanation of disagreements

**C.1.32.** State whether the audit firm carries out any other non-audit work for the company and/or its group, and if so state the fees paid for such work in absolute terms and as a percentage of the total fees billed by the auditor to the company and/or its group:

Sí  No

Cost of other non-audit work (thousands of euros)	Company	Group companies	Total
		Neinor Homes S.A.	
Cost of other non-audit work (thousands of euros)			9%

The amount of fees invoiced for audit work by the external auditor (210,000 euros) mainly corresponds to audit work on the annual accounts and half-yearly financial statements, verification related to information on the Internal Financial Information Control System, the anti-money laundering audit and the verification report on non-financial information (sustainability report).

The amount of fees invoiced for non-audit work by the external auditor relates to tax advisory services provided to the company.

**C.1.33.** State whether the auditor's report on the annual accounts for the prior year contained any emphasis of matter paragraphs or qualifications. Where applicable, state the reasons offered by the chairman of the audit committee to the shareholders at the annual general meeting to explain the contents and scope of such emphasis of my paragraphs and/or qualifications.

Sí  No

Explanation of reasons and direct link to the document made available to shareholders at the time of the call in relation to this matter

**C.1.34.** State the number of consecutive years for which the current audit firm has examined the individual and/or consolidated annual accounts of the company. Also, state the number of years examined by the current auditor as a percentage of the total number of years in which the annual accounts have been audited:

Number of consecutive years	Individual	Consolidated
	7	7

Number of years examined by the current audit firm / Number of years in which the company has been audited (%)	Individual	Consolidated
	100%	100%

Remarks

**C.1.35.** State whether there is any procedure to ensure that the directors are provided sufficiently in advance with the necessary information to prepare meetings of the governing body, and where applicable explain such procedure:

 Sí

 No

Description of procedure
<p>In accordance with Article 16 of the Board's Regulations, calls for meetings of the Board of Directors must be issued at least 72 hours prior to the date of the meeting, accompanied by all relevant information duly prepared and summarized. In practice, both calls and the documentation for meetings are sent 6-7 days in advance using a restricted tool to which only the directors have access, in order to guarantee information security.</p> <p>The agenda for board meetings shall indicate clearly the points on which the board of directors is required to adopt a decision or resolution, so that the directors can examine or obtain the necessary information in advance.</p> <p>Moreover, Article 23 of the Regulation permits the directors to request information on any matter falling within the purview of the Board of Directors and to examine the books, ledgers, documents and other documentation.</p> <p>Requests for information must be addressed to the Secretary of the Board of Directors, who will submit them to the Chairman of the Board and to the appropriate interlocutor in the Company.</p> <p>The Secretary shall advise the director concerned of the confidential nature of the information requested and received, and of his/her duty of confidentiality pursuant to the Regulation.</p> <p>The Chairman may refuse to provide the information where he considers (i) that it is not needed for the proper discharge of the functions incumbent upon the director, or (ii) that the cost is not reasonable in view of the importance of the problem and the Company's assets and revenues.</p> <p>Additionally, as a consequence of the provisions of final provision nine of Royal Decree-Law 19/2018, which transposes a number of European directives and amends the text of the Securities Market Law (the "TRLMV") to adapt it to, among other things, the Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse ("the MAR") and complete the transposition of the Commission implementation (EU) 2015/2392 of 17 December 2015 on MAR concerning the communication of possible or actual infringements. The company has proceeded to modify and update the internal rules on conduct in the stock exchanges, an update that was approved at the Board of Directors meeting held on 24 July 2019, in order to adapt it to the aforementioned regulations.</p>

The main changes are as follows:

- 1.- Redefinition of inside and relevant information.
- 2.- Delegation of the various responsibilities of the Law to the Compliance Department in accordance with the regulations for listed companies.
- 3.- Inclusion, clarification and standardization of specific obligations for certain stakeholders such as reference to the RDP and related persons.
- 4.- Inclusion of a communication protocol that governs requests for information from shareholders and directors of the company.
- 5.- Inclusion of the obligation of the CEO and CFO to report corporate transactions of inside information.
- 6.- Elimination of the justification to the CNMV, the delay of a relevant event as stipulated in the regulations.

The Regulations are published on the company's corporate website.

**C.1.36.** Indicate whether the company has established rules obliging directors to report and, where appropriate, resign when situations arise that affect them, whether or not related to their actions in the company, which could damage the company's credit and reputation:

 Sí

 No

#### Explanation of rules

In accordance with Article 21.2(iv) of the Board's Regulations, the directors are required to tender their resignation to the Board of Directors where their continuance could jeopardize the interest, credit or reputation of the Company. The Board shall accept such resignation where deemed appropriate.

In such cases, the director concerned shall explain the circumstances in a letter sent to all of the Board members, and his/her removal shall also be duly explained in the Annual Corporate Governance Report.

**C.1.37.** Indicate, unless special circumstances have arisen which have been recorded in the minutes, whether the board has been informed or has otherwise become aware of any situation affecting a director, whether or not related to his or her performance in the company itself, which could damage the company's credit and reputation:

 Sí

 No

Director's name	Criminal charge	Remarks

In the above case, indicate whether the board of directors has examined the case. If the answer is affirmative, explain in a reasoned manner whether, in view of the specific circumstances, it has adopted any measure, such as opening an internal investigation, requesting the resignation of the director or proposing his removal.

Also indicate whether the board's decision has been reported to the appointments committee.

 Sí

 No

Decision adopted / action taken	Reasoned explanation

**C.1.38.** List any agreements entered into by the company, which will come into force, be amended or be terminated in the event of a change in control of the company resulting from a public takeover debate and its effects.

The majority of the loan agreements made by the company with banks require the lender's prior consent for any change in control of the company.

**C.1.39.** Indicate any agreements between the company and its directors, managers and employees, which provide for compensation, guarantees or golden parachutes in the event of resignation or unfair dismissal, or where contractual relations are terminated as a consequence of a public takeover bid or any other type of corporate transaction. These agreements should be identified individually in the case of directors and on aggregate in other cases.

Number of beneficiaries / Type of beneficiary	Description of the agreement
CEO, Executive Vice Chairman and part of the Management Committee.	In the event of termination of the agreement by the Company - unless such termination is due to a serious and culpable breach by the beneficiaries of the obligations incumbent on them by law or contract - the beneficiaries shall be entitled to receive compensation equivalent to two years of their last stipulated fixed salary.

State whether these agreements must be reported to and/or approved by the company's management bodies or by the group in any cases other than those established by applicable law. If so, specify the procedures, the case is concerned and the nature of the management bodies responsible for approval and for reporting.

Body authorizing clauses	Board of directors	General Meeting
	X	

Are these clauses reported to the General Shareholders Meeting?	YES	NO
	X	

Remarks

## C.2. Board of committees

**C.2.1.** List all board committees, their members and the proportion of executive, proprietary, independent and other external holding seats on the same:

There is no Executive or Steering Committee.

## EXECUTIVE COMMITTEE

Name	Office	Category
-	-	-

% executive directors	
% proprietary directors	
% independent directors	
% other external directors	

Remarks

Explain any functions delegated or assigned to this committee other than those already mentioned in section C.1.10 ten above, and describe the procedures and rules governing the committee's organization and functioning. For each function, state the most relevant actions during the year and explain how the committee discharged each of the functions attributed to it by law, the bylaws or any other corporate agreements in practice.

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## AUDIT COMMITTEE

Name	Office	Category
Anna M. Birulés Bertran	Presidenta	Consejera independiente
Ricardo Martí Fluxá	Vocal	Consejero independiente
Alfonso Rodés Vilá	Vocal	Consejero independiente
Van J. Stults	Vocal	Consejero dominical
Felipe Morenés Botín-Sanz de Sautuola	Vocal	Consejero "otro externo"

% executive directors	0%
% proprietary directors	20%
% independent directors	60%
% other external directors	20%

Explain the functions assigned to this committee including any additional functions to those provided for by law, and describe the procedures and rules governing the committee's organization and functioning. For each function, state the most relevant actions during the year and explain how the committee discharged each of the functions attributed to it by law, the bylaws or any other corporate agreements in practice.

**Procedures and rules governing organization and functioning:**

Article 42 of the Company's Bylaws is as follows:

1. The Board of Directors shall create a permanent Audit and Control Committee as an internal informational and consultative body without executive duties, but vested with reporting, advisory and proposal-making powers within its remit, as established in sub-section 5 of this Article. The Audit and Control Committee shall have a minimum of three and a maximum of five members, being non-executive directors appointed by the Board. The majority of the Audit and Control Committee's members shall be independent directors, and one of them shall be appointed taking into account his/her knowledge and expertise in accounting and/or audit matters.

2. The Board of Directors shall appoint the Committee's Chair from among the independent directors holding seats on the same. The Board of Directors shall likewise appoint a Deputy Chair where considered appropriate. The Deputy Chair shall be appointed under the same conditions as the Chair.
3. The office of Secretary to the Audit and Control Committee will be held by the person appointed by the Board of Directors. The secretary need not be a full member of the Audit and Control Committee, in which case it will not be necessary for the Secretary to be a member of the Board of Directors. The Secretary to the Audit and Control Committee need not be the same person as the Secretary to the Board of Directors.
4. The directors holding seats on the Audit and Control Committee shall discharge their functions while they continue in office as directors of the Company, unless otherwise agreed by the Board of Directors. The renewal, reelection and removal of the directors holding seats on the Committee shall be governed by the pertinent resolutions of the Board of Directors.

The office of Chair shall be held for a maximum term of four years, after which period the outgoing Chairman shall not be reelected until at least one year has passed since his/her termination, notwithstanding his/her continuation or reelection as a member of the Committee.

5. Notwithstanding any other tasks that may be assigned to it by the Board of Directors from time to time, the Audit and Control Committee shall have the following basic functions:
  - (i) To report to the General Shareholders Meeting on any questions raised by the shareholders within the remit of the Committee and, in particular, to report on the results of the audit, explaining how it contributed to the integrity of the financial information and the role played by the Audit and Control Committee in the audit process.
  - (ii) To supervise the effectiveness of the Company's and the group's internal controls, internal audit function and risk management systems (including the management of tax risks), and to discuss any significant weaknesses in the internal control system detected in the course of audit procedures with the auditor without thereby compromising its independence. For these purposes, the Committee may present its recommendations and proposals to the management body, establishing the pertinent monitoring periods.
  - (iii) To supervise the process by which regulated financial information is prepared and presented, and to make recommendations and proposals to the Board of Directors to safeguard the integrity of such information.
  - (iv) To make proposals to the Board of Directors, for eventual approval by the General Shareholders Meeting, with regard to the selection, appointment, reelection or replacement of the auditors, in accordance with prevailing legislation, as well as proposals relating to the terms of engagements; to seek and obtain regular information from the auditors with regard to their audit plan and the progress thereof; and to safeguard the independence of the auditors in the discharge of their functions.
  - (v) To supervise internal audits in the Company.
  - (vi) To establish appropriate relations with the auditors in order to obtain information regarding any matters which might compromise their independence for examination by the Audit and Control Committee, as well as information concerning the audit procedures carried out and, where applicable, as required for the authorization of other non-audit services permitted under prevailing legislation, and to receive all other communications required under legislation governing the audit of financial statements and by prevailing audit standards. In any event, the Audit and Control Committee shall obtain the external auditors' annual letter of representations establishing their independence from the company and other companies directly or directly related with the same, as well as detailed, itemized information on any additional non-audit services of any kind and the fees received in respect of thereof by the external auditor or by any persons or entities related with the same, in accordance with prevailing audit legislation.
  - (vii) To issue an annual report expressing an opinion on the independence or otherwise of auditors and audit firms. Said report shall be issued before the audit opinion is received. The Audit and Control Committee's report shall in any case address the provision of the additional non-audit services referred to in the preceding paragraph, considered both individually and as a whole, and it shall likewise address the system in place to assure the independence of the auditor in accordance with prevailing audit regulations;
  - (viii) To report to the Board of Directors in advance on all relevant matters where so required by Law, the Bylaws or the Board's Regulations, in particular with regard to: (i) the financial information published periodically by the Company; (ii) the creation, or acquisition of equity investments in, special purpose vehicles or entities registered in countries or territories listed as tax havens; and (iii) related-party transactions.
  - (ix) In relation to the external auditor: (i) to ensure that fees do not compromise audit quality or the auditor's independence; (ii) to supervise the issue of a relevant event notice to the CNMV in the event of any change of auditor, and to accompany such notice with a declaration regarding the possible existence and contents of any disagreements with the outgoing auditor, where applicable; and (iii) to ensure that the Company and the external auditor respect and abide by prevailing rules governing the provision of non-audit services, limits on the concentration of the auditor's business and, in general, any other rules governing auditor independence.
  - (x) To summon any employee or executive of the company, and where appropriate to require their attendance without the presence of any other director or executive.

(xi) Any other functions assigned by the Board of Directors in its Regulation.

6. The Audit and Control Committee shall meet quarterly on an ordinary basis to review the periodic financial information to be reported to stock market supervisors, as well as any information requiring the approval of the Board of Directors for inclusion in the annual reports published. The Committee shall also meet at the request of any of its members and wherever convened by its Chair, who shall convene a meeting whenever the Board of Directors or the Chairman of the Board requires a report or the adoption of proposals, and in any event whenever appropriate for the proper discharge of its functions. Committee meetings shall be deemed quorate whenever attended, either in person or by proxy, by half plus one of its members. Resolutions shall be adopted by majority vote. The Chair shall not have a casting vote in the event of tie.
7. The Board of Directors may draw up and approve a Regulation implementing the foregoing.

Also, Article 14 of the Board's Regulations provides as follows:

- (i) To report on transactions which imply, or could imply, any conflict of interest.
- (ii) To report on transactions involving structural or corporate changes which the company plans to carry out, the financial terms and accounting impact of such transactions, and the exchange ratio proposed, if any.
- (iii) To oversee a whistle-blowing mechanism allowing employees confidentially to report any irregularities, especially of a financial or accounting nature, which they may observe in the company, as well as any matters that could give rise to any criminal liability on the part of the Company.

The Audit and Control Committee shall prepare an annual report on its activities, explaining the main matters arising, if any in relation to the Committee's functions. Where the Audit and Control Committee may deem it appropriate, it may include proposals to improve the Company's governance rules in said report.

The Audit and Control Committee may summon any member of the companies management team or staff to appear before it, even without the presence of any other manager. Persons so summoned shall be required to attend the meetings of the Audit and Control Committee and to offer their full cooperation and access to any information they may hold. That committee may likewise require the auditors to attend its meetings.

With a view to achieving the best possible outcomes, the Audit and Control Committee may seek the advice of external experts where deemed necessary to ensure the adequate discharge of its functions.

The Company shall establish an Internal Audit Department to supervise the proper functioning of information systems and internal controls under the oversight of the Committee. The Internal Audit Department shall report functionally to the non-executive Chairman of the Board of Directors or to the Chair of the Audit and Control Committee. The head of the Internal Audit Department shall present the department's annual working plan to the Audit and Control Committee. The Department head shall likewise report any incidents arising in the course of internal audit activities and shall submit a report to the Committee at the end of each financial year.

**Among the Committee's actions during the year, we can highlight:**

- (i) Supervision and review of the financial statements reported to the market every quarter.
- (ii) Re-appointment of Deloitte as external auditor of the company
- (iii) Verification of the external auditor's independence.
- (iv) Analysis and supervision of the methodology and calculation used by the external assessor.
- (v) Review and implementation of the general economic-financial and corporate communication policy.
- (vi) Review and monitoring of the Risk Contingency Plan put in place by the company to mitigate, avoid and even take advantage of the effects caused by COVID-19.
- (vii) Analysis and supervision of Related-Party Transactions and conflicts of interest arising during the financial year.
- (viii) Supervision of the activities and work carried out by the GRC (Governance, Risk and Compliance) department in relation to the management and execution of work plans within the integrated internal control and risk management model.
- (ix) Monitoring the risks and impacts caused by the pandemic situation (Covid-19).
- (x) Supervision of corporate transactions.
- (xi) Monitoring and supervision of the company's Corporate Social Responsibility Plan and of the non-financial information transferred to markets.

Identify the directors appointed to seats on the audit committee in view of their knowledge and expertise in accounting and audit matters and state the date of the Committee Chair's appointment to office.

<b>Name of directors with relevant expertise</b>	Anna M. Birulés Bertrán
<b>Date of appointment as Committee Chair</b>	08/03/2017

### APPOINTMENTS AND REMUNERATIONS COMMITTEE

<b>Name</b>	<b>Office</b>	<b>Category</b>
Ricardo Martí Fluxá	President	Independent director
Felipe Morenés Botín-Sanz de Sautuola	Vocal	Other external director
Alfonso Rodés Vilà	Vocal	Independent director
Anna M. Birulés Bertran	Vocal	Independent director
Van J. Stults	Vocal	Proprietary director

% executive directors	0%
% proprietary directors	20%
% independent directors	60%
% other external directors	20%

Explain the functions assigned to this committee including any additional functions to those provided for by law, and describe the procedures and rules governing the committee's organization and functioning. For each function, state the most relevant actions during the year and explain how the committee discharged each of the functions attributed to it by law, the bylaws or any other corporate agreements in practice.

**Procedures and rules governing organization and functioning:**

Article 43 of the Company's Bylaws provides as follows:

1. The Board of Directors shall create a permanent Appointments and Remunerations Committee as an internal informational and consultative body without executive duties, but vested with reporting, advisory and proposal-making powers in its area of activity, as described in sub-section 5 of this Article. The Appointments and Remunerations Committee shall have a minimum of three and a maximum of five members, being non-executive directors appointed by the Board of Directors at the proposal of its Chairman. The majority of the members of the Appointments and Remunerations Committee shall be independent directors.
2. The Board of Directors shall appoint the Committee's Chair from among the independent directors holding seats on the same. The Board of Directors shall likewise appoint a Deputy Chair where considered appropriate. The Deputy Chair shall be appointed under the same conditions as the Chair.
3. The office of Secretary to the Appointments and Remunerations Committee will be held by the person appointed by the Board of Directors. The secretary need not be a full member of the Appointments and Remunerations Committee, in which case it will not be necessary for the Secretary to be a member of the Board of Directors. The Secretary to the Appointments and Remunerations Committee need not be the same person as the Secretary to the Board of Directors.
4. The directors holding seats on the Appointments and Remunerations Committee shall discharge their functions while they continue in office as directors of the Company, unless otherwise agreed by the Board of Directors. The renewal, reelection and removal of the directors holding seats on the Committee shall be governed by the pertinent resolutions of the Board of Directors.
5. Notwithstanding any other tasks that may be assigned to it by the Board of Directors from time to time, the Appointments and Remunerations Committee shall have the following basic functions:
  - (i) To evaluate the competences, expertise and experience required by the Board of Directors; For these purposes, the Appointments and Remunerations Committee shall define the necessary skills and abilities of the candidates to cover any vacancy and shall evaluate the time and dedication required to discharge the related duties effectively.

- (ii) To establish a target for representation by the minority gender in the Board of Directors, and to prepare guidelines for the attainment of that target.
  - (iii) To make proposals to the Board of Directors for the appointment of independent directors by co-option or for presentation and approval at the General Shareholders Meeting, as well as proposals for the reelection or removal of such directors by the General Shareholders Meeting.
  - (iv) To make proposals for the appointment of other directors by co-option or for presentation and approval at the General Shareholders Meeting, as well as proposals for the reelection or removal of such directors by the General Shareholders Meeting.
  - (v) To make informed proposals for the appointment or removal of management personnel, and on the basic terms and conditions of their contracts.
  - (vi) To examine and organize the succession of the Chairman of the Board and of the Chief Executive Officer of the Company and, where applicable, to make proposals to the Board of Directors to ensure an orderly and well-planned succession.
  - (vii) To report to the Board of Directors on policy regarding the remuneration of directors and senior managers or other persons holding management posts and reporting directly to the Board of Directors, executive committees or executive directors, as well as the individual remuneration and other contractual terms applicable to the executive directors, and to verify compliance with the policy established.
6. The functioning of the Appointments and Remunerations Committee shall be governed by such rules as may be determined by the Board of Directors in the pertinent Regulation.

Also, Article 15 of the Board's Regulations provides as follows:

The Appointments and Remunerations Committee shall meet quarterly on an ordinary basis, and at least four times each year. The Committee shall also meet at the request of any of its members and wherever convened by its Chair, who shall convene a meeting whenever the Board of Directors or the Chairman of the Board requires a report or the adoption of proposals, and in any event whenever appropriate for the proper discharge of its functions.

Meetings of the Appointments and Remunerations Committee shall be deemed quorate whenever attended, either in person or by proxy, by half plus one of its members. Resolutions shall be adopted by majority vote.

The Committee shall record its deliberations in the minutes, copies of which shall be forwarded to all members of the Board of Directors.

The Committee shall consult with the Chairman of the Board and the Company's Chief Executive, in particular on matters relating to executive directors and senior management personnel.

With a view to achieving the best possible outcomes, the Appointments and Remunerations Committee may seek the advice of external experts where deemed necessary to ensure the adequate discharge of its functions, taking the necessary steps to ensure that any possible conflicts of interests do not compromise the independence of the external advice received by the Committee.

**Among the Committee's actions during the year, we can highlight:**

- (i) Review and monitoring of workforce development and remuneration.
- (ii) Review and approval of the proposal made by the external expert on the senior management retention and incentive plan.
- (iii) Review of the suitability of the directors whose terms of office were due to expire with a view to deciding whether or not to renew them on the Board.
- (iv) Monitoring and review of the evaluation of the functioning of the Board and its committees.
- (v) Review and supervision of the company's remuneration plan for the financial year.
- (vi) Senior management performance monitoring.
- (vii) Supervision of the performance of executive directors.

**APPOINTMENTS COMMITTEE**

The Company does not have an Appointments Committee, the functions and duties of which are assigned to the Appointments and Remunerations Committee.

Name	Office	Category

% executive directors	
% proprietary directors	
% independent directors	
% other external directors	

Explain the functions assigned to this committee including any additional functions to those provided for by law, and describe the procedures and rules governing the committee's organization and functioning. For each function, state the most relevant actions during the year and explain how the committee discharged each of the functions attributed to it by law, the bylaws or any other corporate agreements in practice.

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**REMUNERATIONS COMMITTEE**

The Company does not have a Remuneration Committee, the functions and duties of which are assigned to the Appointments and Remunerations Committee.

Name	Office	Category

% executive directors	
% proprietary directors	
% independent directors	
% other external directors	

Explain the functions assigned to this committee including any additional functions to those provided for by law, and describe the procedures and rules governing the committee's organization and functioning. For each function, state the most relevant actions during the year and explain how the committee discharged each of the functions attributed to it by law, the bylaws or any other corporate agreements in practice.

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## LAND INVESTMENT COMMITTEE

Name	Office	Category
Aref H. Lahham	Chairman	Proprietary director
Borja García-Egotxeaga Vergara	Member	Executive director
Ricardo Martí Fluxá	Member	Independent director
Van J. Stults	Member	Proprietary director
Andreas Segal	Member	Independent director
Felipe Morenés Bofín Sanz-de Sautuola	Member	Other external director
Jorge Pepa	Member	Executive director

% executive directors	28,5%
% proprietary directors	28,5%
% independent directors	28,5%
% other external directors	14,5%

Explain the functions assigned to this committee, describe the procedures and rules governing its organization and functioning. For each function, state the most relevant actions during the year and explain how the committee discharged each of the functions attributed to it by law, the bylaws or any other corporate agreements in practice.

**Procedures and rules governing organization and functioning:**

The internal Regulation of the Land Investment Committee establishes, inter alia, the following:

1. The Committee shall be formed by a minimum of three and a maximum of seven members. The Committee members shall be appointed by the Company's Board of Directors at the proposal of the Appointments and Remunerations Committee, subject to consultation with the Chair of the Land Investment Committee.
2. The majority of the Committee members shall be non-executive directors. All members of the Committee shall have broad, recent and appropriate professional, technical and financial experience in the real estate sector and in financial investment, whether securities investment or investment in real estate assets.
3. Only the Committee members shall be entitled to attend its meetings. However, other directors and employees, and other natural persons and external advisers may be invited to attend the Committee's meetings on a regular basis, and other persons who are not members of the Committee may also be invited to attend all or part of a meeting wherever deemed necessary or appropriate. Only the Committee members shall have the right to vote on its resolutions, and any other persons attending shall be permitted only to speak.
4. The committee members shall be appointed for a maximum term of three years, which may be extended by a further two 3-year terms, provided search Committee members continue to be members of the Board of Directors.
5. The Committee's Chair shall be appointed by the Board of Directors. In the absence of the Committee's Chair and his/her appointed stand-in, the other members of the Committee attending shall select one of their number to chair the meeting.
6. The office of Secretary to the Land Investment Committee shall be held by such persons as may be appointed by the Board of Directors. The Secretary to the Land Investment Committee need not be a full member of the same, in which case (i) he/she shall not have the right to vote, and (ii) he/she shall not be a member of the Board of Directors. The Secretary to the Land Investment Committee need not be the same person as the Secretary to the Board of Directors.
7. The Committee's resolutions shall be adopted by majority vote. All members of the Committee attending its meetings shall vote on all items on the agenda except where any conflict of interest may exist, in which case the Committee member affected shall leave the meeting and shall not take part in deliberations or vote on any matters where he/she may have a conflict of interests.

8. All reports prepared by the Committee and submitted to the Board of Directors for its consideration before the approval of any Board resolution shall expressly mention that all proposals made by the Committee are in compliance with prevailing legislation.
9. The Committee shall meet at least four times each year, and whenever necessary. Notwithstanding, the Committee shall meet wherever so requested by any of its members or wherever it is validly convened by the Chair.
10. The Committee Chair shall convene a meeting wherever the Board of Directors or the Chairman of the Board may request that a report be prepared or a proposal approved, and in any event wherever deemed expedient for the due discharge of its functions.
11. Committee meetings shall be convened by the Secretary to the Committee at the request of any of its members, or at the request of the Chairman of the Board.
12. Unless otherwise established, the call for each meeting shall state the venue, the date and the time of the same, and the agenda setting out the business of the meeting, and it shall be sent to each of the Committee members and any other persons required to attend, as well as non-executive directors, at least three (3) business days in advance of the date of the meeting. Any background documentation shall be delivered to the Committee members and any other parties invited to attend, where applicable, together with the call for the meeting.
13. Notwithstanding the above, Committee meetings shall be understood to be validly convened without the need for any prior call if all of its members are present, either in person or by proxy, and unanimously agree to hold a meeting and the agenda for the same. Likewise, the members of the Committee may vote by letter without holding a meeting, provided none of the directors opposes this procedure.
14. The Committee members may also meet simultaneously at more than one venue connected by any system allowing recognition and identification of participants, uninterrupted communication between the same wherever they may be and participation in voting, all in real time. Subject to the foregoing, the Committee may hold its meetings by conference call or video conference, and by other similar methods of communication.

Wherever the participants in a Committee meeting may find themselves, it shall be understood that all of them attend the same meeting. Any such meetings shall be understood to be held at the venue where the majority of the Committee members are met, or in the event of a tie, at the venue where the Committee Chairman or his stand-in as chair of the meeting may be located.
15. The Committee shall discharge the following functions for the company and its principal affiliates:
  - (i) To define general investment policies and strategies, investment objectives, the rules for and limitations applicable to the purchase and disposal of real estate assets, and all other investment policies followed by the Company, and where applicable to present all of the foregoing to the Board for its approval.
  - (ii) To review all of the aforementioned strategies and objectives at least annually, and to adopt and approve any changes.
  - (iii) To evaluate and adopt a final decision either in favour of or against the possible acquisition of real estate assets, possible real estate developments and the financing of real estate purchases and/or developments undertaken by the Company, whether directly or via any group entity, and to evaluate and adopt a final decision with regard to the financial viability of such investments, their fit with the Company's investment policies and compliance with applicable laws.
  - (iv) To prepare the pertinent reports on all matters examined by the Committee and to present the same to the Board, especially in cases where a resolution of the Board is required in accordance with prevailing legislation.
  - (v) To analyse and track the Company's investment results and performance in relation to the investment strategies, objectives, policies, rules and limits approved by the Committee, including without limitation, examination of the procedures applied by the Company to establish that investments are made in accordance with the aforementioned investment strategies, objectives, policies, rules and limits.
  - (vi) To approve the evaluation methods utilized by the Company in relation to the purchase or disposal of real estate portfolios and assets.
  - (vii) To address any other issues or tasks that may fall within the Committee's remit.
16. The Chairman of the Committee shall report formally to the Board on the Committee's actions with regard to all issues falling within its remit after each meeting. The Chairman shall likewise report formally to the Board with regard to the discharge of the Committee's responsibilities, including analysis of compliance with legal, regulatory and internal requirements applicable to the evaluation and execution of investments and, in general, the outcomes of all actions concerned in the tasks assigned to the Committee.

17. The Committee shall report to the Board on all purchases, investments and disposals of land for real estate development prior to approval by the Board, wherever the amount of the transaction concerned exceeds €10 million.
18. In general, the Committee shall report to the Board on all and any other matters where the same may request the Committee's opinion, and on any issues which the Committee understands it should remit to the Board for its consideration.
19. The Committee shall make all such proposals to the Board as it may consider necessary with regard to matters falling within its remit and requiring action or the implementation of improvement measures.
20. The Committee shall prepare an activity report for inclusion in the Company's annual report. This report shall provide details of all investments and disinvestments made by the Company, as well as a brief summary of each and every one of the transactions carried out and the conclusions of the Committee reports in relation to each of the same.

**Among the Committee's actions during the year, we can highlight:**

- (i) Approval of the purchase or sale of land by the Company.
- (ii) Approval of the commercial launch of all the developments launched by the Company and the associated CAPEX financing.
- (iii) Approval of the start of construction of the developments.
- (iv) Review, analysis and, where appropriate, approval of corporate transactions.
- (v) Review, analysis and approval, where appropriate, of the strengthening or implementation of new lines of business.

**C.2.2.** Complete the following table with information about the number of female directors holding seats on board committees at the reporting date for the last four years:

	Number of female directors			
	Year t Number %	Year t Number %	Year t Number %	Year t Number %
Executive committee	-	-	-	-
Audit committee	1	1	1	-
Appointments and Remunerations Committee	1	1	1	-
Appointments committee	-	-	-	-
Remuneration committee	-	-	-	-
Land investment committee	0	0	0	-

**C.2.3.** Where applicable, state whether there are any regulations for the board committees, where they are kept available for consultation, and whether they have been amended during the year.

Also, state whether any annual reports on the activities of each commission have been voluntarily prepared.

Each of the three Board Committees has its own Regulations. All of these regulations are available on the Company's website (**[www.neinorhomes.com](http://www.neinorhomes.com)**) in the Shareholders and Investors section, subsection Corporate Governance and Sustainability.

The current Regulations were approved on 8 March 2017 before the Company was listed on the Stock Exchange. There have been no amendments since.

**D RELATED PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS**

**D.1.** Where applicable, explain the procedure for approval of related-party and intragroup transactions.

**Procedure for proposals to approve related-party transactions**

The procedure followed by the Company to inform the approval of related-party transactions is set out in the Conflicts of Interest & Related Parties policy approved by the Board of Directors and published on the corporate website.

This policy establishes the following:

- 1) Where any Company Parties learn of a possible Related-Party Transaction, they shall inform the Secretary to the Board of Directors and the Chief Compliance Officer as soon as they become aware of the same.

If it is found upon examination that a transaction is a Related-Party Transaction, the Company Party shall prepare a written report addressed to the Secretary to the Board of Directors and the Chief Compliance Officer showing that the transaction would be carried out under market conditions and would respect the principle of equality between shareholders.

- 2) Any transactions that could give rise to a conflict of interests in the opinion of the Legal Department and the Compliance Department shall be reported to the Chair of the Audit Committee (the "Committee") for analysis at the next meeting of the Committee. This report shall be included among the documents presented to the Committee for debate. Any transactions without an attached report shall be submitted to the Committee only under exceptional circumstances, and the reasons for presenting the transaction shall be presented to the Secretary to the Board of Directors, who shall pass the matter on to the Committee for evaluation.

- 3) The Committee shall evaluate the transaction, for which purpose it may request reports from independent experts where appropriate. When a transaction could affect equal treatment of the shareholders, reference shall be made to paragraph 4.1.4 of the policy.

- 4) When the Committee's approval is obtained, the transaction shall be submitted to the Board of Directors for review and approval. If a director has any conflict of interests related with a transaction, he/she shall withdraw from the decision-making process.

Approval of transactions may be delegated to an Executive Committee in urgent cases and subsequently ratified by the Board of Directors.

The company's compliance department shall at least quarterly carry out (i) a review of compliance with the conditions established herein, and (ii) confirm that transactions were actually carried out under the approved terms. A report on this review shall be submitted to the Chair of the Audit and Control Committee.

That Audit and Control Committee may seek clarification with regard to any given transaction and/or request additional documentation to assess whether the transaction was carried out under the approved terms.

**D.2.** List significant transactions entered into between the company or its group companies and significant shareholders of the company in terms of the amounts involved or the nature of the transaction:

Significant shareholder's name	Company or group company involved	Nature of the relationship	Transaction type	Amount (thousands of euros)

**Remarks**

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**D.3.** List significant transactions entered into between the company or its group companies and directors or senior managers of the company in terms of the amounts involved or the nature of the transaction:

Director's or senior manager's name	Related party's name	Relationship	Nature of the transaction	Amount (thousands of euros)
Global Hesperides S.L	Neinor norte y Neinor Sur	(Beneficial owner of the company coinciding with shareholder)	Asset purchase	24.186

#### Remarks

Corresponds to the acquisition of 82 dwellings and annexed units. Transaction analysed and reviewed by GRC management and the Audit and Control Committee.

**D.4.** Report any significant transactions carried out by the Company with other group entities, wherever such transactions are not eliminated in the consolidation of the financial statements and do not form part of the company's ordinary business given their nature and terms.

You should in any event mention any intergroup transactions carried out with entities registered in countries or territories listed as tax havens:

Group entity's name	Brief description of the transaction	Amount (thousands of euros)

#### Remarks


**D.5.** List any significant transactions carried out by the company or any of its group entities with any other related parties, where such transactions are not reported above.

➤ **Related entity's name:**

**Banco Santander (Grupo Santander).**

Amount (thousands of euros): 70

Brief description of the transaction: Expenses for financial intermediation services and guarantees.

Amount (thousands of euros): 2.249

Brief description of the transaction: Financial expenses.

Amount (thousands of euros): 78.552

Brief description of the transaction: credit balance/financial debt liabilities as at 31/12/2020 for financing transactions of developers and corporate debt.

Amount (thousands of euros): 113.408

Brief description of the transaction: debit balance/assets. Net cash position of this company in favour of the company as at 31/12/2020.

➤ **Related entity's name:**

**1810 Capital Investments, S.L.U**

Amount (thousands of euros): 879

Brief description of the transaction: credit balance/assets. Advances from customers for the paid portion of homes with final contract not signed as at 31/12/2020.

➤ **Company name of the related entity:**

**Aquila lux., S.A.R.L.**

Amount (thousands of euros): 10

Brief description of the transaction: income from the provision of real estate consultancy services.

**D.6.** Explain the mechanisms established to detect, determine and resolve possible conflicts of interests between the company and/or the group and its directors, managers and significant shareholders.

The mechanisms established to detect, determine and resolve possible conflicts of interests are set out in the Conflicts of Interest and Related Parties policy approved by the Board and published on the Company's website.

In addition to this policy and the provisions established therein, the company has implemented an internal controls structure in this regard, which is based on the following elements providing reasonable assurance for the companies control bodies:

- ✓ Reporting channel for related-party transactions and other operations likely to generate conflicts of interest.
- ✓ Recording of transactions and analysis of these transactions.
- ✓ Compliance, acceptance and notification letter in relation to any transactions or conflicts of interest involving directors, senior managers and other executives in view of their functions and duties.
- ✓ Cross-checking against analysis tools and knowledge of natural and legal persons of directors and senior management, to identify those companies with which they have commercial or employment relations.
- ✓ Cross-referencing of the companies identified in the previous section with the company's accounts (invoicing sent and received).
- ✓ Periodic reviews and analysis of related-party transactions by the Internal Audit Department.
- ✓ Report on related-party transactions and conflicts of interest brought to the attention of and examined by Internal Audit. This report is prepared for submission to the Audit and Control Committee.
- ✓ Annual presentation of the register of related-party Transactions and conflicts of interest arising during the year to the Audit and Control Committee.
- ✓ Annual presentation of the register of related-party Transactions and conflicts of interest arising during the year to the Audit and Control Committee.

**D.7.** Indicate whether the company is controlled by another entity within the meaning of article 42 of the Commercial Code, whether listed or not, and whether it has, directly or through its subsidiaries, business relations with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to those of any of them.

 Sí No

Indicate whether the respective areas of activity and any business relationships between the listed company or its subsidiaries on the one hand, and the parent company or its subsidiaries on the other hand, have been publicly disclosed with accuracy:

 Sí No

**Report the respective areas of activity and any business relationships between the listed company or its subsidiaries on the one hand, and the parent company or its subsidiaries on the other hand, and identify where these aspects have been publicly disclosed.**

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

**Mechanisms for resolving potential conflicts of interest**

**E SISTEMAS DE CONTROL Y GESTION DE RIESGOS****E.1.** Explique el alcance del Sistema de Control y Gestión de Riesgos de la sociedad, incluidos los de naturaleza fiscal.

Neinor Homes has defined an integrated control system (ICS), implemented throughout the organization, which associates risks with strategic objectives, processes and control activities and identifies the officers responsible for carrying out and supervising controls, as well as the evidence supporting the system.

Continuous monitoring of this system ensures attention to day-to-day operations and contingencies, facilitating the management of all areas of risk that could affect the successful attainment of the Company's objectives (e.g. business, financial, tax and regulatory risks). In short, the Neinor Homes model seamlessly integrates all regulatory compliance environments with the entire business risk control structure to provide an all-round view that fosters synergies and eliminates duplication.

The main ICS inputs are as follows:

- Compliance risks controls: Internal control of financial information, money-laundering, data protection, prevention of criminal liability, conflict of interest, fraud and corruption, etc.
- Corporate risks and controls: External factors, competitive environment, cyber security, persons, etc.
- Business risks and controls (value chain): Land purchases, product, contracting, and commercial and sales management among other matters.

Neinor Homes uses an Enterprise Risk Management methodology (also known as COSO II), which adds value by ensuring the identification, management and monitoring of business risks.

In the area of tax risk, Neinor Homes has adopted the necessary control mechanisms to ensure compliance with tax legislation in the context of effective business management. The company dedicates appropriate, sufficiently qualified human and material resources for these purposes.

Every two years, the company reviews and updates its strategic/corporate risk map, which is submitted to the Board and the Audit and Control Committee for review and consideration.

This year, following the outbreak of the pandemic, the company, as part of its Integrated Risk Control and Management System, has defined a specific model for dealing with the risks that could arise from this situation (Project Scipio). This has been disseminated throughout the entire organisation, is linked to strategic objectives, processes and control activities and is monitored periodically, and its results are reported to senior management and the Audit Committee.

In this connection, this risk structure of the company, together with certain conservative and prudent measures taken prior to the declaration of the state of emergency by the respective general managements in the company's business, have placed the company in an advantageous position in view of the period of uncertainty we are facing.

One of the strengths that appears again and again in the audit report of the ISO 9001 certification is the risk management system implemented by the company. This year, the risk-based action plan prepared to respond to the consequences of the impact of the "Scipio" pandemic has been highlighted by the auditors as one of the two most significant strengths of the company.

**E.2.** Identify the corporate bodies responsible for the preparation and implementation of the risk control and management system, including control and management of tax risks.

In accordance with Article 5.6 of the Board's Regulations, approval of the risk control and management policy falls within the Board's remit, including the management of tax risks and periodic monitoring of internal information and control systems.

The Board delegates these functions to the Audit and Control Committee (ACC), and in accordance with Article 9.7 of the Audit and Control Committee Regulation, therefore, the ACC has the following risk management functions:

- To identify and assess the different types of risk (operational, technological, financial, legal, corporate, environmental, political, tax and reputational risk, among others) to which the Company is exposed, including contingent liabilities and other off-balance sheet risks among financial and business risks.
- To establish the levels of risk considered acceptable by the Company.
- To identify the measures in place to mitigate the impact of the risks identified in the event of materialization.
- To identify the information and internal control systems used to control and manage risks, including contingent liabilities and off-balance sheet risks.

Initial responsibility for the supervision of the Integrated Risk Control and Management System in Neinor Homes lies with each business area involved, and the periodic reviews conducted by the Compliance Department and the Internal Audit Department constitute additional second and third lines of defence, while ultimate validation of the system is the responsibility of the Audit and Control Committee and the Board of Directors.

In the tax area, in particular, the Company's tax officer reports annually to the Board of Directors, either directly or via the audit committee, on the tax policies applied.

### E.3. State the principal risks, including tax risks and corruption risks (within the meaning of Spanish Royal Decree Law 18/2017), where material, which could affect the successful attainment of business objectives.

Neinor Homes has classified the various risks to which it is exposed into 5 global categories:

- **Environmental risks:** related to the real estate sector and the cyclicity of the business. Correlation of our sector closely linked to the economic cycle. Business structure/resources not aligned to the changes in the cycle/diversification of Servicing/Equity/Leasing activity. Administrative impact of the sector. New tax and regulatory policies for the sector, policies regarding land, management and licensing deadlines. Increase in construction and land acquisition costs, as the existing supply and demand in the market and competitive environment are not homogeneous: associated with the competitiveness of the various agents involved in the real estate sector. Increased competition. Non-homogeneous competition.
- **Operational Risks:** Management of customer expectations and satisfaction. Excessive dependence on suppliers and sometimes limited supplier capacity of execution in time and form. Loss of business knowledge due to the outsourcing of essential services in the value chain. Retention and succession of key people. Inadequate adaptation to the industrial model. Alienation from the transformation and digitalization of the sector.
- **Compliance and ethical risks:** Non-compliance in time and quality of homes delivered. Illegal acts / criminal offences specified in the regulations, carried out by the company or its employees. Non-compliance with the rules and regulations to which the company is subject.
- **Financial and market risks:** Management of the capital market and all those related to the fulfilment of the expectations agreed with the shareholder/market. Excessive linkage to the financial sector. Non-compliance with margins and profit expected by investors and the market.
- **Strategic Risks:** Failure to meet deadlines or cost targets for strategic land development (land not ready for development) / and land acquisition. Valuation of assets and lack of discipline, coherence and reason in the acquisition of land. Failure to achieve sales foreseen in the Business Plan. Conflicts of interest in the strategic development and long-term viability of the company versus the expectations of investors and the market with a more short-term vision. Non-compliance or poor performance in the management of the Servicing contract.

The Integrated Control System (ICS) implemented is a dynamic tool, and as such it is intended to provide up-to-date, continuous information on the possible risks to which the Company may be exposed. Neinor Homes periodically compiles data on development / events that could potentially pose a risk from the various risk detections sources defined in order to facilitate analysis and continuous monitoring, to take any remedial measures required, and, where appropriate, to include any appropriate control / mitigation measures, and to analyse the effectiveness and value of the measures already in place in the ICS.

## **E.4. State whether the entity applies risk tolerance levels, including in relation to tax risks.**

Risk tolerance levels are defined in the risk assessment scale used by Neinor Homes to evaluate the potential risks to which it is exposed, classifying those that the company is willing to assume or reject (in order to achieve its strategic objectives) and placing these risks on the Risk Map.

These assessment scales consider both the financial and reputational impacts which the materialization of the risks evaluated could entail.

In addition, the final risk evaluation made applying the assessment scales addresses the likelihood of materialization in view of both historic data and future estimates.

Risks are evaluated both at the inherent level and at the residual level, i.e. after the application of the control measures established in each case. This procedure ensures effective prioritization of all risk events.

The final risk classification includes both qualitative elements and elements that could affect the attainment of the company's strategic goals or interfere with its mission, vision and values.

The analyses made are contrasted with the opinions of third parties interested in the company and against internal sources.

In the tax area, Neinor Homes ensures strict compliance with tax legislation in the different territories where the group operates, settling the taxes due in accordance with the law based on a reasonable interpretation of prevailing rules, notwithstanding the possibility of legitimate disputes arising with the tax authorities in relation to the interpretation of the applicable tax legislation, despite the application of a best tax practice policy.

The Audit and Control Committee is responsible for reviewing these variables each year in order to update and approve the appropriate tax practices.

## **E.5. State any risks, including tax risks, which have materialized during the year.**

During 2020, some risks inherent in the real estate business of Neinor Homes and in the appearance of the Covid-19 pandemic materialised, although they did not have a material impact on the development and operation of the company.

These risks have been strongly linked on the one hand to real estate operations and strategy, and on the other hand to the consequences of the Covid-19 pandemic.

With regard to the first group, the company continues to be very prudent in the acquisition of land compared to initial years, due to the increase in costs that has occurred in the same. Therefore, after an intense internal analysis in the company and in order to ensure the competitiveness of the same and its future viability, it has been decided to maintain discipline in terms of acquisition policies, pending compliance with expected margins. As a result, the acquisition of land has been deferred, awaiting a foreseeable reduction in price or analysis of land portfolio transactions with institutional investors and corporate transactions.

Moreover, incidents have also been detected in relation to quantity claims by certain suppliers/construction companies, in connection with the increase in production costs that is taking place, and there have also been incidents specific to the development business arising from the management of expectations of some customers who have occasionally expressed dissatisfaction with the product, in relation to materials and finishes, as well as in relation to delivery times.

There have also been delays in the completion time of certain developments due to a lack of resource and production capacity of certain construction companies.

The company has reasonably managed these incidents on the basis of the contracts signed with both parties concerned, the continuous monitoring of external and internal works, established contingency and response plans, protocols and procedures for after-sales service, bonds requested and withholdings made.

In this regard, the extension in waiting times in administrative management for the processing and approval of new works, construction and first-occupancy licences has had a fundamental impact on the relationship with suppliers and customers, as production and delivery times for housing have been affected as a result.

The company has reasonably managed these incidents on the basis of the contracts signed with both parties involved, continuous monitoring of the works, contingency and response plans established, protocols and procedures for after-sales service, bank guarantees sought, withholdings made, the creation of a new

construction business division (Neinor Works) and, lastly, continuous interaction with public institutions which, in turn, for the benefit of economic activation and dynamism, are starting to facilitate the administrative management of the business. (Statement of Compliance for the start of development works etc.).

Regarding the risks and consequences materialised in the year as a consequence of Covid-19, please refer to the note which has been included in the annual accounts at the request of ESMA.

In addition, in 2017 (1 June 2017), verification and investigation activities were initiated in respect of the companies in the NEINOR SUR group (VAT 2014-2016; Company Tax 2012-2015) and NEINOR PENINSULA (VAT 2015-2016; Company Tax 2015).

On 8 January 2019, the tax authorities concluded the verification and investigation procedure in respect of the companies and taxes described above, by means of a final settlement agreement with the following result:

- In relation to NEINOR SUR, no contingent liabilities have been detected that could represent a risk for the company;
- In relation to NEINOR PENINSULA:
  - Previously contingent liabilities (year ended 30 June 2015) in Company Tax have materialised due to differences in allocation over time, and tax penalties were issued. However, in the opinion of the company and its advisors, there is no evidence that the liabilities arising from such sanctions carry the remotest risk for the inspected company, given the nature of the discrepancy, and therefore the probability of being confirmed by the courts is remote.
  - In addition, previously contingent liabilities were detected for VAT (2015), and it is believed that it is likely that these liabilities will be confirmed by the courts, and therefore the company has made full provision for such risk.
  - In this regard, during 2019, the company filed an economic-administrative complaint with the Central Economic Administrative Tribunal (TEAC) against the inspection reports. The company and its advisors believe it is likely that the Court will be able to resolve the aforementioned claim in a manner that will be favourable for the company's interests.

In the 2020 financial year, there were no new developments in this respect, with the actions described above continuing at the appeal stage.

For further information, see section 20.2 of the Consolidated Report.

**E.6.** Explain the response and oversight plans for the entity's principal risks, including tax risks, as well as the procedures followed by the company to ensure that the board of directors responds to any new challenges arising.

When it updated the Corporate Risk Map, the company defined not only the risks and risk events affecting its business objectives and regulatory compliance by Neinor Homes, but also the necessary control measures to mitigate such risk events.

The officers responsible for execution and supervision were identified for each of the controls established, and the supporting evidence required to show due implementation was defined.

In this regard, the functions envisaged in the Annual Activity Plans of both the Compliance Department and the Internal Audit Department include periodic reviews of control activities to ensure their effectiveness and, where any control weaknesses may be observed, to make recommendations and propose relevant action plans.

Such periodic reviews of control activities are a fundamental part of the companies entire control structure, which integrates the different compliance systems implemented since the company was founded in May 2015, such as the FICCS and the criminal liability prevention, money laundering and terrorism finance prevention, data protection, related-party transactions and conflicts of interest, and fraud and corruption prevention systems, etc.

In order to effectively and efficiently integrate all of the compliance systems, the same uniform, standard implementation process was applied in every case, the key steps of which comprised analysis of external and internal expectations and risk appetite, analysis of domestic and international best practice policies and regulations, risk analyses, drafting of policies, analysis of the existing internal control structure, implementation and, where appropriate, design of additional controls / improvement measures, identification of the governance system (implementation / supervision / reporting), training and communication to the organization.

In addition, the Audit and Control Committee is provided with periodic reports for supervisory purposes on risk management developments in the company, the status of critical risks, monitoring and the progress of the response plans agreed.

With regard to tax risks, Neinor Homes has implemented control mechanisms to ensure due compliance with tax legislation and a continued commitment to the application of best text practices, including in particular:

- ✓ Approval of tax criteria in line with the companies tax policy and its commitment to the application of best tax practices. These criteria are reviewed and validated each year by the officer responsible for tax matters.
- ✓ Ongoing supervision and control of effective implementation of the criteria established. This supervision is carried out both internally by the department responsible for tax matters and externally by an independent tax expert.
- ✓ The officer responsible for tax matters periodically reports to the Board of Directors on the results obtained from the application of tax risk control mechanisms.

Finally, with regard to the pandemic that has affected the entire world economy due to the appearance of the Covid-19 virus, the company, within its Integrated Risk Control and Management System, has defined from the beginning of the state of emergency a specific model to deal with the risks that could arise from this situation (Project Scipio). This has been disseminated throughout the entire organisation, is linked to strategic objectives, processes and control activities and is monitored periodically, and its results are reported to senior management and the Audit Committee.

In this regard, the company's risk structure, together with certain conservative and prudent measures taken by the respective General Managements in the company's business prior to the declaration of the state of emergency, have bolstered the organisation's resilience, giving it the capacity to take on business opportunities, which has strengthened it and put it in an advantageous position in view of the period of uncertainty we are facing. (See note XXX of the report.)

## F INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN RELATION TO THE PREPARATION AND ISSUE OF FINANCIAL INFORMATION (FIICS)

Describe the mechanisms making out the risk control and management systems relating to the preparation and issue of financial information by the company (FIICS).

### F.1. Entity's control environment

Explain at least the following, describing key characteristics:

**F.1.1.** What bodies and/or departments are responsible for (i) the existence and application of an adequate and effective FIICS, (ii) implementation, and (iii) supervision.

Article 5.4 of the Board's Regulations establishes the powers of the Board of Directors in this area, and subparagraph xxi specifically mentions its "ultimate responsibility for the existence and application of an adequate and effective Financial information internal control system (FIICS)".

Implementation of the FIICS is a matter for all of the business areas defined in Neinor Homes, insofar as they are responsible for the application in practice of control mechanisms and measures to ensure the reliability of the company's financial information.

In its work of supervising the appropriate implementation and application of the system, the Board receives the support of the Audit and Control Committee (ACC), which is assigned the following tasks in accordance with Article 9.3 of the Audit and Control Committee Regulation:

- o To assess the suitability and effectiveness of internal financial controls and internal risk control and management systems, including oversight of the Financial information internal control systems (FIICS) to ensure that the main risks are duly identified, managed, assessed and reported.
- o To provide assurance that these systems appropriately mitigate risks in the context of the policy established by the Board of Directors, where appropriate.

**F.1.2.** Whether the following exist, especially in relation to the preparation of financial information:

- **Departments and or mechanisms for (i) the design and review of the organizational structure, (ii) the definition of lines of responsibility and authority, including appropriate distribution of tasks and duties, and (iii) the existence of sufficient procedures and awareness of the same throughout the company.**

Neinor Homes' Board of Directors competences include defining the structure of the company, and it therefore has maximum responsibility for assigning duties related with the preparation and supervision of financial information and ensuring that each of the departments involved is duly apprised of its functions.

The General Finance Department (GFD) has primary responsibility for preparing the financial information, although all departments of the company are required to foster transparency and ensure the accuracy of the information they handle and supply to the market.

- **Code of conduct, approval body, diffusion and training, principles and values included (stating any specific mentions of transaction recognition and the preparation of financial information), and body responsible for analysing non-compliance and proposing corrective actions and sanctions.**

Neinor Homes Code of Ethics was approved by the Board of Directors on 14 May 2015, and it has since been updated on several occasions, the last time on 10 March 2017. The company's Ethics Code is the main pillar of its culture, and it provides the main guide for the activity of Neinor Homes, establishing a catalogue of ethical principles, values and rules of conduct that should effectively direct the activity of all group companies and of the people forming part of the company. This document is distributed to all employees on a periodic basis and upon the induction of new employees into the company for their information. Employees are required to return a signed copy signalling their acceptance.

In addition, the company arranges training in ethics and compliance matters for all employees.

In addition, there is regular annual company-wide training on ethics and compliance.

Specifically, annex 4 of the Ethics Code explains that "persons responsible for entering data in the different physical and digital ledgers utilized by the company in the process of preparing its financial information must

assure the reliability, integrity, accuracy and currency of such data" in order to ensure that the financial information reported reflects a true and fair image of the company's equity, financial position and results of operations.

Both the Ethics Code and the Code of Conduct for third parties, and many of the company's Compliance Policies, Manuals and best practices, compliance with which is mandatory for all employees, are published on the company's website (Shareholders and Investors / Corporate Governance and Sustainability / Codes and Policies). The company's principles and values are set out in its Ethics Code and in the published document titled "Mission, Vision and Values".

In addition, "the effectiveness of the Internal Financial Information Control System (SCIIF) as a whole is assessed annually by the Internal Audit Management or by an independent third party".

One of the principles governing Neinor Homes' operations according to the Ethics Code is transparency, and the company therefore establishes that "it will supply the authorities, its shareholders, the markets in which it operates and its customers with accurate, transparent information on financial and accounting matters prepared in accordance with prevailing legislation".

The body responsible for examining cases of non-compliance with the ethics code and proposing corrective action and sanctions is the company's Monitoring and Control Committee, made up of the directors of the Legal, Human Resources and GRC (Governance, Risk, Compliance and Internal Audit) areas.

- **Whistleblowers channel to allow reporting of financial and accounting irregularities to the audit committee, as well as possible cases of non-compliance with the code of conduct and irregular activities within the organization, stating, where applicable, whether this channel is confidential and whether it allows for anonymous communications, respecting the rights of the whistle-blower and the reported party.**

Neinor Homes has established an Ethics Channel to facilitate reporting (either by post or by email) of irregular or inappropriate conduct related with the accounts, control, risks and financial information, as well as other matters considered relevant in relation to the integrity, conduct and transparency of transactions arising in the course of the company's internal and external functioning.

The communication channels on which it is based are twofold:

- An e-mail address: [canal.efico@neinorhomes.com](mailto:canal.efico@neinorhomes.com)
- A postal address: Neinor Homes; Canal Ético; Paseo de la Castellana 20, 5ª planta; 28046, Madrid

Neinor Homes has published its Whistleblower Management Procedure, which regulates the functioning of the Ethics Channel, on its website.

Only reports identifying the whistleblower are formally accepted, although total confidentiality and anonymity of the person providing the information is guaranteed, and the system also permits reports to be filed without identifying the whistleblower. Whistleblowers' reports are received by the Compliance Department and the Internal Audit Department, and their analysis is a priority for the company. Where appropriate, the matters concerned may be submitted to the Monitoring and Control Department for a decision. Neinor Homes handled 20 complaints formally treated as whistleblower matters by the Compliance Department in 2018. All of these matters were resolved within an average period of 5 business days, in compliance with the deadline established in the Neinor Homes Complaints Management Procedure.

The complaints that are normally received through the ethics channel do not normally relate to reportable events that go against the principles set out in the company's code of ethics, but are more related to after-sales operational incidents due to incidents after the delivery of homes. These incidents are monitored by GRC management to ensure that a response is given and that our procedures are complied with.

In the event of an allegation that does impinge on the company's ethical principles, the facts are analysed by GRC management, which prepares a report and passes it to the CEO and/or the Audit and Control Committee, depending on the relevance and seriousness of the incident.

In 2020, 2 complaints were received in the Ethics Channel which have been investigated and resolved without sanction. There have been no cases of discrimination reported.

In addition to the external and internal Ethics Channel, the company has implemented a confidential internal channel for the communication of inefficiencies, non-compliance with procedures, malpractice and inappropriate conduct on the part of employees. Access to this channel is restricted to the Head of Internal Audit and to the Quality officer.

- **Periodic training and refresher programmes for employees involved in the preparation and**

**review of financial information, and in FIICS assessments. These courses, or at least accounting rules, auditing, internal control and risk management.**

When the Internal Audit Department was set up it organized an FIICS training course covering matters concerned in the preparation and review of financial information.

Meanwhile, the Internal Audit Department and the external Auditor gave a course to the accounts department when the company was listed on the stock exchange last year, dealing with the obligations of listed companies in relation to the financial information reported to the market and corporate good governance.

In addition, the staff involved in preparing and reviewing the financial information receive periodic training and refresher courses on accounting rules, internal control, risk management and regulatory Compliance.

Mandatory training, which is given on an annual basis, is on compliance, ethics, competition, conduct of business rules in securities markets, prevention of money laundering, cybersecurity and data protection.

In relation to the people who make up the GRC team, responsible for ensuring regulatory compliance in the company, in this financial year, in addition to the training received by the entire workforce, they have received training on:

- ✓ Equality.
- ✓ Conflicts of interest and related parties.
- ✓ Internal Control (in the COSO framework).
- ✓ Complaints channel.
- ✓ Covid-19 risks and impacts.
- ✓ Oversight of Non-Financial Reporting.
- ✓ Prevention of money laundering.

With regard to the company's directors, on joining the company, a welcome protocol is in place which includes training on ethics, compliance, good governance, the use of privileged and confidential information, the company's internal control structure and their responsibilities and obligations as company directors, information which they ratify in various documents which they sign.

In the current financial year, the company's directors have received training on:

- ✓ Corporate Governance: changes to the Corporate Governance recommendations and changes to the naming and management of inside information.
- ✓ Risks in the real estate sector.
- ✓ Macroeconomic situation of the residential market.
- ✓ Relevance, responsibilities and risks in the supervision of non-financial reporting.

## **F.2. Assessment of financial reporting risks**

Report at least the following:

### **F.2.1. Principal features of the risk identification process, including error and fraud, with regard to:**

- **Existence and Documentation of the process.**

Neinor Homes has a procedure in place to established the scope of the processes to be included in the FIICS and to identify the relevant business cycles.

The company has also defined a matrix of controls associated with potential risks and accounting or administrative processes in each procedure included in the FIICS. This matrix is reviewed annually. The officers responsible for execution and supervision, associated policies / procedures in place and the audit evidence required have been established for each control.

The company has established a risk management methodology, which is applied in the process of design and implementation of all internal control and regulatory compliance structures. In this regard, we may highlight the following:

- Consideration of internal and external information for the identification of risks
- Consideration of assessment scales for the evaluation of risks
- Risk prioritization interviews and workshops
- Consideration of financial and reputational impacts in relation to the classification of risks
- Consideration of past, present and future probabilities in the analysis of risk materialization

All of the company's compliance environments, including the FILCS, form part of an integrated internal control and ongoing risk management system. The principal characteristics of this system are as follows:

- Identification of the corporate / strategic risk, strategic objectives, procedures, controls and evidence associated with each risk event, which are included in a controlled schedule to avoid duplication between the controls and risks defined for each regulatory compliance and operational environment.
- Implementation of processes and procedures allowing ongoing identification of the risks materializing and their consideration in the redesign and improvements of the internal control system, as well as the pertinent corrective actions.
- Monitoring and ongoing reporting to the company's Audit and Control Committee on the system's functioning and the risks materializing.

Section E above explains the company's Risk Control and Management Systems in more detail.

- **Whether the process covers all financial reporting objectives (existence and occurrence, integrity, measurement, presentation, details and comparability, and claims and obligations), and the frequency with which procedures are updated.**

The process defined and Neinor Homes covers all financial reporting objectives:

- Existence and occurrence: The transactions, events and other matters reflected in the information actually exist and are recognized at the appropriate time.
- Integrity: The information reflects all transactions, events and other matters to which the entity is party or which affect the same.
- Measurement: Transactions, events and other matters are recognized and measured in accordance with applicable accounting rules.
- Details, presentations and disclosure: Transactions, events and other matters are classified, presented and disclosed in the information in accordance with applicable rules.
- Claims and obligations: The information reflects claims and obligations through the appropriate asset and liability captions in accordance with applicable accounting rules.

These objectives are reviewed and updated when significant changes arise in the company's operations resulting in impacts on the financial information reported.

- **Existence of a process to establish the scope of consolidation, taking into consideration, inter alia, the possible existence of complex corporate structures, instrumental entities and special purpose vehicles.**

The identification of the consolidation perimeter with details of company shareholdings is carried out at least annually or when corporate transactions affecting share capital or reserves take place, which are communicated as soon as they occur by the Dirección Legal a la Dirección General Financiera (DGF), aportando las escrituras y documentación que soporten la operación.

In this way, the company ensures that its equity situation is kept up to date, and the GFD proceeds to

consolidate the new companies in the financial statements and to recognize the transactions concerned on an appropriate basis.

The structure of Neinor Homes' consolidated group does not include any complex corporate structures that could give rise to any interpretations or value judgments such as might affect comprehension of the financial statements. All corporate transactions and operations which could result in changes to the scope of consolidation were discussed with our external auditors to ensure appropriate recognition in the Annual Accounts.

- **Whether the process takes into consideration the effects of other types of risks (operational, technological, financial, legal, tax, reputational and environmental risks, etc.) insofar as they might affect the financial statements.**

The FIICS is one of the components of Neinor Homes integrated control system (ICS). As mentioned in section E.1 above, the system also takes into account the principal risks associated with regulatory compliance, such as the risk of fraud and corruption, money-laundering, data protection, etc., as well as corporate risks and those proper to the operations and business of the company (e.g. acquisitions of land, products, sales and purchases).

For a detail of the risks identified at the corporate level, see section E.3.

- **Which of the entity's governance bodies supervises the process?**

As mentioned in section F.1.1, the Board of Directors is the ability responsible for supervising the FIICS via the Audit and Control Committee (ACC) in order to ensure that the principal risks are adequately identified, managed, measured and reported. In order to carry out this function, the Audit and Control Committee (CAC) relies on the company's Internal Audit Department, which annually reviews the effectiveness and efficiency of the operation of the Internal Financial Information Control System (SCIIF).

### F.3. Control activities

Explain at least the following, describing key characteristics:

**F.3.1.** Procedures involved in the review and authorization of the financial information to be published in the stock market and description of the FIICS, indicating the officers responsible, and of the documentation describing workflows and controls (including controls relating to the risk of fraud) involved in the different types of transactions which could materially affect the financial statements, including the procedures applied in the accounting close and in specific reviews of the use of relevant judgements, estimates, valuations and projections.

In accordance with Article 14.5.iii of the Board's Regulations, responsibility for supervising the preparation and presentation of regulated financial information is delegated to the ACC in order to safeguard its integrity. The Committee relies on the support of the General Finance Department and the Internal Audit Department to discharge this function.

The review and authorization procedure for financial information consists initially of double verification by the Accounts Unit and Accounts Department, followed by a review carried out by the company's Management Control Unit and final verification by the Finance Department.

Financial results are reported to the Audit and Control Committee each month.

Before the approval of quarterly financial information by the Board of Directors and its subsequent publication, the Audit and Control Committee meets each quarter to review and authorize said financial information. This information is provided sufficiently in advance to allow a reasonable margin for analysis.

The Internal Audit Department reviews the efficiency and effectiveness of the FIICS on an annual basis, reporting its findings to the Audit and Control Committee.

At the close of the year, the company had 254 procedures / policies and manuals, non-compliance with which could have a direct or indirect impact on the financial statements. The General Finance Department is responsible for 29

such procedures, covering the Department's principal functions such as accounting, the financial information control system, guarantees, financial debt, payments and collections, receipt of invoices, dividends, bank reconciliations and cash flow, among others.

In the area of closing procedures, Neinor Homes has established a schedule sitting out key milestones and dates to be met in each monthly accounting close. In this regard, the Accounts Department closes out accounting periods sequentially by working group in line with the schedule dates in order to avoid errors in the accounting information. Meanwhile, the management system used does not allow the members of the working groups to make accounting entries where they were themselves responsible for closing the accounting period concerned. Each person responsible for making accounting entries verifies that the closing checklist has been properly followed.

Also, specific individual control measures exist to ensure supervision of the calculations made in relation to estimates and provisions (e.g. provisions for bonuses and accrued salaries payable, for legal contingencies and for tax contingencies). The financial information collected independently by the different departments and units involved is then subjected to an overall review, in which it is validated by the Management Control Department before being passed onto the Accounts Department. An analytic review is also carried out by the Strategic Financial Planning Department and by the Internal Audit Department.

**F.3.2.** Internal control policies and procedures relating to the information systems supporting relevant corporate processes involved in the preparation and publication of financial information (e.g. access security, change tracking, system operation, operational continuity and segregation of functions).

Most of Neinor Homes' business activities are supported by information systems, which provide the basic support for its internal operations, services management and marketing operations. The information handled by the different systems and applications, as well as the communications infrastructure, represent the principal asset used in the normal conduct of business operations, together with the company's people.

In this connection, the company has prepared a Security Policy, which covers the organizational structure, human and technical resources, processes, plans, procedures and protocols related with prevention and response measures to combat relevant physical, logical, compliance and good governance risks.

Security requirements and objectives are determined by the Information Security Committee based on the criteria established in Neinor Homes' policies and the needs detected by the officers responsible for information assets and for business processes. Their scope takes in all activities related with physical and information security, focusing especially on logical security. These requirements and objectives are applicable not only to the Organization's own Security activities and services directly, but also to third-party providers, who follow the guidelines and instructions provided from the standpoint of an advanced, all-round and integrated approach.

The purpose of this policy is to ensure adequate protection of Neinor Homes' information assets within the scope defined by the Information Security Management System, applying the following security principles:

- Confidentiality: ensure that information can be accessed only by authorized persons. The procedures established relate to:
  - Physical and logical access controls
  - Information marking
  - Supports management and Destruction
- Integrity: assure the accuracy and completeness of information and processing methods.
  - Management of ERP patches and vulnerabilities
  - Change management procedures (new developments, mobility applications, etc.)
  - Security of development and support processes
- Availability: ensure that authorized users can access systems when they require information and associated assets. The scope of procedures yes associated with the availability guarantee comprises:
  - Backup Plan
  - Contingency Plan
  - Business Continuity Plan
  - Sundry Detection, Evaluation and Response procedures relating to disruptive incidents
- Privacy: ensure appropriate treatment of personal data

These basic principles must be protected and assured whatever the format of the information, whether electronic, printed, visual or verbal, regardless whether processing is carried on at Neinor Homes' facilities or elsewhere.

The company has established high levels of security for access, continuous training in cybersecurity, reviews of information sent, protocols for the use of mobile devices, daily security copies of servers, restriction of access to external devices, etc.

Neinor Homes has established authorization processes for the approval of the invoices and payments, which are parameterized in the IT tool utilized, allowing identification of the persons involved in each Department and determination of the segregation of functions.

In the financial year 2019 Neinor Homes is ISO 27001 certified for Information Security. Recently, in December 2019, it has renewed this certification.

Finally, it is worth mentioning that in the 2019 financial year the Governance, Risk and Compliance (GRC) management implemented a project for the segregation of functions through which a diagnosis has been made of incompatibilities between functions, roles and permissions of the various users who participate in the preparation of financial information, its analysis or the settlement and approval of the transactions generated by it.

**F.3.3.** Internal control policies and procedures relating to supervision of the management of activities subcontracted to third parties, as well as assessments, calculations and evaluations entrusted to independent experts, where the same could materially affect the financial statements.

Neinor Homes has established a procedure for the selection, approval and assessment of providers / third parties (e.g. architects, construction firms, marketing firms, advisors and so on). This procedure allows an objective appraisal of external firms for the purposes of selection and contracting of those considered most suitable for the provision of services in accordance with the law and the company's own internal procedures (which include appropriate processing of financial information and the prohibition of disclosure without authorization, among other matters).

Neinor Homes understands that the scope of the internal control procedures applicable to third parties should include material providers, strategic providers having a potentially significant impact on financial information or at the reputational level, providers using confidential information or providing relevant professional services, as well as external auditors, independent asset appraisers and so forth, all of whom must be required to show their experience, independence and reputation in the market.

The reports issued by independent experts are reviewed by company personnel with relevant experience and technical expertise relating to the matters concerned.

The company has a Code of Conduct for third parties, which establishes the ethical standards that significant business partners are required to maintain when they provide services of any kind to Neinor Homes. These principles include compliance with legal and tax obligations, and the avoidance of any criminal offences, fraud or corruption. This Code is accepted and signed by all strategic parties with whom the company works.

#### **F.4. Information and communication**

Explain whether the entity has at least the following, describing key characteristics:

**F.4.1. A specific department responsible for defining accounting policies and keeping them up to date (accounting policy unit or department), and for the resolution of concerns or conflicts arising in relation to their interpretation, maintaining fluid communication with the organization's operational managers, as well as a current manual of accounting policies duly issued to all of the entity's business units.**

The General Finance Department (GFD) of Neinor Homes establishes the applicable accounting processes, policies and rules, and it is responsible for coordinating with the various departments involved in the preparation of financial information. Meanwhile, the GFD's Administration and Accounting Unit is responsible for defining accounting policies and resolving any concerns arising with respect to their interpretation.

In this regard, Neinor Homes has an Accounting Policy Manual prepared internally but checked by independent accounting experts. This Manual is periodically reviewed and defines the classification and measurement criteria applicable in the preparation of the financial statements.

The staff involved in the preparation and review of the financial information are kept constantly abreast of changes in

accounting and tax rules by means of ongoing communication with the company's tax advisers, its external auditor and via the alerts and notifications received from leading audit firms and professional services providers.

The Audit and Control Committee is charged with supervising and reviewing the annual accounts in conformity with prevailing legislation and with generally accepted accounting principles.

Where the application sheet of regulations involves interpretation of a certain complexity, the company seeks the advice of its external auditor and other advisers, or of the regulatory authority.

#### **F.4.2. Mechanisms for the collection and preparation of applicable standard format financial information for use by all of the company's departments and by the group to support the financial statements and the explanatory notes thereto, as well as the FIICS information.**

The process concerned in the preparation of financial information is duly defined in Neinor Homes, including a description of all standardized activities involved in the accounting close and in the preparation of the financial statements, as well as the officers assigned to the preparation and review of the same.

A common IT tool (ERP) this is used to process the financial information reported (PRINEX) by all of the group companies, which facilitates subsequent consolidation.

Furthermore, a single Chart of Accounts is used, which has been implemented for the preparation and management of accounting functions in all of the group companies.

#### **F.5. Supervision of the system's functioning**

Explain at least the following, describing key characteristics:

##### **F.5.1. Supervisory activities undertaken in relation to the FIICS by the audit committee, and whether the entity has internal audit unit whose competences include supporting said committee in its supervision of the internal control system including the FIICS. Also, explain the scope of the FIICS evaluation carried out in the year and the procedure by which the party responsible for such evaluation reports its findings, whether the entity has an action plan establishing eventual corrective measures, and the consideration given to the possible impact on the financial information..**

As explained in section F.1.1 above, the Board of Directors of Neinor Homes oversees the implementation and the application of the FIICS with the support of the Audit and Control Committee (ACC), which in turn delegates monitoring tasks to the Internal Audit Department.

The Internal Audit Department is thus an objective unit which is independent of all other departments, inasmuch as it reports directly to the Audit and Control Committee and indirectly but functionally to the Board of Directors.

The functions assigned to the Internal Audit Department include supervision of the functioning of the FIICS in order to assess the effectiveness of the internal control system and obtain reasonable assurance of the efficiency with which resources are used, the reliability of the financial information and compliance with applicable laws and regulations, and internal policies and procedures.

In addition, in order to identify improvements in the design of the controls and to improve the effectiveness of the system detected in previous audits by the internal audit management, this year an assessment of ICFR compliance was carried out by an external expert in order to safeguard the independence of internal audit with regard to the preparation and design of the controls to be implemented and to have an additional viewpoint.

The internal audit department has carried out an evaluation of FIICS compliance as it does every year.

Each year the FIICS review addresses the design and efficacy of controls and the integrity of the evidence supporting said controls.

The following matters were verified in 2019:

- The integrity and accuracy of the information reported in section F of the ACGR
- Compliance in relation to the execution of certain controls for a sample of periods and group companies

- Alignment between the design of the controls included in the matrix and the risks which they are intended to mitigate or remove, in order to obtain reasonable assurance of the fulfilment of design purposes
- Integrity of the evidence supporting the controls

Based on these reviews during the 2020 financial year, a series of measures have been proposed to improve the Internal Financial Information Control System (SCIIIF) model derived from the recommendations made by the internal auditors, which will be put in place in the next financial year.

**F.5.2. Whether the entity has a discussion procedure allowing the auditor (in accordance with technical audit standards or NTA in the Spanish acronym), the internal audit department and other experts to communicate with senior management, the audit committee and the directors to report any significant internal control weaknesses observed in the course of their review procedures carried out in relation to the annual accounts and any other matters required of them. Also, report whether there is any action plan in place to correct or mitigate the weaknesses observed.**

As established in the regulations of the Board of Directors, the Audit and Control Committee will supervise the effectiveness of the internal control of the Company and its group, the internal audit and risk management systems, as well as discuss with the auditor any significant weaknesses in the internal control system detected in the course of the audit, among other things.

Therefore, Neinor Homes prepares a quarterly report for Senior Management and the Audit and Control Committee, in which the Internal Audit Department presents its analysis and follow-up on the internal control and risk management system implemented, as well as the key issues identified and the action plans drawn up.

This report also includes the findings from other mandatory regulatory compliance audits carried out in partnership with the Compliance Department (e.g. data protection, money laundering, etc.).

The external auditors also report their findings on the interim and annual financial statements, as well as any weaknesses observed during the audit.

The Internal Audit Department, the Compliance Department and the external auditor also hold regular meetings with the ACC without the presence of senior management to discuss the functioning of control systems.

In addition to their presence at the committee meetings held in 2018, the external auditors also held two meetings with the ACC without the presence of senior management, and the internal audit department maintained an ongoing flow of communication with the audit committee, reporting on various issues such as demands received from supervisory bodies, the risks identified and the audit carried out, as well as analyses of new legislation and training imported.

Various protocols and policies are in place to deal with weaknesses and incidents of non-compliance related with ethical issues and fraud.

Finally, compliance is analysed and supervised in relation to conflicts of interest and related parties, as well as compliance with the Internal Code of Conduct established by the entity as a public company. These matters are periodically reported to the Audit and Control Committee for its information and approval, when applicable.

**F.6. Other relevant information**

Not applicable.

**F.7. External auditor's report**

Report of Deloitte, S.L., see annex I.

**F.7.1. Whether the FIICS information published in the markets was subjected to a review by the external auditor, in which case the entity should include the pertinent report in an annex. Otherwise, explain the reasons.**

With a view to assuring the greatest possible transparency in relation to the preparation of the financial statements presented to all stakeholders, Group Management has opted to subject the FIICS information contained in section F of the Annual Corporate Governance Report for 2018 to review by the external auditor. The auditor's Report on the information relating to the financial information internal control system (FIICS) of Neinor Homes, S.A. for the year ended

31 December 2020 is attached to this Annual Corporate Governance Report in an annex.

The external auditor's strategy since 2016 to focus the audit is based on reliance on controls, and information is therefore collected to establish how the entity addresses the risk of errors in relation to each of the significant business cycles (e.g. procurements, sales, stocks, etc.).

## G IMPLEMENTATION OF CORPORATE GOVERNANCE RECOMMENDATIONS

State the degree of implementation by the company with respect to the recommendations contained in the Code of Good Governance for listed companies.

Provide a detailed explanation of the reasons if any recommendation is not followed, or is only partially followed, so that the shareholders, investors and markets in general are provided with sufficient information to evaluate and assess the company's actions. General explanations will not be considered acceptable.

1. The bylaws of listed companies should not limit the maximum number of votes which may be cast by a single shareholder, or contain any other restrictions which might hinder a takeover of the company by means of the acquisition of shares in the market.

**Cumple**

**Explique**

2. That when the listed company is controlled, within the meaning of Article 42 of the Commercial Code, by another entity, whether listed or not, and has, directly or through its subsidiaries, business relations with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to those of any of them, it publicly and accurately discloses:
  - a) The respective areas of business and possible business relations between group companies, and the nature of the listed affiliate's business with other group companies.
  - b) The mechanisms you established to resolve any potential conflicts of interest that could arise.

**Cumple**

**Cumple parcialmente**

**Explique**

**No aplicable**

3. During the annual general meeting, the chairman of the Board of Directors should supplement the published annual corporate governance report with a sufficiently detailed verbal report to the shareholders on key corporate governance issues in the company, including in particular the following:
  - a) Changes occurring since the last annual general meeting.
  - b) The specific reasons why the company does not follow any of the Corporate Good Governance recommendations, and whether any alternative rules are applied to the matters in question.

**Cumple**

**Cumple parcialmente**

**Explique**

4. That the company defines and promotes a policy of communication and contacts with shareholders and institutional investors in the context of their involvement in the company, as well as with proxy advisors, that fully respects the rules against market abuse and gives similar treatment to shareholders in the same position. **And that the company makes this policy public on its website, including information on how it has been put into practice and identifies the parties or persons responsible for implementing it.**

And that, without prejudice to the legal obligations to disclose inside information and other types of regulated information, the company also has a general policy regarding the communication of economic-financial, non-financial and corporate information through the

channels it deems appropriate (media, social networks or other channels) that contributes to maximising the dissemination and quality of the information available to the market, to investors and to other stakeholders.

**Cumple**       **Cumple parcialmente**       **Explique**

5. The Board of Directors should not seek the delegation from annual general meetings of powers to issue shares or convertible bonds where such issues exclude preferential subscription rights and exceed 20% of share capital at the time of delegation.

Where the board of directors approves any issue of shares or convertible securities involving the exclusion of preferential subscription rights, the company should immediately publish the reports on such exclusion required in accordance with prevailing companies legislation on its website.

**Cumple**       **Cumple parcialmente**       **Explique**

6. Listed companies preparing the reports mentioned below, whether on a mandatory or voluntary basis, should publish the same on their corporate website sufficiently in advance of the date of the annual general meeting, even where publication is not mandatory:

- a) Report on auditor independence
- b) Reports on the functioning of the audit and appointments and Remunerations Committees
- c) Audit committee report on related-party transactions
- d) Report on the corporate social responsibility policy.

**Cumple**       **Cumple parcialmente**       **Explique**

7. The company should broadcast shareholders' general meetings live on its website.

And that the company has mechanisms that enable proxy voting and voting by electronic means and also, in the case of large capitalisation companies and to the extent proportionate, attendance and active participation in the General Shareholders' Meeting

**Cumple**       **Explique**

8. That the audit committee ensures that the annual accounts submitted by the board of directors to the general shareholders' meeting are drawn up in accordance with accounting regulations. In those cases where the auditor has included a qualification in its audit report, the chairman of the audit committee clearly explains to the general shareholders' meeting the audit committee's opinion on its content and scope, making a summary of this opinion available to shareholders at the time of publication of the notice of call to the meeting, together with the rest of the proposals and reports of the board.

**Cumple**       **Cumple parcialmente**       **Explique**

9. The company should publish the requirements and procedures required to establish ownership of shares, the right of attendance at shareholders' general meetings and arrange proxy votes on its website on a permanent basis.

Such requirements and procedures should be designed to foster attendance and the exercise of voting rights by shareholders, and they should be applied on a non-discriminatory basis.

**Cumple**       **Cumple parcialmente**       **Explique**

**10.** Where any shareholder may legitimately have exercised the right to make any addition to the agenda or to present new proposals for resolutions before the date of the annual general meeting, the company should:

- a)** Immediately publish such additional agenda items and new proposals for resolutions.
- b)** Publish the form of the attendance card, proxy voting form or remote voting form containing the necessary changes to allow voting on the new points on the agenda and alternative proposals, in accordance with the terms proposed by the board of directors.
- c)** Submit all such agenda items or alternative proposals to a vote applying the same voting rules as in the case of proposals made by the board of directors, including in particular any assumptions or deductions with regard to the nature of votes.
- d)** After the General Shareholders Meeting, the company should provide a breakdown of votes cast on any such additional agenda items or alternative proposals.

**Cumple**       **Cumple parcialmente**       **Explique**       **No aplicable**

**11.** If the company intends to pay any premiums for attendance at the annual general meeting, it should establish a general policy regarding such premiums in advance and apply said policy on a stable basis.

**Cumple**       **Cumple parcialmente**       **Explique**       **No aplicable**

**12.** The board of directors should perform its duties with unity of purpose and independence, according all shareholders the same treatment. It shall be guided at all times by the company's best interest, to be understood as establishing a profitable business that is sustainable in the long run, promoting business continuity and maximizing the company's value.

In pursuit of the corporate interest, the company should not only abide by applicable laws and regulations and act in good faith, ethically and with due respect for custom and generally accepted best practice, but also seek to reconcile said corporate interest with the legitimate interests of its employees, suppliers, customers and other stakeholders potentially affected by the conduct of affairs, and with the impact of the company's activities on the community as a whole and on the environment.

**Cumple**       **Cumple parcialmente**       **Explique**

**13.** The Board of Directors should be of an appropriate size to ensure effective functioning and participation, and in this light it is advisable that it should have between five and fifteen members.

**Cumple**       **Explique**

14. The board of directors should approve a policy for the selection of directors which:
- Is concrete and verifiable.
  - Ensures that proposals for appointment or reelection of members are based on a prior analysis of the board's needs.
  - Encourages diversity of knowledge, experience, age and gender. For these purposes, measures that encourage the company to have a significant number of female senior managers are considered to favour gender diversity.

The result of the prior analysis of the board's needs should be set out in a report of the appointments committee, which should be published on the occasion of the call to the general meeting at which the ratification, appointment or reelection of each board member is to be proposed to the shareholders.

The policy for the selection of board members should contribute to the objective of ensuring that at least 30% of the total directors are female by 2020.

The appointments committee should verify compliance with the policy for the selection of board members on an annual basis and should explain its findings in the annual corporate governance report.

**Cumple**                       **Cumple parcialmente**                       **Explique**

15. Proprietary and independent directors should represent and ample majority on the board of directors, and the number of executive directors should be the lowest possible taking into consideration the complexity of the corporate group and the percentage of shares in the company held by the executive directors.

And that the number of female directors accounts for at least 40% of the members of the board of directors by the end of 2022 and thereafter, and is no less than 30% prior to this.

**Cumple**                       **Cumple parcialmente**                       **Explique**

In the financial year that has ended, the number of female directors did not reach 30% of the total number of board members, as there have been no changes in the composition of the board and the number and diversity (except for gender) of the board members is considered appropriate as has been shown in the evaluation of the functioning of the board and its committees carried out by the appointments and remuneration committee assisted by an external expert of repute.

With regard to new board members, the Company will encourage diversity of gender, experience and knowledge among its directors and will ensure that there are no implicit biases that could lead to any kind of discrimination, especially in the selection of female directors.

For future appointments (not foreseen in the short term), female candidates must always be considered and, given equal qualifications, must be selected.

- 16.** The percentage of proprietary directors out of the total non-executive directors should not be greater than the proportion between the shares in the company represented by said proprietary directors and the rest of the share capital.

This criterion may be relaxed in the following circumstances:

- a) In companies with significant capitalization in which there are very shareholdings that would legally be defined as significant.
- b) In the case of companies where numerous unrelated shareholders are represented on the board of directors.

**Cumple**

**Explique**

The percentage of proprietary directors over total non-executive directors is practically equal to the proportion between the capital they represent and the rest of the capital.

The main reason is the existence of two executive directors, none of whom belong to the audit and control and appointment and remuneration committees where there is a majority of independent directors.

- 17.** Independent directors should make up at least half of the total number of directors.

Nevertheless, where a company is not a large capitalization concern, or if it is, where a single shareholder or several acting in concert control more than 30% of share capital, the number of independent board members should represent at least one third of the total board members.

**Cumple**

**Explique**

- 18.** Companies should publish the following information about directors on their corporate websites, keeping said information up to date at all times:

- a) Professional and biographical profile.
- b) Other boards of which directors are members, whether or not in listed companies and any other remunerated activities undertaken, whatever their nature.
- c) Indication of the category of director to which each board member belongs, stating the shareholder represented or with whom a director has links in the case of proprietary directors.
- d) Date of first appointment as a director of the company, and dates of any subsequent reappointments.
- e) Shares and stock options held in the company.

**Cumple**

**Cumple parcialmente**

**Explique**

- 19.** Subject to verification by the appointments committee, the annual corporate governance report should explain the reasons for the appointment of proprietary board members at the request of shareholders holding equity interests of less than 3% of share capital. Likewise, the reasons for the refusal, where applicable, of any formal requests for seats on the board made by shareholders holding interests of equal size or greater than the interests owned by other shareholders at whose request proprietary board members were appointed.

Cumple       Cumple parcialmente       Explique       No aplicable

20. Proprietary directors should tender their resignation whenever the shareholder represented transfers its interest in share capital. An appropriate number of proprietary directors should also do so where the shareholder represented lowers its shareholding to a level requiring a reduction in the number of proprietary directors.

Cumple       Cumple parcialmente       Explique       No aplicable

21. The Board of Directors should not propose the removal of any independent director before the end of the statutory term of office for which the same was appointed, except with good cause established by the board subject to a report of the appointments committee. In particular, good cause shall be deemed to exist where the director takes up any new office or contracts new obligations which would prevent him/her from dedicating the time necessary to discharge the functions proper to the office of director, or fails to discharge the duties inherent in his/her office, or is affected by any circumstances in view of which he/she might lose the condition of independence within the meaning of applicable legislation.

The removal of independent directors may also be proposed as a consequence of any public takeover bid, merger or similar corporate transactions which would entail a change in the company's capital structure, where such changes in the make-up of the board of directors are obey the principle of proportionality mentioned in recommendation 16.

Cumple       Explique

22. Companies should establish rules obliging directors to report and, where applicable, to resign in any circumstances that could detrimentally affect the credit and reputation of the company, and requiring them to notify the board of directors of any criminal charges that may be brought against them and explain the progress of trial proceedings.

And that the board, having been informed of or otherwise having knowledge of any of the situations mentioned in the preceding paragraph, examines the matter as promptly as possible and, in view of the particular circumstances, decides, after a report from the Appointments and Remuneration Committee, whether or not to take any action, such as initiating an internal investigation, requesting the resignation of the director or proposing his or her removal. And that a report is included in the annual corporate governance report, unless there are special circumstances justifying it, which must be recorded in the minutes. This is without prejudice to any information that the company must disclose when the corresponding measures are adopted.

Cumple       Cumple parcialmente       Explique

23. All directors should clearly express their objections when they consider that any proposal submitted to the board for a decision is contrary to the corporate interest. In particular, the independent and other directors who are not affected by a potential conflict of interests should likewise object wherever they consider that any decisions might be detrimental to the interests of other shareholders not represented on the board of directors.

Where the board of directors adopts any significant decision in relation to which a director may have expressed serious reservations, or where it may repeat any such decision, the director concerned should consider their position and, if they opt to resign, they should explain their reasons in the letter mentioned in the next recommendation.

This recommendation also applies to the secretary to the board of directors, even where the same is not a director.

**Cumple**       **Cumple parcialmente**       **Explíque**       **No aplicable**

24. That when, either by resignation or by resolution of the general shareholders' meeting, a director resigns before the end of his or her term of office, he or she sufficiently explains the reasons for his or her resignation or, in the case of non-executive directors, his or her opinion on the reasons for the removal by the board, in a letter to be sent to all members of the board of directors.

And that, without prejudice to the disclosure of all the above in the annual corporate governance report, insofar as it is relevant for investors, the company publishes the resignation as soon as possible, including sufficient reference to the reasons or circumstances provided by the director.

**Cumple**       **Cumple parcialmente**       **Explíque**       **No aplicable**

25. The appointments committee should ensure that non-executive directors have sufficient time available for the appropriate discharge of their duties.

The Board's Regulations should establish a maximum number of other companies' boards on which the directors may hold seats.

**Cumple**       **Cumple parcialmente**       **Explíque**

26. The board of directors should meet as often as necessary to perform its functions effectively and at least eight times per year, following a schedule of dates and issues established at the start of the year. However, each director may also individually propose other initially unscheduled items for inclusion in the agenda.

**Cumple**       **Cumple parcialmente**       **Explíque**

27. Failure on the part of board members to attend meetings should be confined to unavoidable cases and non-attendance should be quantified in the annual corporate governance report. Proxies should be arranged with instructions in the event of inability to attend.

**Cumple**       **Cumple parcialmente**       **Explíque**

28. Where the directors or the secretary express any concerns over a proposal, or in the case of directors, over the conduct of the company's affairs, and such concerns are not resolved at a meeting of the board of directors, the concerns raised shall be recorded in the minutes at the request of the party expressing the same.

**Cumple**       **Cumple parcialmente**       **Explíque**       **No aplicable**

29. The company should establish appropriate channels to allow the directors to obtain the necessary advice to discharge their duties, including external advisory services payable by the company where circumstances so require.

**Cumple**       **Cumple parcialmente**       **Explique**

30. Irrespective of the expertise required of directors for the discharge of their duties, companies should offer the directors training programmes to refresh their knowledge and skills, where circumstances so require.

**Cumple**       **Cumple parcialmente**       **Explique**

31. The agenda for board meetings should indicate clearly the points on which the board of directors is required to adopt a decision or resolution, so that the directors can examine or obtain the necessary information in advance.

Where the chairman may wish in exceptional circumstances and for reasons of urgency to propose decisions or resolutions which are not included in the agenda for approval by the board of directors, the express prior consent of the majority of the board members present shall be required and shall be recorded in the minutes.

**Cumple**       **Cumple parcialmente**       **Explique**

32. Board members should be periodically informed of changes in the shareholder structure and of the opinions of the company held by significant shareholders, investors and credit rating agencies.

**Cumple**       **Cumple parcialmente**       **Explique**

33. As the officer responsible for the effective functioning of the board of directors, the chairman shall exercise the functions attributed by law and the bylaws, and should prepare and submit to the board of directors a schedule of dates and an agenda, organize and coordinate periodic assessments of the board, and where appropriate, of the company's chief executive officer. The chairman should likewise direct the work and effective functioning of the board, ensuring that sufficient time is given over to the discussion of strategic issues, and agreeing and reviewing the programmes established to refresh the knowledge of each director where circumstances so require.

**Cumple**       **Cumple parcialmente**       **Explique**

34. Where there is a coordinating director, the bylaws or Board's Regulations should attribute the following functions to said officer in addition to the powers legally assigned to the same: to chair the board of directors in the absence of the chairman and deputy chairs, where applicable; to take note of the concerns voiced by non-executive directors; to maintain contacts with investors and shareholders in order to learn their points of view and form an opinion of their concerns, in particular with regard to corporate governance of the company; and to coordinate the plan for succession of the chairman.

Cumple       Cumple parcialmente       Explique       No aplicable

35. The secretary to the board of directors should oversee the board's actions and decisions, ensuring that they are based on the good governance recommendations applicable to the company as set forth in the Code of Good Governance.

Cumple       Explique

36. The board of directors shall meet once per year in full session to evaluate and, where appropriate, adopt an action plan to correct any weaknesses identified with respect to:

- a) The quality and effectiveness of the board's functioning.
- b) The functioning and membership of its committees.
- c) The diversity of the board's membership and competences.
- d) The performance of the chairman of the board of directors and of the company's chief executive.
- e) The performance and contribution of each director, focusing in particular upon the directors responsible for each of the Board committees.

Assessments of the different committees should be based upon the reports submitted by the same to the board of directors, while the evaluation of the board itself shall be based on the report submitted by the appointments committee.

Every three years, the board of directors should be assisted in its evaluation by an external consultant, whose independence should be verified by the appointments committee.

Business relations maintained by the company or any group company with the consultant or any company forming part of the consultant's group shall be duly disclosed in the annual corporate governance report.

The processes and areas evaluated should be described in the annual corporate governance report.

Cumple       Cumple parcialmente       Explique

37. That when there is an executive committee, at least two non-executive directors sit on it, at least one of whom is independent; and its secretary is the secretary of the board of directors.

Cumple       Cumple parcialmente       Explique       No aplicable

38. The board of directors should at all times be apprised of the matters debated and decisions taken by the executive committee, and all directors should receive copies of the minutes to meetings of the executive committee.

Cumple  Cumple parcialmente  Explique  No aplicable

39. That the members of the audit committee as a whole, and especially its chairman, are appointed taking into account their knowledge and experience in accounting, auditing or risk management, both financial and non-financial.

Cumple  Cumple parcialmente  Explique

40. A unit should be set up under the supervision of the audit committee to perform the internal audit function and oversee the proper functioning of information and internal control systems. The internal audit unit should report functionally to the non-executive chairman of the board or to the audit committee.

Cumple  Cumple parcialmente  Explique

41. That the head of the unit responsible for the internal audit function presents his/her annual work plan to the audit committee for approval by the committee or by the board, reports directly to it on its implementation, including any incidents and limitations on scope arising in the course of its implementation, the results and follow-up of his/her recommendations, and submits an activities report to it at the end of each year.

Cumple  Cumple parcialmente  Explique  No aplicable

42. In addition to those established by law, the audit committee should perform the following functions:

**1. In relation to information systems and internal control:**

- a) To supervise and assess the preparation process and the integrity of financial and non-financial information, as well as the control and management systems for financial and non-financial risks relating to the company and, where appropriate, the group - including operational, technological, legal, social, environmental, political, reputational and corruption-related risks - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.
- b) To ensure the independence of the unit assuming the internal audit function; proposing the selection, appointment and removal of the head of the internal audit department; proposing the budget for internal audit; approving or proposing approval to the board of the annual internal audit orientation and work plan, ensuring that its activity is primarily focused on relevant risks (including reputational risks); receiving regular information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.
- c) To establish and supervise a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, reporting any potentially significant irregularities, including financial and accounting irregularities, or of any other type, related to the company that they

notice within the company or its group. This mechanism must guarantee confidentiality and, in any case, provide for cases in which communications may be made anonymously, respecting the rights of the whistleblower and the reported party.

- d) To ensure in general that the established internal control policies and systems are effectively implemented in practice

**2. In relation to the external auditor:**

- a) To examine the circumstances and reasons in the event the external auditor should resign.
- b) To ensure that the external auditor's fees for its work do not compromise quality or its independence.
- c) To oversee reporting by the company of any change of auditor to the CNMV, and to ensure that it is accompanied by a statement with regard to the possible existence of disagreements with the outgoing auditor, if any, and the contents thereof.
- d) To ensure that the external auditor holds an annual meeting with the whole of the board of directors to report on the audit work carried out and on the evolution of accounting matters and the risks to which the company is exposed.
- e) To ensure that the company and the external auditor respect prevailing regulations governing the provision of non-audit services, the limits on the concentration of the auditor's business and the terms of other regulations governing auditor independence in general.

**Cumple**       **Cumple parcialmente**       **Explique**

43. The audit committee should be able to call any employee or executive of the company, and even to require attendance without the presence of any other executive.

**Cumple**       **Cumple parcialmente**       **Explique**

44. The audit committee should be informed of all transactions involving structural or corporate changes which the company plans to carry out. The committee shall examine such information and report in advance to the board of directors on the financial terms and accounting impact of such transactions, and in particular on the exchange ratio proposed, if any.

**Cumple**       **Cumple parcialmente**       **Explique**       **No aplicable**

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

- a) The different types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks, including those related to corruption) faced by the company, including financial or economic risks, contingent liabilities and other off-balance sheet risks.
- b) A tiered risk management and control model, including a specialised risk committee where sectoral rules so provide or where the company deems it appropriate.
- c) The measures established to mitigate the impact of the risks identified, in the event any should materialize.
- d) The information and internal control systems used to control and manage risks, including contingent liabilities and off-balance sheet risks.

Cumple       Cumple parcialmente       Explique

46. An internal control and risk management function headed up by an internal unit or department of the company should be set up under the direct supervision of the audit committee or, where appropriate, of a specialized board committee to take charge of the following functions:

- a) To ensure the proper functioning of risk control and management systems and, in particular, to ensure that the same adequately identify, manage and quantify all significant risks to which the company may be exposed.
- b) To participate actively in the preparation of the risk strategy and significant decisions with regard to risk management.
- c) To ensure that risk control and management systems adequately mitigate risks within the framework of the policy defined by the board of directors.

Cumple       Cumple parcialmente       Explique

47. The members of the appointments and Remunerations Committee (or of the appointments committee and remuneration committee where separate) should be appointed in view of their expertise, skills and experience with regard to the functions they are required to discharge, and the majority should be independent board members.

Cumple       Cumple parcialmente       Explique

48. Large capitalization companies should establish a separate appointments committee and remuneration committee.

Cumple       Explique       No aplicable

49. The appointments committee should consult with the chairman of the board and the company's chief executive officer, in particular on matters relating to executive board members.

Any director should be able to request that the appointments committee take potential candidates to cover vacancies in the board into consideration, where they understand the same to be suitable.

Cumple       Cumple parcialmente       Explique

50. The remuneration committee should exercise its functions independently. In addition to those attributed by law, said functions shall comprise the following:

- a) To propose the basic terms of senior management contracts to the board of directors.
- b) To verify compliance with the remuneration policy established by the company.
- c) Periodically to review the remuneration policy applied to directors and senior executives, including share-based remuneration systems and their application, if any, and to provide assurance that individual remuneration is proportionate and in line with the compensation paid to other directors and senior executives of the company.
- d) To ensure that potential conflicts of interest do not adversely affect the independence of external advice provided to the committee.
- e) To verify information on the remuneration of directors and senior executives contained in corporate documents, including the annual report on directors' remuneration.

**Cumple**       **Cumple parcialmente**       **Explique**

51. The remuneration committee should consult with the chairman of the board and the company's chief executive, in particular on matters relating to executive directors and senior management personnel.

**Cumple**       **Cumple parcialmente**       **Explique**

52. The rules governing the membership and functioning of supervisory and control committees should be set out in the Board's Regulations and should be consistent with those applicable by law to mandatory committees in accordance with the foregoing recommendations, including:

- a) Membership should comprise exclusively non-executive directors and a majority should be independent board members.
- b) Committee chairpersons should be independent directors.
- c) The board of directors should appoint the members of committees in view of the expertise, skills and experience of directors and the duties entrusted to each committee and should debate their proposals and reports. Each committee should likewise be held to account for its activity and work at the first full meeting of the board held after each of committee meeting.
- d) Committees should seek external advice where considered necessary for the due discharge of their functions.
- e) Minutes should be kept of each meeting and should be provided to all of the directors.

**Cumple**       **Cumple parcialmente**       **Explique**       **No aplicable**

53. That the supervision of compliance with the company's environmental, social and corporate governance policies and rules, as well as internal codes of conduct, is entrusted to one or several committees of the board of directors, which could be the audit committee, the appointments committee, a committee specialising in sustainability or corporate social

responsibility or any other specialised committee that the board of directors, in the exercise of its powers of self-organisation, decides to create. And that such a committee is composed solely of non-executive directors, the majority of whom are independent, and it is specifically attributed the minimum functions indicated in the following recommendation.

Cumple  Cumple parcialmente  Explique  No aplicable

54. That the minimum functions referred to in the above recommendation are as follows:

- a) Overseeing compliance with the company's corporate governance rules and with the internal codes of conduct, and ensuring that the corporate culture is aligned with the purpose and values thereof.
- b) The supervision of the application of the general policy regarding the communication of economic-financial, non-financial and corporate information as well as communication with shareholders and investors, proxy advisors and other stakeholders. The way in which the entity communicates and interacts with small and medium-sized shareholders will also be monitored.
- c) The periodic review and evaluation of the corporate governance system and of the company's environmental and social policy, so that they fulfil their mission of promoting the interests of society and take into account, where appropriate, the legitimate interests of other stakeholders.
- d) Monitoring that the company's environmental and social practices are in line with the strategy and policy established.
- e) Monitoring and evaluation of stakeholder engagement processes.

Cumple  Cumple parcialmente  Explique

55. That the sustainability policies on environmental and social issues identify and include, as a minimum:

- a) The principles, commitments, objectives and strategy with regard to shareholders, employees, customers, suppliers, social issues, the environment, diversity, fiscal responsibility, respect for human rights and prevention of corruption and other illegal conduct.
- b) Methods or systems for monitoring compliance with policies, associated risks and their management.
- c) The mechanisms for monitoring non-financial risk, including those related to ethical and business conduct issues.
- d) The channels of communication, participation and dialogue with stakeholders.
- e) Responsible communication practices that avoid manipulation of information and protect integrity and honour.

Cumple  Cumple parcialmente  Explique

56. Directors' remuneration should be set at the necessary levels to attract and retain directors with the desired profile, and to reward the dedication, qualifications and responsibility required by their office, but it should not be set so high as to compromise the independence of non-executive directors.

Cumple  Explique

57. Variable remuneration linked to the company's results and personal performance should be confined to the executive directors, as should remuneration systems based on the allocation of shares, options or rights over shares or other instruments linked to the share price, and long-term savings systems such as pension plans or retirement and other prudential schemes.

Share-based remuneration may be considered for non-executive directors subject to the condition that any securities delivered by held until the director concerned leaves office. This condition shall not apply to any securities which the board member concerned may need to dispose of, where applicable, to settle acquisition costs.

**Cumple**       **Cumple parcialmente**       **Explique**

58. In the case of variable pay, remuneration policies should establish the necessary limits and technical precautions to ensure that such rewards relate to the professional performance of beneficiaries and do not accrue merely as a result of the general evolution of the markets, the industry in which the company operates or other similar circumstances.

In particular, variable pay components should:

- a) Be linked to predetermined, measurable performance criteria, and such criteria should take into account the risks assumed to obtain results.
- b) Promote the sustainability of the company and include non-financial criteria related to long-run value creation, as well as compliance with the company's internal rules and procedures, and with its risk control and management policies.
- c) Be structured on the basis of balance between the attainment of objectives in the short, medium and long term, so as to remunerate ongoing success and performance over a sufficient period of time to appreciate the contribution made to the sustainable creation of value and ensure that the performance variables measured do not refer only to one-off, occasional or extraordinary events.

**Cumple**       **Cumple parcialmente**       **Explique**       **No aplicable**

59. **That** the payment of variable components of remuneration **are** subject to sufficient verification that performance or other pre-established conditions have been effectively met. Institutions **will** include in the annual directors' remuneration report the criteria as to the time required and methods for such verification depending on the nature and characteristics of each variable component.

In addition, institutions are assessing the establishment of a "malus" clause based on the deferral for a sufficient period of time of the payment of a part of the variable components involving their total or partial loss in the event that an event occurs prior to the time of payment that makes this advisable .

**Cumple**       **Cumple parcialmente**       **Explique**       **No aplicable**

60. Compensation that is tied to the company's earnings should take into account the qualifications, if any, contained in the external auditor's report where the same reduce earnings.

**Cumple**       **Cumple parcialmente**       **Explique**       **No aplicable**

61. A relevant percentage of the variable remuneration paid to executive directors should be linked to the delivery of shares or financial instruments indexed to the share price.

**Cumple**       **Cumple parcialmente**       **Explique**       **No aplicable**

62. That once the financial instruments, options or shares corresponding to the remuneration systems have been allocated, executive directors may not transfer ownership or exercise such rights until at least three years have elapsed.

An exception is made where the director, at the time of the transfer or exercise, has a net financial exposure to changes in the share price of a market value equivalent to an amount of at least twice his/her annual fixed remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to shares that the director needs to dispose of in order to meet the costs related to their acquisition or, subject to the favourable opinion of the appointments and remuneration committee, to deal with any extraordinary situations that so require.

**Cumple**       **Cumple parcialmente**       **Explique**       **No aplicable**

63. Contractual agreements with directors should include a clause allowing the company to claim reimbursement of variable remuneration items where payment was not in line with the performance conditions established, or where payment was made in view of data later found to be inaccurate.

**Cumple**       **Cumple parcialmente**       **Explique**       **No aplicable**

64. Severance payments made on the termination of contracts should not exceed two years' total annual remuneration, and they should not be made until the company has been able to verify that the director concerned fulfils the performance criteria established.

For the purposes of this recommendation, contractual cancellation or termination payments include any payments whose accrual or payment obligation arises as a result of or in connection with the termination of the director's contractual relationship with the company, including amounts not previously vested in long-term savings schemes and amounts paid under post-contractual non-competition agreements.

**Cumple**       **Cumple parcialmente**       **Explique**       **No aplicable**

## H

## OTHER MATTERS OF INTEREST

**1. Briefly describe any other relevant corporate governance matters in the company or its group entities that are not considered in the preceding sections of this report and require inclusion to complete the reasoned information offered on the governance structure and practices of the entity and its group.**

**2. You may also include in this section any other information, clarification or qualification related with the preceding sections of this report, to the extent that such explanations are not repetitious.**

Specifically, state whether the company is subject to any corporate governance legislation other than Spanish law and, where applicable, include any information that you are under the obligation to provide other than that required in this report.

**3. The company may also state whether it has voluntarily adhered to any other international, industry or other ethical or best practice codes. Indicate the code in question and the date of adhesion, where applicable. In particular, you should mention whether the company has adhered to the Code of Best Tax Practice of 20 July 2010.**

## H.1

Neinor Homes is fully aware of its significance as a business, institutional and social reality and as a benchmark company in the area of residential development in Spain, and in this light it cannot ignore the importance of conducting its entire business with the maximum diligence in terms of Good Governance, ethics and transparency.

We consider it necessary to provide the following information to ensure a proper understanding of the company from a Good Governance standpoint, and of the efforts it has made to progress in this area.

Neinor Homes relies principally on its own proprietary Code of Conduct, which sets out the main mandatory guidelines and criteria governing the conduct of all Neinor Homes employees. This code is communicated to and acknowledged by all employees on an annual basis.

According to the previous paragraph, then, Neinor Homes' Corporate Governance rules are established in its Corporate Bylaws, in the Regulations of the Board of Directors and the General Shareholders Meeting, in the Regulations of all of the Board Committees, in the Internal Regulations Governing Conduct in the Securities Markets, all of which have been duly approved by the Board of Directors and have applied since the first day's trading of the company's shares on the Spanish Stock Exchanges.

In this connection, Neinor Homes has prepared a series of mandatory policies and regulations monitored by the integrated control system and designed to underpin and provide support in matters of Good Governance for the regulations of its Governing Bodies, some of which are published online in the corporate website:

- Code of Conduct for third parties.
- Conflict of interest and related parties transactions.
- Code of best practices in the real estate mediation services.
- Crime Prevention System.
- Director selection policy.
- Tax policy.
- Compliance Handbook.
- Internal Audit Handbook.
- Policy on provision of non-audit services.
- Employment policy for former employees of the Company's auditor.
- Electronic shareholder forum operating rules.
- Risk management policy.
- Equality policy.
- Corporate Governance policy.
- Corporate Social Responsibility policy.
- Shareholder communication policy.
- Remuneration policy for the member of the Board of Directors.

- Quality, environment and innovation policy.
- Treasury shares policy.
- Financing and investment policy.
- Internal code of conduct in security markets.
- General economic, financial and corporate communication policy.

We would also stress that the company's Board of Directors has given much thought since the day of its incorporation to its relations with all stakeholder groups in its role as a leader in the transformation that we are determined to effect in the real estate sector, eschewing a narrow focus on the shareholders and the financial community. We have implemented numerous initiatives and measures which we wish to see reflected in our way of doing business, and which we trust will benefit our human team, our suppliers, our customers, the environment, the regulatory authorities, the media and society in general, including:

1. **Ongoing Internal Control and Risk Management Model.** The quality certification (ISO 9001) repeatedly considers the company's risk management as one of its most significant strengths. On the same lines, also this year, risk management due to Covid-19 and its impact on all the company's operations has been considered to be one of the best practices in the company's management. See section F.

2. **Continuous Corporate Governance Advancement System,** resting basically on the following to pillars:

- The company has created a continuous tracking and monitoring system to assess progress with its goal of continuous improvement in non-financial projects in the areas of environment, innovation, etc.
  - The company has implemented a Continuous Good Governance Management System to monitor good governance activities over the course of the year. For this purpose it has made an in-depth analysis of both Spanish and international regulations, establishing the obligatory activities that must be included in the agenda of the Board and of each Committee, and it prepares annual diagnoses of compliance with the recommendations of the CUBG, LSC, new Spanish Audit Act, and best international practices (King IV, Federal Sentencing Guidelines, etc.).
3. **White Book.** Neinor Homes has created the first residential sector White Book, consisting of a design and construction manual that seeks to standardize the quality, sustainability and design parameters defining all real estate developments. The White Book systematizes and details all of the processes required throughout the lifecycle of Neinor Homes' products so that both architects and builders are able to apply the relevant parameters to the high standards defined by the company.
4. **Certificación BREEAM.** We are the residential developer in Spain with the highest number of BREEAM certifications. BREEAM promotes sustainable construction that results in economic, environmental and social benefits for everyone involved in the life of a building (tenants, users, developers, owners, managers, etc.) while at the same time conveying the company's Corporate Social Responsibility to society and to the market in an unequivocal and easily perceptible way.
5. **Certification of Neinor Homes' integrated management system. The company holds the following certificates: Quality Management (ISO 9001), Environmental Management (ISO 14001), R&D Management (UNE 166002) and Information Security Management (ISO 27001). All of these certificates were obtained in prior years and have been renewed in 2018. Neinor Homes is the first new cycle real estate developer to obtain these four certificates.**
6. Preparation of the Corporate Social Responsibility report based on GRI standards, **publicly reflecting the resources applied and efforts made by the company in the field of corporate responsibility. The report includes a materiality analysis, which is highly valuable from a strategic standpoint because it focuses on those corporate, environmental and economic issues that are most relevant to the company's business and that most influence stakeholder value creation.**

It also reveals the enormous opportunity offered by the transformation and consolidation of the real estate sector in terms of the generation of sustainable value for all interested parties. Our principal objective is to generate margins and returns in line with the development and risks assumed, building homes for people, establishing stable relations with our suppliers and increasing value for our employees.

We also wish to make clear that Neinor Homes is fully committed to sustainability and its impact on our society, and although it is not directly subject to the Law on non-financial and diversity reporting approved on 13 December 2018, the company fully complies with its provisions and publishes a sustainability report in line with old disclosure requirements contained in the new legislation. The integrity and accuracy of this report is further verified in a review carried out by an independent third party.

## H.2

Neinor Homes adheres to the Code of Best Tax Practice promoted by the Spanish Large Companies Forum and Tax Service, which was first approved by the Board on 26 July 2017, and it is careful to comply with its provisions.

This annual corporate governance report was approved by the company's board of directors at its meeting held on 24 February 2021.

State whether any directors voted against the approval of this Report or abstained.

Sí

No

Names of directors who did not vote in favour of approving this report	Type of vote (against, abstention, absence)	Explain the reasons

## **Neinor Homes, S.A.**

Auditor's report on "Information relating to the internal control over financial reporting (ICFR)" of Neinor Homes, S.A. for the year ended 31 December 2020

February 24, 2021

*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

**AUDITOR'S REPORT ON "INFORMATION RELATING TO THE INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF NEINOR HOMES, S.A., FOR THE YEAR ENDED 31 DECEMBER 2020**

To the Directors of Neinor Homes, S.A.:

At the request of the Board of Neinor Homes, S.A. (hereinafter the Company), and in accordance with our proposal dated October 21, 2020 we applied certain procedures to the accompanying "ICFR related information" included in section F) of the Annual Corporate Governance Report for Neinor Homes, S.A., for the year ended 31 December 2020, which summarizes the Company's internal control procedures regarding annual financial information.

The Board of Directors is responsible for adopting the necessary measures to reasonably ensure the implementation, maintenance, supervision, and improvement of a correct internal control system, as well as preparing and establishing the content of all the related accompanying ICFR related information included in section F) of the Annual Corporate Governance Report.

It is worth nothing that apart from the quality of design and operability of the Company's internal control system as far as annual financial reporting is concerned, it only provides a reasonable, rather than absolute, degree of security regarding its objectives due to the inherent limitations to the internal control system as a whole.

Throughout the course of our audit work on the consolidated financial statements, and in conformity with Technical Auditing Standards, the sole purpose of our evaluation of Neinor Homes, S.A. and Subsidiaries' (the Group) internal control system was to establish the scope, nature, and timing of the audit procedures performed on its consolidated financial statements. Therefore, our internal control assessment performed for the audit of the aforementioned financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial information.

For the purpose of issuing this report, we exclusively applied the specific procedures described below and indicated in the *Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting on Listed Companies*, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Given that the scope of the abovementioned procedures performed was limited and substantially less than that of an audit carried out in accordance with generally accepted accounting principles, we have not expressed an opinion regarding its efficacy, design, or operational effectiveness regarding the Group's financial data for the year ended 31 December 2020 described in the accompanying ICFR information included in section F) of the Annual Corporate Governance Report. Consequently, had we applied additional procedures to those established by the Guidelines mentioned above or had we carried out an audit or a review of the internal control over the regulated annual financial reporting information, other matters have been disclosed which would have been reported to you.

Likewise, since this special engagement does not constitute an audit of the financial statements or a review in accordance with the Spanish Audit Law, we do not express an audit opinion in the terms provided for therein.

The following procedures were applied:

1. Reading and understanding the information prepared by the Company in relation to the ICFR –as disclosed in the Directors' Report- and the evaluation of whether such information includes all the information required as per the minimum content set out in Section F regarding the description of the ICFR, in the model of Annual Corporate Governance Report, as established in Circular nº 5/2013 of the National Securities Market Commission dated June 12, 2013, and subsequent amendments, the most recent being CNMV Circular 1/2020, of 6 October (“the CNMV Circulars”).
2. Making enquiries of personnel in charge of preparing the information described in point 1 above in order to: (i) obtain an understanding of its preparation process; (ii) obtain information making it possible to evaluate whether the terminology employed is in line with reference framework definitions (iii) gather information regarding whether the described control procedures are implemented and functioning within the Group.
3. Review the explanatory documentation supporting the information described in section 1 above, which should basically include everything directly provided to those in charge of preparing the descriptive ICFR information. This documentation includes reports prepared by the Internal Audit Department, senior management, and other internal and external experts in their role supporting the Audit Committee.
4. Comparison of the information contained in section 1 above with the Group's ICFR knowledge obtained as a result of performing the procedures within the framework of auditing the consolidated financial statements.
5. Reading the minutes of the Board Meetings, Audit Committee, and other committees of the Group, for the purposes of evaluating the consistency between the matters dealt with therein in relation to the ICFR and the information described in section 1 above.
6. Obtaining a representation letter concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in section 1 above.

As a result of the procedures applied on the Neinor Homes, S.A. and Subsidiaries' ICFR related information, no inconsistencies or incidents have come to our attention which might affect it.

This report has been prepared exclusively within the framework of the requirements of article 540 of the revised Spanish Companies Act and “the Circulars of the NMSC”, for the purposes of describing the ICFR in Annual Corporate Governance Reports.

DELOITTE, S.L.



Iñigo Úrculo  
February 24, 2021