

# STANDARD OF CONFLICT OF INTEREST AND RELATED PARTY TRANSACTIONS

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**Neinor**  
HOMES

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<b>Revision control</b>		
<b>Revision</b>	<b>Date*</b>	<b>Description of modifications</b>
1.00	15/07/2015	Initial version of the Policy
1.01	06/09/2015	Minor amendments
1.02	28/02/2018	Clarification of scope and definition of responsible parties. Incorporation of the Monitoring and Control Committee into the operations review process
1.03	23/02/2022	Changes in the regime of related-party and intragroup transactions of the Capital Companies Law

\* Date of the Committee at which the procedure is presented for approval

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## 1. Introduction

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The purpose of this Standard of Conflict of Interest and Related Party Transactions (hereinafter, the “**Standard**”) is to set out the criteria and procedures for the approval of Related Party Transactions by Neinor Homes (hereinafter, “**Neinor Homes**” or the “**Company**”) and the entities of its group (the “**Neinor Group**” or the “**Group**”).

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## 2. Definitions

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For the purpose of this Standard the below terms will be defined as follows:

**ACC:** Audit and Control Committee of the Board of Directors of Neinor Homes, S.A.

**Directors:** Members of the Board of Directors of Neinor.

**Group:** The Company and its Subsidiaries.

**General Shareholders’ Meeting:** Neinor’s General Shareholders’ Meeting.

**Related Party Transactions or Transactions:** Any transaction between the Company or its Group Subsidiaries with Related Parties<sup>1</sup>.

**Liable Parties:** (i) Directors of the Company; (ii) directors and managers of Subsidiary Companies; and (iii) persons who are considered key personnel of the organization (such as department heads and any person who has access to inside information or who works with external third parties who receive this information for the performance of their duties<sup>2</sup>).

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<sup>1</sup> Annex I of this Policy contains, for purely illustrative purposes, a list of examples of what may be considered Related Party Transactions in accordance with Order EHA/3050/2004.

<sup>2</sup> According to Article 7 of EU Regulation 596/2014 of the European Parliament and of the Council of 16 April 2014 on Market Abuse, inside information is considered to be any information of a precise nature relating directly or indirectly to one or more transferable securities or financial instruments, or to one or more issuers of the aforementioned transferable securities or financial instruments,

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**Related Parties:** The following shall be considered as such:

- The Company's Directors;
- Shareholders holding 10% or more of the voting rights or represented on the Board of Directors of the Company,
- any other persons who are to be considered related parties in accordance with International Accounting Standards, adopted pursuant to Regulation (CE) 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards<sup>3</sup>;
- directors of Subsidiary Companies
- Persons related to Directors and directors of Subsidiaries in accordance with the applicable regulations<sup>4</sup>.

**Subsidiary Companies:** shall be considered as such those of which the Company is the controlling (directly or indirectly) company at any given time in accordance with the provisions of Article 42 of the Code of Commerce.

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### 3. Scope

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This Standard applies to Liable Parties and its provisions shall be applied as part of the process of reviewing, approving, extension or renewal, executing and, if applicable, publication of the Group's Related Party Transactions.

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## 4. Requirements for approving and executing a Related Party Transaction

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### 4.1. Procedure for approving and executing a Related Party Transaction

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which has not been made public and which, if it were or had been made public, could influence or would have influenced to an appreciable extent their price on a market or organized trading system.

<sup>3</sup> At the date of approval of this Policy, such standard is International Accounting Standard 24 *Related Party Disclosures*, which is extracted for illustrative purposes in **Annex II**.

<sup>4</sup> Currently, Article 231 of the Capital Companies Act, which is included as **Annex III**.

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#### **4.1.1. Mandatory requirements**

- i. Related Party Transactions must in all cases be approved by the Board of Directors, except when the Law reserves its approval to the General Shareholders' Meeting, and without prejudice to the power of the Board of Directors to delegate its approval in accordance with the regulations in force.
- ii. Liable Parties of Neinor Homes affected by the potential conflict of interest shall refrain from participating and/or attending in the approval and/or execution of any Related Party Transaction.  
A conflict of interest is defined as a situation in which there is a relationship of opposition, contradiction or incompatibility between interests belonging to different subjects, such as the interests of the administrators, on the one hand, and the interests of the managed company, on the other.
- iii. Liable Parties shall report and supply documentary evidence to the Governance, Risk and Compliance Direction of Neinor Homes of any Related Party Transactions that may be identified during the performance of their duties at Neinor Homes.
- iv. Related party Transactions shall be carried out in objective circumstances at open market value and shall be justified as being in the general interest of Neinor Homes and its shareholders<sup>5</sup>.
- v. Transactions in Subsidiary Companies with Persons Related to directors of Subsidiary Companies shall be additionally approved in accordance with the provisions of the applicable corporate regulations.

#### **4.1.2. Transactions requiring the approval of the General Shareholders' Meeting**

The General Shareholders' Meeting must approve Related Party Transactions whose amount or value is equal to or exceeds 10% of the total asset items according to the last annual balance sheet approved by the Company.

#### **4.1.3. Transactions requiring the approval of the Board of Directors**

All Related Party Transactions not subject to approval by the General Shareholders' Meeting must be approved by Neinor's Board of Directors.

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<sup>5</sup> The concept of open market value shall be understood as "that that would have been agreed by independent entities or people under condition of fair competition".

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Justification of the proposed Related Party Transaction must be documented by the corresponding Liable Party. Any valuations relating to open market value must be supported by relevant documentation. The use of an independent expert may be required depending on the circumstances.

The Board of Directors may delegate the approval of Related Party Transactions not reserved for the approval of the General Shareholders' Meeting that meet the following conditions:

- a. Transactions between Group companies that are carried out on market conditions or within the scope of ordinary management; or
- b. Transactions entered into under standardized conditions that have been applied to many other customers, are carried out at prices or rates generally established by whoever acts as supplier of the good or service in question and whose amount does not exceed 0.5% of the net amount of the Company's turnover.

#### **4.1.4. Procedure for approval of Related Party Transactions**

1. When Liable Parties of the Group are aware of a potential Related Party Transaction they shall inform the Governance, Risk and Compliance Direction as soon as they become aware of the Transaction.

If upon review, the transaction is deemed to be a Related Party Transaction, the Liable Party involved shall prepare a written report addressed to the Governance, Risk and Compliance Direction to justify that the Transaction is carried out under market circumstances and respects the principle of equal treatment between shareholders.

2. After the analysis of the Transaction report by the Governance, Risk and Compliance and Internal Audit Direction, this Direction shall analyze and carry out the appropriate reviews of the Transaction and shall prepare the corresponding report (which may endorse the report of the Responsible Party or prepare a different one) and shall proceed to approve the Transaction if the conditions for its delegated approval are met, or shall submit the Transaction to the ACC as provided in the following point.

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3. Likewise, the Related Party Transaction must be reported by means of a report to the ACC unless it is a Transaction that may be delegated by the Board and its approval has actually been delegated, in which case the provisions of the following section shall apply. The report will form part of the papers provided to the ACC for discussion.
4. The ACC shall evaluate the Transaction, analyzing whether it is fair and reasonable from the point of view of the Company and, if applicable, from the point of view of the shareholders other than the Related Party, giving an account of the assumptions on which the evaluation is based and the methods used. If appropriate, it may request reports from independent experts. When a Transaction might affect the equal treatment of shareholders, paragraph 4.1.4 shall be referred to.
5. Once the approval of the ACC has been received, the Transaction shall be submitted to the Board of Directors or the General Shareholders' Meeting for review and approval, in accordance with the regulations in force. If the Related Party is a Director (or a person related to a Director), he/she must withdraw from the decision-making process at the Board meeting that decides on the Transaction.
6. Operations whose approval has been delegated shall not require a prior report from the ACC. However, the Board of Directors shall establish the following internal reporting and periodic control procedure in relation to such transactions, with the intervention of the ACC, to verify the fairness and transparency of such transactions and, if applicable, compliance with the applicable legal criteria:
  - (i) The Governance, Risk and Compliance Direction as the body responsible for monitoring all Related Party Transactions shall prepare a report on the number, nature and amounts of such Related Party Transactions;
  - (ii) The Governance, Risk and Compliance Direction shall send, as often as requested by the ACC and in any case on an annual basis when reviewing the financial information, a report presenting in aggregate form the Transactions approved under the powers delegated by the Board;
  - (iii) The CAC shall analyze said report from the Governance, Risk and Compliance Direction and shall submit to the Board the appropriate annual



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report on its supervision and control functions regarding delegated Related Party Transactions.

The Audit and Control Committee may request clarifications about a certain Transaction and/or require further documentation in order to evaluate whether the Transaction has been performed in accordance with the approved terms.

#### **4.1.5. Application of equal treatment for conflicts between interested shareholders**

In order to ensure equal treatment between Neinor Homes shareholders regarding business opportunities that may be identified, guidelines shall be established for the event that more than one significant shareholder may be interested in acting as supplier/service provider of such business opportunity, with regard to the corporate activities performed by such shareholders.

In the event that Neinor Homes is interested in the purchase of any good/transfer of any assets and/or the provision of any service and there is more than one significant shareholder interested, the following procedures shall be followed:

- i. If one significant shareholder interested on said business opportunity is informed about it, all shareholders must be informed as well.
- ii. If the selection of a service provider is performed through an auction procedure, all interested shareholders shall be invited to attend the auction.
- iii. In the selection process of the supplier, the interests of Neinor Homes will always prevail over any other.

#### **4.2. Reporting Obligations**

Neinor Homes shall publicly announce Related Party Transactions that are subject to publication in accordance with the corporate and securities market regulations in force at any given time.

Additionally and notwithstanding, the obligations arising from the tax regulation<sup>6</sup>, Neinor Homes shall report transactions carried out with related parties in its annual report. Neinor Homes annual accounts shall include detail in its annual reports in accordance with the

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<sup>6</sup> The legislation includes some exceptions to the duty of information (i) on the transactions between companies or entities of one consolidated group, provided they had been the object of elimination in the consolidated financial information elaboration process and are part of the customary traffic of the companies or entities as regards their objective and conditions and (ii) in the case of transactions that, as part of the ordinary business or traffic of the company, are carried out under normal market conditions and are of little significance, with these being understood to be those whose information is not required to express a true image of the property, financial situation and results of the entity.

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requirements set out in the International Financial Reporting Standards (IFRS).

The Audit and Control Committee shall, as part of its duties, monitor the process for drafting such information, together with the integrity of the information regarding this matter, ensuring compliance with relevant regulatory requirements.

[Appendix IV](#) includes a brief description of the relevant legislation that regulates current obligations for reporting on Related Party Transactions.

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## **Appendix I. Examples of related party transactions according to Order EHA 3050/2004**

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- i. Sales transactions: purchases or sales of goods, finished or unfinished; purchases or sales of assets, whether tangible, intangible or financial.
- ii. Collaboration or management transactions: rendering or receiving of services; collaboration agreements; management contracts; transfers of research and development; license agreements.
- iii. Corporate or remuneration transactions: dividend payments and other profit distributions; remuneration and compensations; contributions to life insurance and pension plans; contributions to compensate with in-house financial tools (option right plans, convertible bonds, etc.) and commitments for sale options or other tools that might involve a transfer of resources or obligations between the company and the related party

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## **Appendix II. International Accounting Standard 24 (extract)**

**Related party** is a person or entity related to the entity that prepares its financial statements (referred to in this standard as a "reporting entity").

- (a) A person or a close relative of such a person is related to a reporting entity if:
- i. exercises control or joint control of the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is key management personnel of the reporting entity or its parent.
- (b) An entity is related to a reporting entity if any of the following conditions are met:
- i. The entity and the reporting entity are members of the same group (meaning that each parent, subsidiary and other subsidiaries are related to each other).
  - ii. An entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group to which the other entity belongs).
  - iii. Both entities are joint ventures of the same third party.
  - iv. One entity is a joint venture of a third party entity and the other entity is an associate of the third party entity.
  - v. The entity is a post-employment benefit plan for employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity itself is such a plan, the sponsoring employers are also related to the reporting entity.
  - vi. Any of the persons in assumption (a) exercises control or joint control of the entity.
  - vii. Any of the persons in assumption (a)(i) has significant influence over the entity or is a key management personnel of the entity (or its parent). IAS 24 January 2015 3
  - viii. The entity, or any member of the group to which it belongs, provides key management personnel services to the reporting entity or the reporting entity's parent.

**Related party transaction** is any transfer of resources, services or obligations between a reporting entity and a related party, whether or not a price is charged.

**Close relatives of an individual** are those family members who might influence, or be influenced by, that individual in their dealings with the entity. These may include:

- (a) children and the spouse, or person in a similar relationship, of that person;
- (b) children of the spouse, or person in a similar relationship, of that person; and
- (c) dependents or dependants of the spouse, or person in a similar relationship.

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**Appendix III. Persons related to the directors in accordance with Article 231 of the Capital Companies Act.**

1. For the purposes of the preceding articles, directors' affiliates shall be the persons listed below:
  - a) The director's spouse or persons with an analogous relationship.
  - b) The director's or his/her spouse's parents, children and siblings.
  - c) The spouses of the director's parents, children and siblings.
  - d) Companies or entities in which the director holds directly or indirectly, even through an intermediary, a shareholding that gives him significant influence or holds a position in the administrative body or in senior management in them or in their parent company. For these purposes, any shareholding equal to or greater than 10% of the share capital or of the voting rights or by virtue of which it has been possible to obtain, de jure or de facto, a representation in the administrative body of the company is presumed to confer significant influence.
  - e) The shareholders represented by the director in the administrative body.
2. When directors are bodies corporate, their affiliates shall be the persons listed below:
  - a) Shareholders who are affiliated with such body corporate in any of the manners described in article 42, paragraph one of the commercial code.
  - b) De jure or de facto directors, liquidators, and attorneys with general powers of attorney in the company's body corporate director.
  - c) Companies forming part of the same group and their partners or shareholders.
  - d) Persons who, pursuant to the provisions of the preceding paragraph, qualify as affiliates in respect of the above body corporate's representative.

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## **Appendix IV. Summary of Disclosure Obligations**

### **4.1. Company Information**

#### **Article 529 unvicies TRLSC: Publication of information on related party transactions.**

1. Neinor Homes shall publicly announce, at the latest at the time of their conclusion, the related party transactions carried out by it or companies of its group and which reach or exceed:

- a) 5 per cent of the total asset items or.
- b) 2.5% of the annual amount of the annual turnover.

2. The announcement shall be inserted in an easily accessible place on the company's website and shall be communicated to the National Securities Market Commission for its public dissemination.

3. The announcement shall be accompanied by the report of the audit committee referred to in Article 529 duovicies.3 and shall include, at least, the following information:

- a) information on the nature of the transaction and of the relationship with the related party,
- b) the identity of the related party,
- c) the date and the value or amount of the consideration for the transaction, and
- d) such other information as is necessary to assess whether the transaction is fair and reasonable from the point of view of the company and the shareholders who are not related parties.

Article 229.3 (*in fine*) y 260 seventh of the Capital Companies Act:

The situations of conflict of interest in which the administrators incur shall be the subject of information in the report referred to in Article 259. In addition, it shall contain the significant transactions between the Company and third parties related to it, indicating the nature of the relationship, the amount and any other information about the transactions, which is necessary for the determination of the Company's financial situation.

### **4.2. Annual Corporate Governance Information**

#### **Article 540.4 d) of the Capital Companies Act.**

The minimum content of the annual report on the corporate governance of listed companies

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shall include, in all cases, the Company's Related Party Transactions with its shareholders and its directors and officers and intra-group transactions.

#### **4.3. Periodic financial information**

Regulatory framework: Article 119 TRLMV.

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