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Annual Report 2022: Conflict of Interest and Related Party Transactions



Neinor
H O M E S

Neinor Homes, SA.; Governance, Risk and Compliance, Internal Audit & ESG
Castellana, 20; 5th Floor; 28046 Madrid; Tel: 912 875 130

Neinor Homes Conflict of Interest and Related Party Transactions

As established in the Spanish Companies Act¹ and in the internal regulations² of Neinor Homes, the Audit and Control Committee must analyze, among other matters, transactions with related parties carried out by Neinor Homes, in order to submit them to the Board of Directors for approval. Some of them, due to their materiality and at the discretion of the ACC and the Head of GRC, have been requested and have been submitted for approval together with the corresponding ad hoc report on them.

It should be noted that this year we have updated our Conflict of interest and related parties' transactions policy (published on the company's website) to incorporate the changes established by the Capital Companies Act.

By way of summary, the policy establishes that the AGM must approve transactions whose amount is equal to or exceeds 10% of the total asset items. The rest must be approved by the Board of Directors, which may delegate to the GRC Direction the approval of intercompany transactions and transactions whose amount does not exceed 0.5% of the net amount of the Company's turnover, which will be reported to the Board on an annual basis.

As regards the approval procedure, when a possible transaction with related parties becomes known, the GRC Direction must be informed and will review it and if it considers it to be so, the responsible party must prepare a report addressed to GRC which, after analyzing and reviewing the transaction, will prepare a report and proceed to approve the transaction (if delegated) or will submit it to the Audit and Control Committee for approval and presentation to the Board of Directors.

Model background

- The **Standard of conflict of interest and related party transactions** was approved by the Board of Directors on July 15, 2015, and was last modified on February 23, 2022. It is published on the corporate website.
- The **procedure** works as follows:
 - **Continuous communication channel** for related party transactions and conflict of interest.
 - **Every transaction reported is analyzed, recorded and documented** and either approved or denied by GRC Direction.
 - **The approval is shared with the one concerned** through a written authorization.
 - **Denied transactions with a material fee or those that requires a final decision are submitted to the Audit and Control Committee** with an executive report of the transaction.
 - **Records with all the Conflicts of Interests and Related Party Transactions are kept** by the Governance, Risk and Compliance Direction.
 - The **Audit and Control Committee is informed annually** of conflicts of interest and related party transactions.
 - **Annually a letter is sent to the Board Members for them to sign** to confirm that they have not been exposed to any conflict of interest nor have participated or have knowledge of any related party transactions.
 - **Analysis of the invoicing received or carried out with companies related** to the board of directors or the management directors.
 - **Training for all employees** on conflicts of interest and related parties included in the annual mandatory Ethics, Compliance and Sustainability training.

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❖ Transactions carried out during 2022

- a** 2 transactions of asset purchasing by related parties to Neinor employees or staff → Checked market prices, not below business plan. ERP prices unaltered, nor any discount applied over recorded prices. **Authorized transaction, analyzed and recorded by GRC Area.**
- b** 2 preferential treatment transactions carried out by an employee → Situations that arose prior to the merger with Quabit. Once detected, **the GRC area opened an internal investigation process, and the Territorial Director was given a warning.**
- c** 1 transaction of asset purchasing by the external sale force or by the related parties of external sales force company of Neinor Homes → Checked sale price is adequate with market price. The established order selection of properties has been respected by the sales force company. **Authorized transaction, analyzed and recorded by GRC Area. Also provided training and instructions on the procedures to the Company's sales force by GRC Area.**

❖ Transactions analyzed but not carried out in 2022

- d** 1 transaction analyzed not carried out →
 - In a development inherited from Quabit, **some executives and people related to Quabit** intended to acquire a property in Son Parc (Menorca) at below market prices, being a total of 7 assets committed for which they had signed a reservation. **Analyzed and recorded by GRC Area but not reported to the ACC because it was decided internally to terminate all the contracts.**

❖ Transactions not analyzed carried out during 2022

- e** 1 transaction of asset purchasing by related parties to Neinor Homes → Acquisition of a home in Sevilla Homes by one of the architects of the architectural firm (Eddea) of such development. Checked sale price is adequate with market price. Allowed her to make modifications to her home during the construction phase. **The GRC area has notified all parties of the need to report this type of transaction.**

❖ Transactions not analyzed and not carried out in 2022

- f** 1 transaction of asset purchasing by the external sale force or by the related parties of external sales force company of Neinor Homes → Our Real Estate Agent (Proel Consultores) reserved a property in the 'Quintas Homes I' development without having informed GRC or the commercial manager. **The GRC area has notified them of the need to report this type of transaction. The contract was terminated and Proel Consultores was given a warning.**

¹ The regulation referred to is Article 529 ter and Article 529 quaterdecies of Royal Legislative Decree 1/2010, of July 2nd, approving the consolidated text of the Spanish Companies Act.

² The internal regulations referred to are Regulations of the Board of Directors (Article 5.4.xvi), Audit and Control Committee Charter (Article 10.c) and Standard of Conflict of Interest and Related Party Transactions.

Neinor Homes Conflict of Interest and Related Party Transactions. Details of 2022

(Transactions carried out during 2022)

a 2 transactions of asset purchasing by **related parties to Neinor employees or staff**

One purchasing transaction of a Servicing asset performed by the sister-in-law of a commercial manager of Neinor Homes and another purchasing transaction in Bonaire Homes performed by the son of a commercial manager of Neinor Homes.

It was checked that the prices were the same as those of the sales rate loaded in the ERP, with no discounts or commissions. The GRC Area approved the transactions.

b 2 preferential treatment transactions carried out by an **employee**

The Territorial Director of Castilla-La Mancha:

- Benefited a PRP by carrying out certain procedures that have brought him advantageous conditions at the time of delivery of the dwelling, such as giving him the keys of the dwelling before he had deeded it.
- Modified the distribution of the house acquired by his daughter, as well as the construction materials used.

These situations arose prior to the merger with Quabit. Once they were detected, the GRC area opened an internal investigation process, and the Territorial Director was given a warning.

c 1 transaction of asset purchasing by the **external sale force or by the related parties of external sales force company of Neinor Homes**

One purchasing transaction performed by external sale force:

- A Real Estate Agent interested on purchasing an asset from Servicing.

It has been checked that the purchase price was adequate and that ERP prices had not been modified nor any discount applied over recorded prices. GRC Area has approved the transaction.

(Transactions analyzed but not carried out in 2022)

d 1 transaction analyzed not carried out

We are referring to one transaction analyzed but not carried out:

- In a development inherited from Quabit, **some executives and people related to Quabit** intended to acquire a property in Son Parc (Menorca) at below market prices, being a total of 7 assets committed for which they had signed a reservation.

The GRC Area verified the convenience of the transaction and its characteristics and reflected it all into a report that was finally not presented to the ACC because, seeing that with those prices the project was not viable, it was decided internally to terminate all the contracts. All 7 sales have been resolved without penalty and we have resumed the project with updated sales prices.

(Transactions not analyzed carried out during 2022)

e 1 transaction of asset purchasing by **related parties to Neinor Homes**

One purchasing transaction in Sevilla Homes performed by one of the architects of the architectural firm (Eddea) of such development.

The acquisition of the home was not reported to the GRC Area and, because of that and for having allowed the buyer to make modifications to her home during the construction phase, has created problems with the rest of the neighbors because this is not allowed for anyone. It has been checked that the purchase price was adequate and that ERP prices had not been modified nor any discount applied over recorded prices. **The GRC Area has notified all parties of the need to report this type of transactions and has reminded the damage that this type of distinctions or favoritism towards someone can entail, and that they contaminate and cause a very negative response in the rest of the promotion.**

(Transactions not analyzed and not carried out in 2022)

f

1 transaction of asset purchasing by the **external sale force or by the related parties of external sales force company of Neinor Homes**

One purchasing transaction performed by external sale force:

- **Our Real Estate Agent (Proel Consultores)** reserved a property in the 'Quintas Homes I' development through another of our Real Estate Agents (Foro Consultores), without having informed GRC or the commercial manager, with the husband of the Proel Consultores sales agent appearing as the holder of the reservation.

Therefore, this situation was detected after the reservation was signed and notified to the GRC Area. The contract was terminated and Proel Consultores was given a warning. **The GRC Area has notified them of the need to report this type of transaction.**

Final assessment 2022

- ✓ **No conflicts of interest nor related party transactions** have materialized.
- ✓ **No major risks** regarding conflicts of interests and related party transactions within Neinor Group.
- ✓ **No transactions** have been submitted to the Audit and Control Committee for approval.