SUSTAINABLE INVESTMENT AND FINANCING POLICY

Prepared by	Reviewed by	Approved by
Financial Department	Governance, Risk and Compliance department (GRC)	Board of Directors

Control of reviews		
Review	Date*	Description of amendments
1.00	26/07/2017	First version of the Policy
1.01	05/03/2021	Reviewed version of the Policy

* Date of the committee when the procedure was presented for approval

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1. Introduction

In order to comply with one of the non-delegable powers of Boards of Directors established in the Spanish Companies Act[1], as well as comply with the principle of transparency of information to the markets, the Board of Directors of Neinor Homes S.A. (hereinafter, "NEINOR HOMES" or the "Company") has approved this Investment and Financing Policy.

This Policy is also inspired in the Green Bond Principles, the Social Bond Principles and the Sustainability Linked Bonds Principles published by the International Capital Markets Association (ICMA), and the Green Loan Principles and the Sustainability Linked Loan Principles published by the Loan Markets Association (LMA).

2. Purpose

The purpose of this document is to define the main lines of action that will mark any investment or divestment projects carried out by the Company, as well as the financing structure to undertake such operations.

NEINOR HOMES' investment and financing strategy is in line with the Company's purpose and values. Its aim is to provide efficient solutions on an economic level as well as having a positive impact through the investment of funds in activities that directly contribute to the achievement of the 2030 Agenda.

3. Scope of application

This Policy applies to investment or divestment projects and to financing transactions of all NEINOR HOMES' activities and businesses.

4. Investment and sustainable financing

In its commitment to sustainability, NEINOR HOMES promotes sustainable financing and ways of investment. The differentiating characteristic of these mechanisms is in the commitment to use the funds obtained on environmental and socially responsible activities. These are mainly linked to the development of sustainable and energy efficient projects,

[1]The regulations referred to are Article 529 ter on "Non-delegable Powers" of Royal Legislative Decree 1/2010, of 2 July, approving the revised text of the Spanish Companies Act.

which promote the use of materials, designs, technologies and construction processes that respect the environment and people, while also improving the occupants' quality of life.

Projects that are financed and/or refinanced with funds obtained through green financing instruments will be assessed based on the eligibility criteria of the standard followed. NEINOR HOMES, therefore, undertakes to use the funds for the portfolio of eligible green projects or services in the categories stipulated by these standards.

If green bonds or loans are issued, the assessment and monitoring of the eligibility criteria will be subject to external verification by an independent third party ("second party opinion"). The Company will also periodically report on the main KPIs of the results and social and environmental impact of the eligible projects. These indicators will also be subject to annual and external verification by an independent third party.

5. Definitions

The definitions of the main terms that are used throughout this Policy are given below:

- Investment project: set of coordinated activities aimed at achieving a common goal or profitability that entails a disbursement and/or allocation of resources over a period of time (e.g. buying land, building a fixed asset, acquiring a company, implementing management tools to increase productivity and/or improve efficiency, among others).
- Divestment project: set of activities associated with the withdrawal of resources when the expected return from a project has already been obtained or with the objective of recovering most of the investment made to avoid or reduce the risk of loss of profitability (e.g. sale of assets, sale of shares in a company, etc.).
- Financing: provision of funds necessary to begin or complete an investment, business or activity project, or to cover the Company's operational needs.
- Covenants: commitments and obligations that are imposed on the debtor in a financing/loan agreement, to provide protection and ensure payment of the debt contracted.
- Ramp-up period: period of time in which the rise in the Company's production is greater than the expected increases in the demand for products or their delivery. In particular, for NEINOR HOMES this would encompass the time that elapses when the development and sale of real estate is higher than the pace of delivery of finished homes to customers.

- Run-rate period: period of time in which the rhythm of production and sales/deliveries is the same. In the case of NEINOR HOMES, this is the time in which the stage of progress in the development and construction of homes is similar to the pace of delivery of homes to customers.
- Sustainable finance: incorporation of environmental, social and governance (ESG) considerations in investment and financing decision-making.
- Green bonds: bonds where the funds will only be used to partially or entirely finance or refinance eligible green projects, whether new and/or existing, aligned with the principles of the International Capital Markets Association (ICMA).
- Social bonds: bonds where the funds will only be used to partially or entirely finance or refinance eligible social projects, whether new and/or existing, aligned with the principles of the International Capital Markets Association (ICMA).
- Sustainable linked bonds: bonds in which the financial and/or structural characteristics may vary depending on whether the issuer achieves certain sustainability or predefined ESG objectives, aligned with the principles of the International Capital Markets Association (ICMA).
- Green loans: a loan where the funds will only be used to partially or entirely finance or refinance eligible green projects, whether new and/or existing, aligned with the principles of the Loan Markets Association (LMA).
- Sustainability linked loans: a loan where the funds will only be used to partially or entirely finance or refinance eligible green and social projects, whether new and/or existing, aligned with the principles of the Loan Markets Association (LMA).

6. Basic principles of action

The investment policy is based on the following principles established at corporate level in the Company:

- Efficient allocation of resources, based on strategic objectives and the profitability/risk of each project.
- Establishment of project approval and monitoring responsibilities.
- Standardisation of the criteria and methodology used in investment or divestment decisions.

- Incorporation of environmental, social and governance (ESG) criteria in investment decision-making.
- Acting in accordance with current regulations and the principles and values established in the Company's Code of Ethics.

In relation to the financing policy, optimal conditions of cost and risk will be ensured, taking into account the following principles:

- Minimisation of finance expenses and optimisation of the Company’s cash flow and balance sheet.
- Determination of appropriate risk levels, keeping the cost-risk ratio within the established limits.
- Transfer of the risk of financial variables that the Company does not want to assume to external entities specialised in their management.
- Maintenance of financial leverage and solvency ratios within the limits so that the rating remains within the parameters set at any given time by the Board of Directors or those determined by any covenants that financial entities may have imposed.
- Use of financial products under the principles of financial prudence, establishing the appropriate analysis and approval procedures.
- Documentation of all hedging transactions in accordance with the requirements established in International Financial Reporting Standards ("IFRS").
- Transparency in information regarding the financial statements of NEINOR HOMES and the risks associated with them.
- Incorporation of environmental, social and governance (ESG) criteria in financing decision-making.
- Acting in accordance with current regulations and the principles and values established in the Company's Code of Ethics.

7. Action guidelines

NEINOR HOMES’ **investment policy** is currently focused on the acquisition of real estate assets, particularly land ready for residential development and the building of multi-family dwellings, for both sale and rent, and may include any other aspect that the Company deems appropriate at a later date (e.g. acquisition of a company).

In this connection, these land purchase projects are associated with a feasibility study that is accompanied by a cash flow analysis with which the viability of the land is verified according to the parameters established by the Company, in commercial, financial, legal and urban planning terms, as well as the execution and appropriateness of the works.

For the approval of the purchase transaction, the Steering Committee performs a preliminary review of the above information for the first internal approval, although it is the Real Estate Investment Committee which, taking into account the results of the Steering Committee's analysis, the guidelines established in NEINOR HOMES and the specifications of each project, takes the final purchase decision.

After the acquisition of the land, and prior to its development, NEINOR HOMES carries out a new analysis of economic and commercial viability, studying the optimal time for its launch, or its inclusion in the Company’s land portfolio to wait for the most favourable time for its development depending on market conditions and competition.

Additionally, the acquired land and development projects to be carried out are monitored to anticipate possible risks or deviations from the initially agreed conditions and thus have the capacity to adopt any corrective measures considered appropriate sufficiently in advance.

With regard to the **financing policy,** NEINOR HOMES establishes the following guidelines depending on the purpose of the financing transaction:

- Land acquisitions: during the ramp-up period the average financing established is approximately 30% of these transactions, the objective being to eliminate this type of financing upon reaching the run-rate period, as sufficient funds are expected to be available at that date to make these investments. The source of these funds will mainly be customers’ payments for homes delivered.
- VAT (Value Added Tax) on land purchases: these types of transactions are fully financed, although the amounts are not very relevant, and furthermore these are offset by the tax authorities within a period of three to six months after disbursement.
- CAPEX investments (investments in project analysis and works execution, as well as the acquisition of fixed assets and assets for their development): 100% will be financed as an internal strategy to cover risks, because the liquidity risk is eliminated when the work is commissioned in the sense that the repayment of debt is linked to the inflow of liquidity from the deeds signed. NEINOR HOMES will ensure compliance with the parameters established by financial entities and borrowers for the awarding of loans.

- Corporate investments (such as the purchase of equipment or systems, etc.): this type of transactions for much lower amounts than the aforementioned groups are assumed by the Company and no financing is foreseen. These investments may arise from any General Management Department.

In relation to **covenants**, although these are subject to the conditions agreed upon with each lender or specific financial institution, the commitments assumed by NEINOR HOMES in general terms as of the date of this Policy are as follows:

- Availability of "equity" in excess of Euros 425 million.
- Maintenance of a "net financial debt/equity" ratio of less than 1.6, net financial debt being the sum of the company's short- and long-term financial debt minus the value of the short-term cash available and the value of financial investments.
- Establishment of a "Loan to Value ratio" (LTV) that does not exceed 45%, obtaining said LTV in the following way: [short-term bank debt + long-term bank debt + deferred land payments (debt with third parties for the acquisition of land) - available cash funds] / GAV (i.e. Gross Asset Value or market value of the Company's total assets).

8. Monitoring and control

The Strategy Department, in collaboration with the Finance Department, will ensure and verify compliance with this Investment and Financing Policy and its application, reporting periodically to the Real Estate Investment Committee, which in turn will report to the Board of Directors.

9. Approval, entry into force and validity

This Investment and Financing Policy came into effect upon its approval by the Board of Directors of NEINOR HOMES on 26 July 2017. This Policy was updated on 5 March 2021.

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