Neinor Homes, S.A. and Subsidiaries

Consolidated Financial Statements for the period ended 31 December 2021, prepared in accordance with International Financial Reporting Standards, together with Independent Auditor´s Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 29). In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Neinor Homes, S.A.,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Neinor Homes, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021, the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2021, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Valuation of development property inventories

Description

The Group owns a portfolio of land, housing unit developments in progress and finished housing unit developments classified as development property located throughout Spain, the carrying amount of which at 31 December 2021 was EUR 1,295 million. In this regard, EUR 312 million were acquired in May 2021 as a result of the business combination with Quabit Inmobiliaria, S.A. and subsidiaries effected in May 2021, considering the purchase price allocation performed by the management of Neinor Homes Group (see Note 2.8).

The Group measures these inventories at the lower of acquisition cost and market value and uses internal studies and third parties unrelated to it as experts to determine the market value of its inventories.

The determination of the market value of the property inventories constitutes a key matter in our audit, since the valuation method generally applied to these assets, i.e. the dynamic residual method, requires estimates with a significant degree of uncertainty to be made, which has been increased, as detailed in Notes 12 and 28, as a consequence of the Covid-19 impact, mainly on the future selling prices and the pace of sales of the various developments; the estimated costs to be incurred to complete the developments in progress; the development times of the land held in the portfolio; and the internal discount rate used.

In addition, small percentage changes in the valuations of the property assets could give rise to significant changes in the consolidated financial statements.

For this reason, we considered this matter to be a key matter in our audit.

Procedures applied in the audit

Our audit procedures included, among others, the review of the design and implementation of the relevant controls that mitigate the risks associated with the valuation of property inventories, as well as tests to verify that the aforementioned controls operate effectively.

In order to determine the recoverable amount of the assets, we obtained the internal valuation conducted by the Group for the purpose of allocating the purchase price derived from the business combination with Quabit Group and the valuation report of the experts engaged by the Group to value all the "development" property inventories.

In this regard, we have evaluated the competence, capability and objectivity of the calculations performed, and the adequacy of their work for use as audit evidence, analysing with the assistance of our internal valuation experts the valuation procedures and methodology used by Group management and by the experts engaged. To this end, an automated mass appraisal of the development property assets already in the Group's portfolio at 2020 year-end was performed, taking into account the available information that affect each asset. We have also performed an individual RICS-compliant appraisal of a sample of assets to verify this mass appraisal; and we checked, for a sample of assets, that the technical inputs used by the appraiser were appropriate to the urban conditions of the assets appraised.

Finally, we also analysed and concluded on the appropriateness of the disclosures made by the Group in relation to these matters, which are included in Notes 4.6, 6 and 12 to the consolidated financial statements for 2021.

The results of the procedures performed in relation to the inventory valuation enabled the audit objectives for which the procedures were designed to be reasonably achieved.

Recognition of property asset revenue	
Description	**Procedures applied in the audit**
The Group's property asset sales represent practically the totality of consolidated revenue. They relate mainly to sales to private individuals, which involve highly standardised processes and agreements. The recognition of this revenue under the Group's habitual terms and conditions is not complex and practically does not give rise to any accounts receivable, since the payments for the sales are received at the time the transaction is executed in a deed. However, the revenue from property asset sales and this aggregate is considered, both quantitatively and qualitatively, to be a key parameter of the Group's performance. For this reason, we considered this matter to be a key matter in our audit.	Our audit procedures included checking the design and implementation, as well as the operating effectiveness, of the relevant controls supporting the occurrence of sales under agreements, in addition to the sales accounting and recognition procedure. In addition, for a representative sample of these agreements, we analysed, on a selective basis, whether the revenue is properly recognised, taking into account the contractual terms and obligations vis-à-vis buyers, including the effective transfer of ownership, and checked the amounts received by the Group or the reliability of the estimated collection of the deferred amounts. We also analysed and concluded on the appropriateness of the disclosures made by the Group in relation to these matters, which are included in Notes 4.13, 6 and 22.1 to the consolidated financial statements for 2021. The results of the procedures performed in relation to occurrence in the recognition of property asset revenue enabled the audit objectives for which the procedures were designed to be reasonably achieved.

Other Information: Consolidated Directors' Report

The other information comprises the consolidated directors' report for 2021, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the other information. Our responsibility over the consolidated director´s report, in accordance with the requirements of the audit regulations in force, consists in:

a) Solely checking that the consolidated non-financial information statement, certain information included in the Annual Corporate Governance Report and the Annual Directors' Remuneration Report, to which the Spanish Audit Law refers, have been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) Evaluating and reporting on the consistency of the other information included in the consolidated directors' report with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described in the preceding paragraphs, we do not have anything to report with respect to the consolidated directors' report for 2021 and the Corporate Governance Report, and we have checked that the specific information described in section a) above has been provided and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2021 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix to this auditor's report. This description, which is on pages 6 and 7, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

European Sigle Electronic Format

We have examined the digital files in European Single Electronic Format (ESEF) of Neinor Homes, S.A. and subsidiaries for 2021, which comprise the XHTML file including the consolidated financial statements for 2021 and the XBRL files with the tagging performed by the entity, which will form part of the annual financial report.

The directors of Neinor Homes, S.A. are responsible for presenting the annual financial report for 2021 in accordance with the format and markup requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation").

Our responsibility is to examine the digital files prepared by the Parent's directors, in accordance with the audit regulations in force in Spain. Those regulations require that we plan and perform our audit procedures in order to ascertain whether the content of the consolidated financial statements included in the aforementioned digital files corresponds in full to that of the consolidated financial statements that we have audited, and whether those consolidated financial statements and the aforementioned files were formatted and marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined correspond in full to the audited consolidated financial statements, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Additional Report to the Parent's Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit committee dated 23 February 2022.

Engagement Period

The Ordinary General Shareholders' Meeting held on 31 March 2021 appointed us as auditors for a period of one year from the year ended 31 December 2020.

Previously, we were designated by the Ordinary General Shareholders' Meetings for a period of one year. We have been auditing the consolidated financial statements uninterruptedly during 7 years since the period ended 30 June 2015.

DELOITTE, S.L.
Registered in R.O.A.C. under no. S0692

Iñigo Úrculo
Registered in R.O.A.C. under no. 21794

23 February 2022

Appendix to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.

- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

This document includes the translation of the Consolidated Financial Statements for the period ended 31 December 2021.

DECLARATION OF DIRECTORS' RESPONSIBILITY

The members of the Board of Directors of Neinor Homes, S.A. ("**Neinor**" or the "**Company**") on its meeting held on February 23, 2021, and according to article 118 of the reinstated text of the Spanish Securities Markets Act approved by Royal Legislative Decree 4/2015 of 23 October as well as to article 8 b) of Royal Decree 1362/2007 of 19 October, declare that, as far as they are aware, the individual Annual Accounts of the Company, as well as the consolidated ones with its dependent companies, corresponding to the financial year ended December 31, 2021, drawn up by the Board of Directors on the referred meeting of February 23, 2022 and prepared in accordance with the applicable accounting principles, offer a true and fair image of the equity, the financial situation and the results of the Company and the companies within the consolidation taken as a whole, and the complementary management reports of the individual and consolidated Annual Accounts include an accurate analysis of the business evolution and results and of the position of Neinor and the companies within the consolidation taken as a whole, together with the main risks and uncertainties which they face.

Madrid, February 23, 2022

D. Ricardo Martí Fluxá

Chairman of the Board

D. Francisco de Borja García-Egocheaga Vergara

Director and Chief Executive Officer

D. Jorge Pepa

Director

D. Aref H. Lahham

Director

Dª. Anna M. Birulés Bertran

Director

D. Van J. Stults

Director

D. Alfonso Rodés Vilà

Director

D. Felipe Morenés Botín-Sanz de Sautuola

Director

D. Andreas Segal

Director

NEINOR HOMES, S.A.
AND SUBSIDIARIES (NEINOR HOMES GROUP)

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2021 AND 31 DECEMBER 2020

(Thousands of Euros)

ASSETS	Notes	31.12.21	31.12.20 (*)	EQUITY AND LIABILITIES	Notes	31.12.21	31.12.20 (*)
NON-CURRENT ASSETS:				**EQUITY:**			
Goodwill	2.8	4.473	4.470	Share capital		799.886	790.050
Other intangible assets	7	9.079	1.886	Share premium		3.493	39.247
Right-of-use assets	9 and 17.2	2.058	3.487	Legal reserve		5.570	4.773
Property, plant and equipment	8	6.223	5.996	Reserves of the Parent		64.920	66.211
Investment property	2.8 and 12	105.632	185	(Own Shares)		(40.205)	(51.115)
Investments in associates	10 and 23	601	-	Other reserves		1.565	(1.561)
Interests in joint ventures	2.8	6.000	-	Reserves at fully consolidated companies		5.123	(57.112)
Non-current financial assets	11	8.279	6.364	Profit for the year attributable to owners of the Company		103.033	70.120
Deferred tax assets	2.8 and 20.3	98.319	25.355	**Total equity attributable to owners of the Company**		**943.385**	**860.613**
Total non-current assets		**240.664**	**47.743**	Non-controlling interests		1.111	285
				Total equity	**15**	**944.496**	**860.898**
				NON-CURRENT LIABILITIES:			
				Provisions		659	195
				Bank borrowings	17	44.815	70.659
				Other non-current financial liabilities	2.8 and 28	298.261	4.706
				Deferred tax liabilities	20.3	5.130	271
				Total non-current liabilities		**348.865**	**75.831**
				CURRENT LIABILITIES:			
CURRENT ASSETS:				Provisions	16	56.048	16.680
Inventories	12	1.322.683	1.208.442	Bank borrowings	17 and 23	213.946	262.335
Trade and other receivables	13	70.733	24.813	Other current financial liabilities	18	6.391	1.946
Investments in associates	23	8.914	-	Liabilities with associates		175	-
Current financial assets	11	5.906	2.198	Current trade and other payables	19 and 23	255.319	183.872
Tax receivables	20.3	8.164	5.550	Tax payables	20.3	32.254	45.231
Cash and cash equivalents	14	309.644	270.213	Other current liabilities	12 and 18	109.214	112.166
Total current assets		**1.726.044**	**1.511.216**	**Total current liabilities**		**673.347**	**622.230**
TOTAL ASSETS		**1.966.708**	**1.558.959**	**TOTAL EQUITY AND LIABILITIES**		**1.966.708**	**1.558.959**

(*) Presented just for comparative purposes.

The accompanying Notes 1 to 30 and Appendix I are an integral part of the consolidated balance sheet at 31 December 2021.

NEINOR HOMES, S.A.
AND SUBSIDIARIES (NEINOR HOMES GROUP)

CONSOLIDATED INCOME STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2021 AND 2020
(Thousands of Euros)

	Notes	Period ended 31 December 2021	Period ended 31 December 2020 (*)
Net revenues	22.1 and 23	914.301	572.801
Cost of sales	22.2 and 23	(671.312)	(413.735)
Employee benefits expenses	22.3	(35.644)	(22.022)
Depreciation and amortisation charges	7, 8 and 9	(4.903)	(4.095)
External services	22.4	(65.209)	(36.679)
Change in trade provisions	22.6	(15.240)	(731)
Other operating gains/(losses)		2.727	949
Impairment and gains/(losses) on disposals of non-current assets		-	151
Change in fair value of investment properties	2.8 and 12	16.964	-
Negative goodwill on business combinations	2.8	142	-
PROFIT / (LOSS) FROM OPERATIONS		**141.826**	**96.639**
Finance revenue		2.131	398
Finance costs	17 and 23	(20.726)	(6.338)
Share of results of associates		(83)	-
Share of results of joint ventures		(2)	-
PROFIT / (LOSS) BEFORE TAX		**123.146**	**90.699**
Income tax	20.4	(20.291)	(20.583)
PROFIT / (LOSS) FOR THE YEAR		**102.855**	**70.116**
Attributable to owners of the Company		**103.033**	**70.120**
Attributable to non-controlling interests		**(178)**	**(4)**
Earnings/(losses) per share (Euros):			
Basic	5	1,345	0,948
Diluted	5	1,345	0,948

(*) Presented just for comparative purposes.

The accompanying Notes 1 to 30 and Appendix I are an integral part of the consolidated income statement for the period ended 31 December 2021.

NEINOR HOMES, S.A.
AND SUBSIDIARIES (NEINOR HOMES GROUP)

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE PERIOD ENDED 31 DECEMBER 2021 AND 2020

(Thousands of Euros)

	Notes	Period ended 31 December 2021	Period ended 31 December 2020 (*)
CONSOLIDATED PROFIT / (LOSS) FOR THE YEAR		**102.855**	**70.116**
OTHER RECOGNISED INCOME (EXPENSES)		-	-
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT		-	-
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT		-	-
TOTAL RECOGNISED INCOME AND EXPENSE		**102.855**	**70.116**
Total recognised income and expense attributable to owners of the Company		**103.033**	**70.120**
Total recognised income and expense attributable to non-controlling interests		**(178)**	**(4)**

(*) Presented just for comparative purposes.

The accompanying Notes 1 to 30 and Appendix I are an integral part of the consolidated statements of recognised income and expense for the period ended 31 December 2021.

NEINOR HOMES, S.A.
AND SUBSIDIARIES (NEINOR HOMES GROUP)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2021 AND 2020

(Thousands of Euros)

	Share capital	Share premium	Legal reserve	Reserves of the Parent	Own shares	Other reserves	Reserves at fully consolidated companies	Profit for the year attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 31 December 2019 (*)	**790.050**	**39.247**	**3.363**	**52.364**	**(51.191)**	**522**	**(108.676)**	**63.748**	**-**	**789.427**
Distribution of profit/loss for the year:										
To reserves	-	-	1.410	12.688	-	(121)	49.771	(63.748)	-	**-**
Income/expense recognised in the period	-	-	-	-	-	-	-	70.120	(4)	**70.116**
Business combination (Note 2.8)	-	-	-	-	-	-	-	-	289	**289**
Transactions with Treasury Shares	-	-	-		523	-	-	-	-	**523**
Other movements (Notes 4.19 and 15.4)	-	-	-	1.159	(447)	(1.962)	1.793	-	-	**543**
Balance at 31 December 2020 (*)	**790.050**	**39.247**	**4.773**	**66.211**	**(51.115)**	**(1.561)**	**(57.112)**	**70.120**	**285**	**860.898**
Distribution of profit/loss for the year:										
To reserves	-	-	797	7.071	-	-	62.252	(70.120)	-	**-**
Income/expense recognised in the period	-	-	-	-	-	-	-	103.033	(178)	**102.855**
Business combination (Notes 2.8 and 15)	9.836	1.456	-	(8.158)	50.740	-	-	-	1.003	**54.877**
Transactions with Treasury Shares	-	-	-	(204)	(39.830)		-	-	-	**(40.034)**
Dividend distribution (Note 15.5)	-	(37.210)	-	-	-	-	-	-	-	**(37.210)**
Other movements (Notes 4.19 and 15.4)	-	-	-	-	-	3.126	(17)	-	1	**3.110**
Balance at 31 December 2021	**799.886**	**3.493**	**5.570**	**64.920**	**(40.205)**	**1.565**	**5.123**	**103.033**	**1.111**	**944.496**

(*) Presented just for comparative purposes.

The accompanying Notes 1 to 30 and Appendix I are an integral part of the consolidated statements of changes in equity for the period ended 31 December 2021.

NEINOR HOMES, S.A.
AND SUBSIDIARIES (NEINOR HOMES GROUP)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2021 AND 2020

(Thousands of Euros)

	Notes	Period ended 31 December 2021	Period ended 31 December 2020 (*)
Cash flows from/(used in) operating activities			
Profit/(loss) from operations		123.146	90.699
Adjustments-			
Depreciation and amortisation	**7, 8 and 9**	4.903	4.095
Change in provisions	**12 and 16**	40.265	7.289
Impairment and gains/(losses) on disposal of intangible and tangible assets		-	(151)
Finance costs		20.726	6.338
Finance revenue		(2.131)	(398)
Share of results of associates		83	-
Share of results of joint ventures		2	-
Incentive Plans	**15.4**	3.582	1.790
Change in fair value of investment properties	**2.8 and 12**	(16.964)	-
Negative goodwill on business combinations	**2.8**	(142)	-
		173.470	**109.662**
Increase/(Decrease) in current assets and liabilities:			
Inventories	**12**	136.498	152
Trade and other receivables	**13**	(8.672)	2.028
Current trade and other payables	**18 and 19**	10.609	38.926
Other current and non-current assets and liabilities	**11**	(54.680)	(1.377)
Income tax paid	**20**	(32.023)	(14.723)
Total net cash flows from operating activities (I)		**225.202**	**134.668**
Cash flows from/(used in) investing activities:			
Acquisition of subsidiary	**2.8 and 17.2**	19.031	(2.450)
Acquisition of interests in joint ventures	**2.8**	(6.003)	-
Investments in intangible and tangible assets	**7 and 8**	(738)	(812)
Investments in investment property	**2.8**	(54.190)	-
Disposals of intangible and tangible assets	**7 and 8**	-	624
Disposals of investment property		-	86
Investments in current financial assets	**11 and 29**	(1.878)	(20.134)
Total net cash flows from investing activities (II)		**(43.778)**	**(22.686)**
Cash flows from/(used in) financing activities:			
Proceeds from bank borrowings and other financial liabilities	**17**	605.519	182.133
Repayment of bank borrowings and other financial liabilities	**17**	(647.503)	(189.893)
Interests paid	**17 and 23**	(18.539)	(7.424)
Transactions with Treasury Shares and other equity transactions	**15**	(44.260)	-
Dividend distribution	**15.5**	(37.210)	-
Total net cash flows from financing activities (III)		**(141.993)**	**(15.184)**
Net increase/(decrease) in cash and cash equivalents (I+II+III)		**39.431**	**96.798**
Cash and cash equivalents at beginning of the period		270.213	173.415
Cash and cash equivalents at end of year		**309.644**	**270.213**

(*) Presented just for comparative purposes.

The accompanying Notes 1 to 30 and Appendix I are an integral part of the consolidated statement of cash flow for the period ended 31 December 2021.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 30). In the event of a discrepancy, the Spanish-language version prevails.

Neinor Homes, S.A. and Subsidiaries

Notes to the Consolidated Financial Statements
for the period ended
31 December 2021 (hereinafter, 2021 period)

1. Activity of the Neinor Homes Group

Neinor Homes, S.A. ("the Parent"), was incorporated under the Spanish law. in a deed executed on 4 December 2014. On 1 March 2017, the Parent was registered as a public limited liability company ("S.A.") with a view to its admission to trading on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges. The corporate purpose of Neinor Homes, S.A. is to promote, manage and develop all kind of Real Estate operations. Its registered addess is in Calle Ercilla 24, Bilbao (Vizcaya).The bylaws and other public information on the Company can be consulted in its registered address and on the website: www.neinorhomes.com.

In addition to the operations carried out directly, Neinor Homes, S.A. is the Parent of a Group of subsidiaries with the same corporate purpose and which, together constitute Neinor Homes Group the Parent´s shares were admitted to trading on the official secondary market. Therefore, the Parent Company is obliged to prepare, in addition to its own separate financial statements, the Group's consolidated financial statements and half-yearly financial reports for both the Parent and the consolidated Group in accordance with Royal Decree 1362/2007, of 19 October, implementing Spanish Securities Market Law 24/1988, of 28 July, in relation to the transparency requirements regarding the information on issuers whose securities are admitted to trading on an official secondary market or on another regulated market in the European Union.

The Neinor Homes Group was incorporated in the context of the memorandum of understanding entered into in 2014 by Kutxabank, S.A. and the Lone Star investment fund, through its investee Intertax Business, S.L.U. (now Neinor Holdings, S.L.U.) for the sale and purchase of a portion of the Kutxabank Group's property assets. This transaction was completed on 14 May 2015 through the transfer by Kutxabank, S.A. to Neinor Holdings, S.L.U. of all the shares held by the former in Neinor Homes, S.A., once the conditions precedent established in the purchase and sale agreement entered into by the parties on 18 December 2014 had been met.

In addition, and as part of this transaction, on 1 January 2015, all the employees who had been performing the property group's development and management tasks at the Kutxabank Group, and the technical and other resources required to perform this activity, were transferred to the various Neinor Homes Group companies. In this regard, on 14 May 2015, an asset administration and management agreement was entered into by the various Kutxabank Group companies and Neinor Homes, S.A. in relation to the property assets owned by the former. As consideration for these services, the various companies pay remuneration depending on the type and volume of the managed assets, plus additional variable remuneration based on success, applicable to asset sales and for performing certain specific related actions, and accruals. This agreement had an initial seven-year term and may be extended automatically for further one-year periods. On July 1, 2021 Neinor Homes Group confirmed that it will not present a binding offer to extend the terms of the servicing contract. As such, Neinor Homes Group will continue to manage Kutxabank's Real Estate portfolio until the term of the existing contract, May 2022. However, it is not expected that the non-renewal of this contract will have a significant impact on the objectives planned by the Group.

Additionally, in 2017, in accordance with the terms and conditions established in the property asset administration and management agreement, Kutxabank and the Neinor Homes Group entered into an agreement whereby the Neinor Homes Group proceeded to open bank accounts for the sole purpose of enabling the Neinor Homes Group to manage directly the expenses paid under the aforementioned agreement in relation to the companies Kutxabank, S.A. and Cajasur Banco, S.A.U., to which the balances deposited in these cash accounts belong. As a result, the cash balances of these accounts at 31 December 2021, amounting to EUR 71 thousand are not recognized in the accompanying consolidated balance sheet (EUR 94 thousand at 31 December 2020), and nor are any liabilities, income or expenses associated with the balance recognized in the accompanying consolidated financial statements.

On 29 March 2017, the Parent's shares were admitted to trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, for which the Group obtained the related waivers/approvals from the banks from which it had received any kind of financing to avoid such financing being subject to early total payment.

Neinor Homes is part of the Ibex Medium Cap, a stock market financial index prepared by Bolsas y Mercados Españoles (BME), which is made up of the most important companies after IBEX 35.

In m In May 2021, the business combination with Quabit Inmobiliaria S.A. took place, as described in Note 2.8. On the other hand, and in relation to the above, in April 2021 the issuance of senior covered bonds maturing in 2026 for a total nominal amount of 300 million euros was successfully closed (Note 17.2).

The consolidated financial statements of the Neinor Homes Group for 2020 were prepared by the Parent's directors at the Board of Directors' meeting held on 24 February 2021, on the basis of the accounting records held by the Parent and by the other Neinor Homes Group companies properly adjusted for the conversion to International Financial Reporting Standards (EU-IFRSs), and approved by its shareholders on 31 March 2021.

Appendix I includes the detail of the consolidated Group companies and the information related thereto at 31 December 2021 and 2020, prior to the related unifying adjustments thereof and any adjustments made for the conversion to International Financial Reporting Standards (EU-IFRSs). The information in Appendix I was provided by the Group companies and their equity position is reflected in their separate financial statements.

2. Basis of presentation of the consolidated financial statements

2.1 Basis of presentation

In accordance with Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002, every company governed by the laws of a European Union member state, and having its equity shares listed on a regulated market of any of its member states is required to file its consolidated financial statements for the reporting periods starting on or after 1 January 2005, in compliance with such International Financial Reporting Standards (IFRS) as may have been previously adopted by the European Union. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, so that they present fairly the Neinor Homes Group's consolidated equity and financial position at 31 December 2021, and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the 12 months period then ended.

The consolidated financial statements of the Neinor Homes Group for 2021 were prepared by the Parent's directors at the Board of Directors' meeting held on 23 February 2022, on the basis of the accounting records held by the Parent and by the other Neinor Homes Group companies properly adjusted for the conversion to International Financial Reporting Standards (EU-IFRSs).

However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2021 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify such policies and bases and to make them compliant with International Financial Reporting Standards.

In order to uniformly present the various items that make up the consolidated financial statements, the accounting policies and measurement bases used by the Parent have been applied to all the companies included in the scope of consolidation.

Also, the accompanying financial statements for 2021 are presented in accordance with the format and markup requirements established in Commission Delegated Regulation (EU) 2019/815, of 17 December 2018 ("ESEF Regulation").

The 2021 consolidated financial statements of the Group and the financial statements of the Group companies have not yet been approved by their respective shareholders. However, the Parent's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

2.2 Adoption of International Financial Reporting Standards

The following mandatory standards and interpretations, already adopted in the European Union, became effective in 2021. Where applicable, the Group has used them in the preparation of these consolidated financial statements:

(1) ***New standards, amendments and interpretations mandatorily applicable in the year 2021***

Approved for use in the European Union		**Mandatory application for annual periods beginning on or after:**
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 –Interest Rate Benchmark Reform – Phase 2	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 related to the Interest rate benchmark reform (phase 2)	1 January 2021
Amendments to IFRS 4 - Extension of the temporary exemption from applying IFRS 9	Deferral of the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 to 1 January 2023	1 January 2021
Amendment to IFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021	The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification	1 April 2021

(2) ***New standards, amendments and interpretations of mandatory application for annual periods after the calendar year starting on 1 January 2021:***

At the date of authorization of these annual consolidated financial statements, the following standards and interpretations had been published by the IASB but had not become effective, either because their effective date was subsequent to the date of the consolidated financial statements or because they had yet to be adopted by the European Union:

Approved for use in the European Union		Mandatory application for annual periods beginning on or after:
Amendments to IFRS 3 - Reference to the Conceptual Framework	Update of IFRS 3 to align the definitions of assets and liabilities in a business combination with those contained in the conceptual framework	1 January 2022
Amendments to IAS 16 - Proceeds before intended use	Modification clarifies the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment (PPE) into use	1 January 2022
Amendments to IAS 37 - Onerous contracts - Cost of fulfilling a contract	Modification specifies that the 'cost of fulfilling' a contract comprises incremental costs of fulfilling that contract and the allocation of other costs that relate directly to fulfilling contracts	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	Minor amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022

Not Approved for use in the European Union		Mandatory application for annual periods beginning on or after:
Amendment to IAS 1 - Classification of Liabilities as Current or Non-Current	Amendment to IAS 1 that provides a more general approach to the classification of liabilities	1 January 2023
Amendment to IAS 1 - Disclosure of Accounting Policies	Amendment that is intended to help preparers in deciding which accounting policies to disclose in their financial statements	1 January 2023
Amendments to IAS 8 - Definition of Accounting Estimates	The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates	1 January 2023
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition	1 January 2023
IFRS 17 Insurance contracts (issued on May 2017)	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts, replacing IFRS 4	1 January 2023
Amendments to IFRS 17 - Initial application of IFRS 17 and IFRS 9—Comparative Information	The amendment is a transition option relating to comparative information for insurance entities on initial application of IFRS 17 and IFRS 9	1 January 2023

The Group has performed an assessment in relation to the standards that come into force in 2022 and subsequent years, of the impacts that the future application of this standard might have on the consolidated financial statements once they become effective.

2.3 Changes in accounting policies

In the exercise ended 31 December 2021, there were no significant changes in accounting policies with respect to those applied in the exercise ended 31 December 2020.

2.4 Functional currency

These financial statements are presented in euros as this is the currency of the primary economic area in which the Group operates. Currently, the Group does not have foreign operations.

2.5 Responsibility for the information and estimates made

The information contained in these financial statements is the responsibility of the directors of the Group's Parent.

In the Group's consolidated financial statements for the 12 months period ended 31 December 2021 estimates were occasionally made by the senior executives of the Group and of the consolidated companies, and later ratified by the directors, in order to quantify certain assets, liabilities, income, expenses and commitments reported herein. These estimates relate basically to the following:

1. The fair value of the Group's Real Estate assets (see Notes 2.8, 9 and 12). The Group has obtained valuations from independent experts in 2021 for its Real Estate assets, describing the valuation method used in Note 4.6.

2. The assessment of possible impairment losses on certain assets.

3. The useful life of intangible assets and property, plant and equipment (see Notes 7, 8 and 9).

4. The amount of certain provisions (see Note 16).

5. The recoverability of deferred tax assets (see Note 20.4).

6. The valuation of long-term employee benefits (see Note 15.4).

7. The compliance with the covenants and clauses established by arranged borrowings (Note 17.1).

8. The definition of the transactions carried out by the Group as a business combination in accordance with IFRS 3 or as an acquisition of assets (Note 2.8).

Although these estimates were made on the basis of the best information available at 31 December 2021, future events may require them to be modified prospectively (upwards or downwards), in accordance with IAS 8. The effects of any change would be recognized in the corresponding consolidated income statement. As described in Note 28, the expansion of Covid-19 has posed significant challenges for business and introduced a high degree of uncertainty concerning economic activity. Due to the uncertainty involved in any estimate based on future expectations in the current economic environment, differences might arise between projected and actual results. The importance of these estimates should be taken into account in any interpretation of the accompanying consolidated financial statements and, in particular, in relation to the valuation of the Group's property assets.

No significant changes were made to the estimates used at 2020 year-end during the period ended on 31 December 2021.

2.6 Consolidation principles

Subsidiaries are considered to be those companies over which the Parent directly or indirectly exercises control through subsidiaries. The Parent has control over a subsidiary when it is exposed or has rights to variable returns from its involvement with the subsidiary, and when it has the ability to use its power to affect its returns. The Parent has power when the voting rights are sufficient to give it the ability to direct the relevant activities of the subsidiary. The Parent is exposed or has rights to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary’s performance. Currently, all of the subsidiaries have been fully consolidated.

Non-controlling interests are measured at the proportionate fair value of the identifiable assets and liabilities recognized. The share of non-controlling interests is as follows:

1. Interest in investees' equity is presented “Non-controlling interests” under equity in the consolidated balance sheet.

2. Share of profit or loss for the year is presented in “ Profit/(Loss) for the year attributable to non-controlling interests” in the consolidated income statement.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All material balances and transactions between the fully consolidated companies and the results included in inventories arising from purchases from other Group companies have been eliminated on consolidation.

No timing adjustments have been necessary since the balance sheet date of all the Group companies is the same.

2.7 First-time consolidation differences

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair value of the identifiable net assets acquired (i.e. a discount on acquisition) is taken to profit and loss for the period. First consolidated financial statements did not imply recognizing any goodwill or gain.

2.8 Changes in the scope of consolidation

During the year ended on 31 December 2021 following changes took place in the scope of consolidation of the Neinor Homes Group:

Business combinations

On 11 January 2021, the draft terms of merger of Neinor Homes, S.A. (absorbing company) and Quabit Inmobiliaria, S.A. (absorbed company) were approved by the companies’ respective Boards of Directors, and the validity of the draft terms of merger were conditional upon the occurrence of the following:

- The presentation of the required documentation in the event of a tender offer or an IPO, including any registration requirement that the Spanish National Securities Market Commission might establish, and notification of the merger to the corresponding competition authorities, and, as the case may be, the obtainment of authorization or no formal objection to the merger, be it express or constructive.

- Approval from the Annual General Meetings of the companies participating in the merger.

- Obtainment of consent (or, where applicable, of waivers of the exercise of any rights as a result of the merger, in particular early repayment clauses) from the financing entities or creditors of Neinor Homes, S.A. or Quabit Inmobiliaria, S.A., provided that they are significant to the merger.

- Confirmation by the tax authorities that the special regime for mergers, spin-offs, asset contributions, share exchanges, transfers bloc of assets and liabilities and changes of registered office of European companies or European cooperative entities from one European Union Member State to another, regulated in Title VI, Chapter VII of the Vizcaya Income Tax Regulation is applicable to this transaction and that, under the aforementioned special regime, the treatment of any gains from a bargain purchase on merger would not be subject to income tax.

The acquisition date was established as 19 May 2021 following the obtainment, on the immediately preceding day, of authorisation of the Merger from the competition authorities and, thus, the fulfilment of all of the conditions precedent described above; as a result, Neinor Homes, S.A. obtained control of Quabit Inmobiliaria, S.A.

The agreement, which at the draft terms of merger approval´s date was supported by the irrevocable commitment of the vote in favour of the main shareholders of both groups, is based on the existence of clear benefits from an operating and financial perspective. The legal structure chosen for the merger consists of the absorption of Quabit Inmobiliaria, S.A. by Neinor Homes, S.A. with the extinguishment of the former through dissolution without liquidation, and the transfer en bloc of all its assets and liabilities to the latter, which acquires by universal succession all the rights and obligations of Quabit Inmobiliaria, S.A. For the purposes of the transaction, the audit committees of both groups reviewed the exchange ratio determined on the basis of the actual value of the assets and liabilities of Neinor Homes, S.A. and Quabit Inmobiliaria, S.A., which has been established to be one ordinary share of Neinor Homes, S.A., of EUR 10 par value each, for every 25,965 "Class A" shares of Quabit Inmobiliaria, S.A. (the only class outstanding at the date of the exchange) of EUR 0,50 par value each. This has meant that, for the total 145.383.654 outstanding "Class A" shares of Quabit Inmobiliaria, S.A., approximately 5,6 million ordinary shares of Neinor Homes, S.A. has been issued, representing a total of 7% of its share capital (post-dilution). In any case, this exchange has been subject to verification by the independent expert appointed by the Mercantile Registry for the purposes of Article 34 of Law 3/2009, of 3 April, on structural changes to companies formed under the Spanish Commercial Code. On 24 May 2021, the aforementioned capital increase, carried out through the issuance of 5.599.216 shares of EUR 10 par value each, was registered at the Vizcaya Mercantile Registry; consequently, Quabit Inmobiliaria, S.A. was delisted from the financial markets on 25 May 2021.

For tax purposes, the transaction qualified for application of the special regime for mergers regulated in Title VI, Chapter VII of the Vizcaya Income Tax Regulation 11/2013, of 5 December, and to this end confirmation was obtained from the tax authorities; furthermore, the non-taxability provisions and exemptions from transfer tax envisaged in Articles 31.2.1, 33 and 58.10 of Vizcaya Transfer Tax Regulation 1/2011, of 24 March also applied to the transaction.

In the context of the transaction, on 10 January 2021 Neinor Homes, S.A. entered into an agreement with Cedarville Spain, S.L.U., GL Europe Luxembourg III (US) Investments, S.à r.l., GL Europe Luxembourg III (EUR) Investments, S.à r.l. and GL Europe ASRS Investments, S.à r.l. (all of which are hereinafter referred to as "Avenue") with the aim of reducing Avenue's financial exposure (equity instruments and borrowings), for which the consideration was established as follows:

- Payment of approximately EUR 85 million (of which 3 million euros have already been paid by the subsidiaries of Quabit Inmobiliaria, S.A. prior to the acquisition date) , corresponding to both the purchase of the "Class B" shares of Quabit Inmobiliaria, S.A. for their retirement and to the rest of the financing granted by Avenue. Prior to this, the Board of Directors of Quabit Inmobiliaria, S.A. submitted for approval by the same Annual General Meeting the merger and (prior to the proposed merger agreement) the buyout of all the shares.

- The transfer to Avenue of all the shares of Quabit Las Lomas del Flamenco, S.L.U. project (in Mijas, Andalucía), the most recent appraisal of which amounted to EUR 32 million gross. Concurrent to the transfer, Neinor Homes, S.A. and Avenue undertook to execute 2 contracts in relation to the construction and development of this project:

    - property asset development and management agreement, in which the Neinor Homes Group will act as manager and on the basis of which a market fee will be established for such management,

    - a financing agreement, in which the Neinor Homes Group will be the lender for an amount of up to EUR 11 million, on which a security interest must be created by the counterparty and which will earn interest at a fixed rate of 4%, with minor interest rate increases depending on LTV Ratio.

Also, Neinor Homes, S.A. and Avenue took various actions, including:

- the execution of a public deed terminating the warrants held by Avenue vis-à-vis Quabit Inmobiliaria, S.A. which enabled the owners thereof to subscribe a maximum of 5.06% of the share capital of the absorbed company;

- subscription and execution in a public deed of a letter of payment before a notary to pay off the amounts corresponding to the borrowings granted by Avenue; and

- execution of the corresponding public deed to transfer to Avenue all of the plots of land that make up the project called Las Lomas del Flamenco, S.L.U. whose ownership corresponds to Quabit Las Lomas del Flamenco, S.L.U.

On 23 June 2021, the payment of the financial exposure of Avenue was made, through the disbursement of cash totalling EUR 82 million, approximately, and, in addition, public deeds were executed for the termination of the warrants held by Avenue and the transfer of all the shares of Quabit Las Lomas del Flamenco, S.L.U.

The identifiable assets and liabilities of Quabit Inmobiliaria, S.A. and subsidiaries assumed at the date of the takeover, considering the purchase price allocation performed by the management of Neinor Homes Group, were as follows:

	Thousands of Euros		
	Book value at the acquisition date	Valuation adjustments	Fair value at the acquisition date
Non-current assets			
Goodwill	7.401	(7.401)	-
Other intangible assets (***)	12.115	(4.598)	7.517
Deferred tax assets	1.026	68.000	69.026
Others	7.658	(2.210)	5.448
Current assets			
Inventories	434.822	(123.015)	311.807
Trade and other receivables	39.263	-	39.263
Cash and cash equivalents	19.031	-	19.031
Others	17.320	-	17.320
Non-current liabilities			
Bank borrowings	(25.250)	-	(25.250)
Other non-current liabilities (**)	(24.822)	2.057	(22.765)
Deferred tax liabilities	(999)	(47)	(1.046)
Others	(2.592)	-	(2.592)
Current liabilities			
Bank borrowings (**)	(270.841)	18.134	(252.707)
Current trade and other payables	(47.502)	(800)	(48.302)
Others	(49.764)	(8.393)	(58.157)
Non-controlling interests	(310)	(693)	(1.003)
Total	**116.556**	**(58.966)**	**57.590**
Consideration transferred (*)			**57.448**
Negative goodwill on business combinations			**142**

(*) Calculated considering the share price of Neinor Homes, S.A. at the date the shares have been transferred.

(**) These impacts correspond mainly to the agreements signed with Avenue and SAREB regarding the debt removal, amounting to EUR 20 million, approximately.

(***) This impact corresponds mainly to the client portfolio identified in the subsidiary Quabit Construcción, S.A., amounting to EUR 7 million, approximately.

The amount of revenue recognized in the accompanying consolidated financial statements at 31 December 2021 from the date of the acquisition of control, relating to Quabit Inmobiliaria, S.A. and subsidiaries amounted to EUR 133.942 thousand, with a gain before tax of EUR 12.562 thousand. If Quabit Inmobiliaria, S.A. and subsidiaries had been consolidated as from 1 January 2021, revenue would have increased by approximately EUR 67.915 thousand and profit for the year would have decreased by approximately EUR 16.548 thousand, respectively.

Although the assets and liabilities of Quabit Inmobiliaria, S.A. were adjusted to fair value as a result of applying the acquisition method of accounting to the business combination, the gain from a bargain purchase shown is provisional, and the Neinor Homes Group have 12 months from the acquisition date to complete the definitive purchase price allocation. In this regard, although no significant modifications are expected to be made, the value adjustments detailed above could be affected by such evidence of fair value as may arise from the performance of the business and from the transactions with the absorbed companies in the coming months.

Acquisition of assets

On 4 January 2021, the Group company Promociones Neinor 1, S.L.U executed in a public deed and completed the acquisition of all the shares of 100% of Sardes Holco, S.L.U., a company owning nine developments earmarked for lease and located in Alicante, Badalona, Gerona, Madrid, Málaga Sabadell, Terrassa and Valencia, having also to assume the payment of the loan granted to the acquired company by its former parent, amounting to EUR 5.737 thousand. EUR 5.749 thousand were advanced in December 2020, corresponding to approximately one-tenth of the transaction, and recognized under "Non-Current Financial Assets" in the comparative figures as at 31 December 2020. The remaining amount was paid on the date of the public deed. The Parent's directors decided to recognize the transaction as an asset acquisition, since the acquired company does not have processes, organized procedures necessary for the owner to produce a product or an organized workforce for the provision of such processes. In this connection, substantially all the assets of the acquired company relate to the cost of the nine urban developments owned by it as it is derived from the following audited financial statements as of December 31, 2020 (that do not differ significantly from those corresponding to the acquisition date), which are disclosed with the corresponding valuation adjustments:

	Thousands of Euros		
	Audited book value 31.12.2020	Valuation adjustments	Fair value at the acquisition date
Non-current assets			
Goodwill	54	-	54
Other intangible assets	35.603	22.310	57.913
Deferred tax assets			
Others	184	-	184
Current assets			
Trade and other receivables	86	-	86
Cash and cash equivalents	374	-	374
Others	51	-	51
Non-current liabilities			
Other debts (*)	(5.737)	-	(5.737)
Current liabilities			
Other current financial liabilities	(227)	-	(227)
Current trade and other payables	(205)	-	(205)
Total	**30.183**	**22.310**	**52.493**
Consideration transferred (*)			**52.493**

(*) The Group has also assumed the payment of the loan granted to the acquired company by its former parent, amounting to EUR 5.737 thousand.

At 31 December 2021, the Group has used the valuation carried out by independent experts to determine the updated fair value of the investment property, which amounts to EUR 69.798 thousand, giving rise to a revaluation amounting to EUR 12.001 thousand that has been recorded under the caption "Change in fair value of investment properties" of the consolidated profit and loss account at 31 of December 2021. According to the valuation carried out at 30 June 2021 the revaluation of the investment property amounted to EUR 11.585 thousand. Consequently, the impact recorded in the consolidated profit and loss amounts to EUR 416 thousand (Notes 6 and 12).

The methodology used to calculate this market value consisted of preparing income and expense projections, discounted to the reporting date of the accompanying consolidated financial statements using a market discount rate.

Other

In May 2021 the Neinor Homes Group, in alliance with Grupo Cevasa, was awarded the tender sponsored by the public company Habitatge Metròpolis Barcelona, S.A. (until then owned 50% by the Barcelona Metropolitan Area and 50% by the Barcelona City Council) for the construction and subsequent management under rental arrangements of 4,500 government-subsidised homes in the metropolitan area of Barcelona. In this connection, on 9 June 2021, Neinor Homes, S.A. and Compañía Española de Viviendas en Alquiler, S.A. ("Cevasa") jointly incorporated, each with a 50% ownership interest, Nicrent Residencial, S.L. with an initial share capital of EUR 3 thousand. During November 2021, a monetary contribution of EUR 12 million has been made to Habitatge Metròpolis Barcelona, S.A. through Nicrent Residencial, S.L. (equally distributed between Neinor Homes, S.A. and Cevasa) in exchange for a 50% ownership interest in its share capital. As provided for in the terms of the tender, Nicrent Residencial, S.L. has also undertaken to make, in an estimated period of one to five years, successive contributions that will total, together with the aforementioned initial contribution, an amount of between a minimum of approximately EUR 58 million and a maximum of approximately EUR 104 million. For their part, the public shareholders of Habitatge Metròpolis Barcelona, S.A. will contribute to this company the land required for the construction of the above-mentioned homes and will make the necessary monetary contributions to ensure that their 50% ownership interest remains unchanged. After it has become a shareholder of Habitatge Metròpolis Barcelona, S.A., Nicrent Residencial, S.L. will be responsible for the administration and the management of the assets of Habitatge Metròpolis Barcelona, S.A., which will entail, inter alia, managing the construction and development of the land of this company and managing the rental of the homes, for which it will obtain an arm's length remuneration. This transaction has been recorded by Neinor Homes Group as a joint arrangement whereby the parties that have joint control have rights to the net assets of the arrangement ("joint venture")

During 2020, the only change in the scope of consolidation of Neinor Homes Group was the following:

In September 2020 the Parent acquired a 75% ownership interest in the share capital of Umber Jurídico Inmobiliario, S.L. (a company that was dissolved in November 2020 as it had been absorbed in a downstream merger by its wholly-owned subsidiary Renta Garantizada, S.A.) for a price that included a fixed amount of EUR 3.297 thousand and a variable amount of EUR 3 million (EUR 2.661 thousand recognized at amortised cost at 31 December 2021 (Note 17.2)) , subject to the operating performance of Renta Garantizada, S.A. The latter payment was deferred until 2023 year-end or 2024 depending on whether or not the company achieves early the conditions established. For the purpose of preparing these consolidated financial statements, management of the Parent considered that the conditions necessary for the payment in full of the variable amount will be fulfilled. The purchase agreement also includes the obligation for the Parent to acquire the remaining share capital of the non-controlling interests (25%), provided that certain conditions are met, which are "out of the money" at year end and therefore no amount has been recognized in this regard in these consolidated financial statements.

The identifiable assets and liabilities assumed at the date of the takeover were as follows:

	Thousand euros
Non-Current assets	608
Current assets (without cash and cash equivalents)	463
Cash and cash equivalents	847
Current liabilities	(384)
Non-Current liabilities	(378)
Other identificable assets and liabilities	775
Minority interests	(289)
Transferred consideration	**3.297**
Contingent consideration	**2.557**
Goodwill / (Negative consolidation difference)	**4.212**

The Parent's directors identified an asset not recognized in the balance sheet of the company subject to the transaction, related to long-term lease management agreements previously entered into by the acquiree which were in force at the date of the transaction, for a gross amount of EUR 1.033 thousand (EUR 775 thousand net of tax) (Note 7), and recognized the item under "Intangible Assets" in the consolidated balance sheet as at 31 December 2020, together with the corresponding deferred tax asset amounting to EUR 258 thousand. The estimated useful life of this asset is five years, which is equal to the average term of the aforementioned agreements.

The amount of revenue recognized in the consolidated financial statements at 31 December 2020 from the date of the acquisition of control, relating to the acquired company amounted to EUR 534 thousand, with profit before tax of EUR 104 thousand. If the acquired company had been consolidated as from 1 January 2020, revenue and profit before tax would have increased by approximately EUR 1.223 thousand and EUR 381 thousand, respectively.

2.9 Comparative information

The information relating to the 2021 consolidated financial statements is presented for comparison purposes with that relating to period ended 31 December 2020.

2.10 Correction of errors

In preparing the accompanying consolidated financial statements no errors were detected that would have made it necessary to restate the amounts included in the consolidated financial statements for year ended 31 December 2020.

3. Distribution of profits attributable to the Parent

The distribution of profits proposed by the Parent's directors for approval by its shareholders at the Annual General Meeting, is as follows:

	Thousands of euros	
	31.12.21	31.12.20
Basis of distribution:		
Profit for the year	**6.386**	**7.967**
Application:		
-To legal reserve	639	797
-To voluntary reserves	5.747	7.170
	6.386	**7.967**

4. Measurement bases

The accounting principles and policies and measurement bases applied in preparing the Neinor Homes Group's consolidated financial statements for the exercises ended 31 December 2021 and 31 December 2020 were as follows:

4.1 Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

4.2 Intangible assets and property, plant and equipment

Intangible assets

Intangible assets are identifiable non-monetary assets, without physical substance, which arise as a result of a legal transaction or which are developed by the consolidated companies. Only assets whose cost can be estimated reasonably objectively and from which the consolidated companies consider it probable that future economic benefits will be generated are recognized.

Intangible assets are recognized initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses.

The period intangible asset amortization charge is recognized in the consolidated statement of profit or loss at rates based on the following years of estimated useful life, which for the intangible assets is four/five years.

Property, plant and equipment

Property, plant and equipment assets are recognized initially at acquisition/contribution or production cost and are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses.

The costs of expansion, modernization or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalized as an increase in the cost of corresponding assets.

Maintenance and repair costs that do not lead to a lengthening of the useful lives of the assets are charged to the income statement for the period in which they are incurred.

Interest and other financial charges incurred during the period of construction of property, plant and equipment are recognized as an increase in the cost of the construction in progress (see section 14) of this Note).

Depreciation is calculated by applying the straight-line method to the acquisition cost of assets less their residual value. The land on which Group buildings and other structures stand is deemed to have an indefinite useful life and, therefore, is not depreciated.

The periods of which the property, plant and equipment depreciation charges are recognized in the consolidated income statement on the basis of the average years of estimated useful life of the various assets, are as follows:

	Annual rate
Straight-line depreciation method:	
Other installations	10%
Furniture	25%
Data processing equipment	25%
Other items of property, plant and equipment	10%

Assets under construction for production or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment losses. Cost includes professional fees. Depreciation of these assets commences when the assets are ready for their intended use.

Assets other than investment property held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Costs incurred in rented assets (the Group acting as an operating lessee) are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

At the end of each reporting period, consolidated companies assess whether there are any internal or external indications that the carrying amount of an item of property, plant and equipment exceeds its recoverable amount, in which case the carrying amount of the asset is written down to the recoverable amount and the future depreciation charges are adjusted in proportion to the revised carrying amount and the new remaining useful life, should it need to be remeasured.

Similarly, if there is an indication of a recovery in the value of an impaired asset, the consolidated companies recognize the reversal of the impairment loss previously recorded and adjust the future depreciation charges accordingly. In no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognized in prior years.

4.3 Right-of-use assets and lease liabilities

The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. Dismantling and restoring costs are included in this calculation, if they should be taken into consideration. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. Estimated useful life of the assets is as follows:

	Annual rate
Right-of-use assets	20%

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

4.4 Impairment of property, plant and equipment, investment property and intangible assets

At the end of each reporting period, the Neinor Homes Group reviews the carrying amounts of its items of property, plant and equipment, investment property and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years.

Impairment has been calculated in accordance with the criteria described in Note 4.6. Also, in the case of leased real estate assets, the Group uses a mixed criterion. Since they are linked to commercial operations, the most appropriate methodology is considered to be the discounted cash flows model considering the inflows and outflows arising from the operation of the asset determined by its lease status. An exit value is determined when the lease expires or considering the periods, in any case, of mandatory application, calculated by recognizing the perpetual return of the last year analyzed or a market-based return, once the characteristics and contractual terms and conditions of the assets have been analyzed, considering the constant return. The yield used as a discount rate will be determined as the yield demanded by the market when the valuation is made based on the specific features of the assets.

4.5 Leases

When consolidated entities act as lessors, they present the fair value of the leased asset under "Investment property”. Lease income is recognized in the income statements on a straight-line basis.

When consolidated entities act as the lessee, the Group applies the criteria described in the Note 4.3.

4.6 Inventories

“Inventories” in the consolidated balance sheet include assets that the consolidated companies:

1. Hold for sale in the ordinary course of business.

2. Hold under production, construction or development for sale in the ordinary course of business.

3. Expect to be consumed in the production process or in the rendering of services.

The Group considers that its inventories do not meet the requirements of IAS 40 for consideration as investment property. Consequently, land and other property held for sale or for inclusion in a property development are treated as inventories.

Land and sites are measured at the lower of acquisition cost, plus site development costs, if any, purchase transaction costs (transfer tax, registration expenses, etc.) and finance costs incurred over the period the urban development work is being carried out (see section 14 of this Note), or estimated market value.

The costs incurred in property developments, or in portions thereof, the construction of which had not been completed at year-end, are classified as construction in progress. These costs include costs relating to the site, urban development and construction costs, capitalized finance costs incurred in the construction period, and other allocable direct and indirect costs. Marketing expenses are charged to the consolidated income statement in the year in which they are incurred. Finance costs, which amounted to EUR 4.866 thousand in 2021, were recognized in the consolidated statement of profit or loss as a reduction of the financial profit and related to expenses associated with developments in Progress (EUR 4.166 thousand in 2020) (see Note 4.14 and Note 12).

The Group companies transfer the accumulated costs of completed developments, or a portion thereof, from “Construction work in progress” to “Completed properties”.

The inventories transferred to the Neinor Homes Group by virtue of the contributions made in the context of the transaction described in Note 1 are recognized initially at the amount assigned to them in the related transfer agreements. This amount coincides with the carrying amount at which these inventories had been recognized in the accounting records of the contributing companies, considering their acquisition cost or their net recoverable value, the lower.

"Short-Cycle Developments in Progress" are considered to be the accumulated costs of those developments for which the projected construction completion period does not exceed twelve months.

The cost of construction in progress and completed work is reduced to its fair value and, where appropriate, the related allowance for decline in value is recognized. However, if the fair value is greater than the net value of the cost, the value of the cost/contribution is maintained.

The fair value of the Group’s inventories is calculated on the basis of appraisals carried out by independent experts not related to the Group (Savills Aguirre Newman Valoraciones y Tasaciones, S.A.U.) or internal estimates. These appraisals or estimates use mainly the dynamic residual method to calculate the fair value and are carried out in accordance with the Appraisal and Valuation Standards issued by the Royal Institution of Chartered Surveyors (RICS) in the United Kingdom and the International Valuation Standards (IVS) issued by the International Valuation Standards Committee (IVSC).

As indicated previously, the dynamic residual method was used to calculate fair value. This method consists of estimating the value of the final product based on the comparison or discounted cash flow method, and subtracting from this value the development costs, including the residential development and construction costs, fees, levies, etc., and the profit of the developer for estimating the residual value. Income and costs are distributed over time in line with the periods of development and sales estimated by the expert. The discount rate used is that which represents the average annual return on the project, without taking into account external financing, which would be obtained by an average developer in a development of the characteristics of that analyzed. This discount rate is calculated by adding the risk premium determined by evaluating the risk of the development (taking into account the type of property asset to be constructed, its location, liquidity, the construction period and the investment volume required) to the risk-free interest rate.

Given the uncertainties inherent to any information based on future expectations, there could be deviations between the projected results considered when performing the aforementioned estimates and the actual ones, what may require them to be modified prospectively (upwards or downwards), as described in Note 2.5.

At 31 December 2021, as for 31 December 2020 all its “Development” assets had been appraised by an independent expert, having taken the aforementioned value as a reference when assessing the existence of any impairment losses to be recognized for accounting purposes, adjusted, in certain cases, by tolerances of five percent; the effect thereof was not significant taken as a whole. All its “Legacy” assets had been appraised by an internal analysis to determine the recoverable value.

In this respect, the most significant aspects considered in the appraisals were as follows:

Development assets-

The appraisals were conducted on a case-by-case basis for each asset, taking into consideration the building qualities envisaged for each one, which in turn determine the associated contracting costs and range of sale prices. Also, for each individual asset, the average periods for achieving the various urban planning, management and discipline milestones, as well as the average construction periods for each development depending on the building type and density were taken into account.

Lastly, the discount rate associated with each project was calculated, and a sensitivity analysis performed on the rate depending on the zoning status of the developments at that time. The discount rates vary according to the development stage reached by the asset (plot without development, under construction, with pre-sales or finished), with rates ranging between 6% (for work in progress with pre-sales) and 20% (for certain urban plots) in 2021 (between 6% and 17% in 2020).

Once a preliminary estimate has been made of the value of the assets, a review of the valuation models is performed, verifying the reasonableness of the ratios, such as the percentage of the finished product represented by the plot, the profit on the construction cost or the profit obtained according to sales.

Other parameters are also set in each of the appraisals, the main ones being as follows:

- Advance sales before the start of the construction of the developments were not taken into consideration.

- It was estimated that 70% - 75% of the sales (pre-sales off plan, in a private sale and purchase agreement) will be carried out during the construction of the developments and the remaining sales within nine months following completion thereof.

- Increases in sale prices over the existing market prices were not taken into consideration.

- It is estimated that 33/36 months could elapse between the time necessary for the drafting of the project and the obtainment of the construction permit, construction and delivery of the project, and the end of the marketing and sale of the units.

Legacy assets

This type of asset was analyzed basically using the comparison method, adjusted for the commercialization cost and other costs incurred until the asset is disposed of, except in the case of plots or developments exceeding approximately 30 units, which were valued in accordance with the methodology described above for "development assets".

In addition, the assumptions used to value these assets were as follows:

- They are insured and all the risks relating to possible replacements are covered, and they are in a sufficient physical and functioning state for current use.
- They are not subject to court proceedings, disputes, evictions of tenants with or without agreements or outstanding claims of any kind with significant impact on the consolidated accounts.

4.7 Trade receivables

Trade receivables do not earn interest and are stated at their nominal value, less any allowances for estimated unrecoverable amounts.

4.8 Customer advances

The amount of the advances received from customers prior to recognition of the sales of the properties, according to the criteria indicated in note 4.13, is recognized at year-end under “Other current liabilities-Customer advances” on the liability side of the consolidated balance sheet.

4.9 Financial instruments

Financial assets and liabilities are recognized in the Group's consolidated balance sheet when the Group becomes party to the contractual terms of the instrument.

During the exercises ended 31 December 2021 and 2020 the measurement bases applied by the Group to its financial instruments were as follows:

Financial assets

Financial assets are initially recognized at cost, including attributable transaction costs.

The financial assets held by Group companies are classified as:

1. Held-to-maturity investments: financial assets with fixed or determinable payments and fixed maturity. The Group has the positive intention and ability to hold them from the date of purchase to the date of maturity. This category does not include loans and accounts receivable originated by the Group.
2. Loans and receivables originated by the Group: financial assets originated by Group companies in exchange for supplying cash, goods or services directly to a debtor. These are measured at amortized cost.

Held-to-maturity financial assets, and loans and receivables are measured at amortized cost.

The Group measures its assets at amortized cost, since the objective of the business model is to hold assets in order to collect the contractual cash flows. In this connection, in accordance with the impairment model based on the expected credit loss over the next twelve months, the Group considers that the financial assets measured at amortized cost are subject to impairment, taking into consideration the facts and circumstances that exist as indicated below (in thousands of euros):

Concept	Gross Amount 31/12/2021	Estimated loss at 12 months (%) (*)	Estimated loss at 12 months at 31/12/2021	Net Amount 31/12/2021
Financial assets (Note 11)	14.541	0,14% - 3%	(356)	14.185
Inventories - Advances to creditors (Note 12)	21.988	3%	(660)	21.328
Clients – servicing (Note 13)	7.826	0,02%	(2)	7.824
Advances to suppliers (Note 13)	21.365	3%	(653)	20.712
Trade and other receivables (Note 13)	42.497	0,02% - 3%	(300)	42.197
Cash	309.776	0% - 0,06%	(132)	309.644
TOTAL	**417.993**		**(2.102)**	**415.890**

(*) The estimate was made taking into consideration the credit rating of the counterparties issued by agencies of recognized prestige. In the estimation of the expected loss on advances to suppliers, the Group opted to recognize a provision for 3% of the total amount of advances delivered, since no public individual credit rating is available (Note 13).

A loss of 472 thousand euros has been recorded in the "Change in trade provisions" caption in the consolidated income statement. The estimated loss amounting to 2.102 thousand euros has been registered in each of the caption of the consolidated balance sheet previously mentioned.

Financial assets are derecognized from the consolidated balance sheet by the different Group companies when the contractual rights on the cash flows of the financial asset expire or when substantially all the risks and benefits inherent to ownership of the financial asset are transferred.

At each balance-sheet date, the Group assesses whether there is any objective evidence of impairment of financial assets. The Group assesses whether there is any objective evidence of impairment for loans and accounts receivable.

Financial liabilities and equity

Financial liabilities and equity instruments are classified in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of the Group.

The main financial liabilities held by Group companies are held-to-maturity financial liabilities, measured at amortized cost.

Equity instruments

Equity instruments issued by the Company are recognized in equity at the proceeds received, net of direct issue costs.

Bank loans

Interest-bearing bank loans and overdrafts are recognized at the amount received, net of direct issue costs. Finance costs, including premiums payable on settlement or reimbursement and direct issue costs, are recognized in the consolidated income statement on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

In relation to non-recourse confirming, the International Financial Reporting Standards ('IFRS') do not explicitly state the accounting treatment applicable to the aforementioned transactions. According to the European Securities and Markets Authority (ESMA) these types of transactions (also called "reverse factoring") should be analyzed depending on the economic substance of the agreements, so that issuers can conclude whether the trade debt should be classified as financial debt within the consolidated balance sheet, or payments made should be classified as financial or operational within the Cash flow statements. Consequently, provided that there are no material changes to the conditions of the trade debt (for example, to the due date, the amount or the interest rates, if applicable), the fact that due to the use of confirming, the new legal creditor is a financial institution instead of the supplier, does not change the economic character of the debt that arose from the operational activities of the Group company, regardless of whether it originated from an external or a group supplier.

This is the accounting policy chosen by the Group, and an amount of EUR 8.242 thousands was drawn down at 31 December 2021 (EUR 18.249 at 31 December 2020) (Note 17).

4.10 Shares of the Parent

All the shares of the Parent held by consolidated companies are deducted from equity.

At 31 December 2021, the Parent Company held 3.622.669 treasury shares (4.645.608 at 31 December 2020) and none of the subsidiaries or associates held additional treasury shares (See Note 15.4).

4.11 Provisions

The Group's consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognized in the consolidated annual financial statements, but are disclosed, as required by IAS 37.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to meet the specific obligations for which they were originally recognized. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

At the end of the exercises ended 31 December 2021 and 2020 certain litigation and claims were in process against the consolidated companies arising from the ordinary course of their operations. The Group's legal and tax advisers and directors consider that the provisions recorded are sufficient and that the outcome of these proceedings and claims will not have any additional material effect on the financial statements for the years in which they are settled (see Note 21).

Provisions for warranties

Provisions for warranty costs, particularly after-sales expenses, other costs and the ten-year guarantee required under Spanish regulations governing real estate companies, are recognized at the date of sale of the relevant products, in line with the best estimate of the expenditure required to settle the Group's potential liability, according to market experience.

4.12 Income tax

The Parent filed consolidated income tax returns under Income Tax Provincial Regulation 11/2013, of 5 December, and formed part of tax group no. 02115BSC headed by Neinor Holdings, S.L.U. (see Note 20). The Group companies Neinor Península, S.L.U. and Neinor Sur S.A.U. filed their tax returns separately, since they did not belong to the aforementioned consolidated tax group.

Due to Neinor Homes, S.A. admission to listing and Neinor Holdings, S.L.U's loss of participation there has been a breakdown of the Tax Group. On November 3 2017, the new Fiscal Group (number 02117BSC) headed by Neinor Homes, S.A. was approved. The Tax Group pays income on a tax consolidation basis with effect from 1 January 2017 in accordance with Article 99.2 of Bizkaia Corporation Tax Regulation 11/2013, of 5 December.

On 13 December 2017, Neinor Norte, S.L.U., as the sole shareholder of Promociones Neinor 1, S.L. (currently named Rental Homes PropCo, S.L.U.), Promociones Neinor 2, S.L. (currently named Neinor Rental OpCo, S.L.U.), Promociones Neinor 3, S.L., Promociones Neinor 4, S.L. (currently named Neinor Works, S.L.), and Promociones Neinor 5, S.L., decided to change the registered office of the aforementioned companies, which will be located in Madrid. As a result, since it does not meet the requirements to file consolidated tax returns in Vizcaya, on 20 December 2017, Neinor Homes, S.A., as the head of the tax group, notified the tax authorities that the legislation applicable to the aforementioned investees of Neinor Norte, S.L. for the tax periods commencing on or after 1 January 2017 will be that of Spain (excluding Navarra and the Basque Country). Therefore, in 2021 and 2020 the Vizcaya consolidated tax group no. 02117BSC was made up of Neinor Homes, S.A. as the parent and Neinor Norte, S.L.U. as subsidiary.

On the other hand, on 9 January 2020, new Fiscal Group (number 5/20) for the common territory was approved. Tax group is made of Neinor Península, S.L.U. and also composed of Neinor Sur, S.A.U., Rental Homes Propco, S.L., Neinor Rental Opco, S.L., Promociones Neinor 3, S.L.U., Neinor Works, S.L. U. and Promociones Neinor 5, S.L., with number 5/20 (Note 20). In April and October 2021, the Group performed the necessary communications to the tax authorithies so that the following companies may also be part of said tax group: Renta Garantizada, S.A., Residencial Nuevo Levante, S.L., Quabit Inmobiliaria Internacional, S.L.U., Bulwin Investment Socimi, S.A., Grupo Mediterráneo Costa Blanca S.L., Quabit Quality Homes, S.L.U., Quabit Premier, S.L., Quabit Sant Feliu, S.L., El Balcon de las Cañas, S.L., Quabit Casares, S.L., Quabit Torrejón VP Fase 1, S.L.U., Quabit la Peñuela VL Fase 1, S.L.U., Quabit Torrejón VP Fase 2, S.L.U., Quabit la Peñuela VL Fase 2, S.L.U., Quabit Torrejón VP Fase 3, S.L.U., Quabit la Peñuela VL Fase 3, S.L.U., Quabit Remate Las Cañas, S.L.U., Quabit Quality Homes Guadalix, S.L.U., Quabit Quality Homes San Lamberto, S.L.U., Iber Activos Inmobiliarios, S.L., Quabit Sup-R6, S.L.U., Quabit Finance, S.A.U., Quabit Finance Assets, S.L.U., Quabit Gregal, S.L.U., Quabit Poniente, S.L.U., Quabit Siroco, S.L.U., Quabit Terral, S.L.U., Quabit Mistral, S.L.U., Quabit Cierzo, S.L.U., Quabit Tramontana, S.L.U., Quabit Aneto, S.L.U., Global Quabit, S.L.U., Quabit Alcarria, S.L.U., Quabit Distrito Centro, S.L.U., Quabit Corredor de Henares, S.L.U., Quabit Moncloa, S.L.U., Quabit Sureste, S.L.U., Quabit Hortaleza, S.L.U., Quabit Remate, S.L.U., Quabit Aguas Vivas, S.L.U., Global Quabit Cañaveral Málaga Fase 1, S.L.U., Global Quabit Cañaveral Málaga Centauro, S.L.U., Global Quabit Cañaveral Tercera Fase, S.L., Global Quabit Cañaveral Fase Cuatro, S.L.U., Global Quabit Málaga, S.L.U., Global Quabit Sur, S.L.U., Global Quabit Norte, S.L.U., Global Quabit Azuqueca, S.L.U., Quabit Casares Golf RP5, S.L.U., Quabit Almanzor, S.L.U., Quabit Teide, S.L.U., Quabit Peñalara, S.L.U., Global Quabit Desarrollos Inmobiliarios, S.L.U., Quabit Alovera, S.L.U., Quabit Las Lomas De Flamenco, S.L.U., Quabit Menorca Desarrollos Inmobiliarios, S.L.U., Quabit Freehold Properties, S.L.U., Quabit Freehold Properties Levante, S.L., Quabit Freehold Properties Sur, S.L.U., Quabit Freehold Properties Centro, S.L.U., Quabit Freehold Properties Madrid, S.L.U., Quabit Freehold Properties Valencia, S.L.U., Quabit Freehold Properties Este, S.L.U., Quabit Palmaces S.L.U., Quabit El Vado, S.L.U., Panglao Investments, S.L.U., Quabit Veleta, S.L.U., Quabit Puerta de Vistahermosa, S.L.U., B2R Proptech, S.L.U., Style Living Gestión, S.L.U. and Quabit Construcción, S.A. The Tax Group is taxed under a tax consolidation regime with effect from January 1, 2021, except for affiliates acquired as a result of the business combination with Quabit Inmobiliaria, S.A. (Note 2.8) whose tax contribution in the Tax Group began in May 2021, in accordance with the provisions of the Special Tax Consolidation Regime, regulated in Chapter VI of Title VII of Law 27/2014, of November 27, on Corporation Tax.

The consolidated income tax expense is recognized in the consolidated income statement, unless it arises as a consequence of a transaction the result of which is recorded directly in equity, in which case the income tax expense is also recognized in equity.

The consolidated income tax expense for the year is calculated on the basis of taxable profit for the year. The taxable profit differs from the net profit reported in the income statement because it excludes revenue and expense items which are taxable or deductible in different years and also excludes items that will never be taxable or deductible. The Group's current tax liability is calculated on the basis of tax rates that have been approved or substantially approved at the date of the consolidated balance sheet.

The Group companies file consolidated income tax returns and in this process they apply the following rules: temporary differences arising in the calculation of the consolidated tax base arising from the transactions between companies composing the tax group, provided that such results have not been realised vis-à-vis third parties, are recognized by the company that had recognized the result; permanent differences (e.g. due to the elimination of dividends paid among companies in the tax group) or temporary differences arising in the calculation of the consolidated tax base are recognized as a permanent or temporary difference by the company that had recognized the result, and any tax losses and tax credits and rebates offset or used by the companies composing the tax group are recognized as an account receivable or payable between the reporting company and the companies that offset and/or use them.

Deferred tax assets and liabilities are the amounts expected to be recoverable or payable calculated on differences between the carrying amounts of assets and liabilities in the financial statements and the tax bases used in calculating the taxable profit. They are recognized using the consolidated balance sheet liability method and are quantified by applying to the related temporary difference or tax asset the tax rates at which it is expected that the asset will be realized or the liability settled.

A deferred tax asset or liability is recognized for temporary differences arising from investments in subsidiaries and associates and from interests in joint ventures, except when the Group is in a position to control the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

However:

1. Deferred tax assets are only recognized if it is considered probable that the consolidated companies will have sufficient future taxable profits against which the deferred tax asset can be utilized, considering, in any case, market expectations and in a restricted way, so the Deferred tax assets are recognized only once there is a consolidated improvement of the Real Estate sector.

2. No deferred tax liabilities are recognized for goodwill arising on an acquisition.

Deferred tax assets and liabilities are reviewed at the end of each reporting period to verify that they remain in force, and the appropriate adjustments are made on the basis of the results of the review, considering their temporary and quantitative limits, if there were any, for its application.

4.13 Revenue and expense

Revenue and expenses are recognized on an accrual basis.

Revenue is measured at the fair value of the consideration received or receivable and represents balances receivable for goods delivered and services rendered in the ordinary course of business, less discounts, VAT and other sales taxes.

Rental revenue is recognized on an accrual basis, with incentive benefits, and the initial lease costs are allocated to income on a straight-line basis.

The Group companies recognize property development sales and the related cost when the properties are handed over and title and control of the asset thereto have been transferred. For these purposes, the sale of a residential finished product is understood to have occurred when the keys are handed over, which coincides with the execution of the public deed and final collection of the price.

The Group recognizes land sales when the risks and rewards of ownership have been transferred, which is generally the date the deed of sale is executed, as long as a substantial part has been disbursed (nearly 50%) or the unrealized gain has been granted against the compensation contractually settled. Otherwise, the sell will not be considered as recognized for accounting purposes. If the sale made is subject to fulfilment of a genuine condition precedent, the sale is not recognized until such time as it is fulfilled.

The Group can make purchases of land subject to conditions subsequent and precedent. If there are conditions precedent, the contract comes into force when the condition is fulfilled and, in turn, the contract becomes effective. The amounts paid in the context of contracts subject to conditions precedent are recognized as "Advances to Suppliers" and as such are subject to the measurement standard applicable to trade receivables. If there are conditions subsequent, the fulfilment of the condition marks the extinction of the effects of the contract and, therefore, the Group assesses the probability associated with the condition and the party on which the fulfilment of the condition depends, for the purposes of recognizing the rights and obligations associated with the contract over time.

The cost allocated to the units up for sale of a property development is determined by allocating to each unit being sold the portion of the total costs of the development that results from applying to them the same proportion that their selling price represents in relation to the estimated value of the development taken as a whole.

The amounts received from customers on account of future sales of land and/or buildings, both in cash and commercial bills, to the extent that the recognition of the sale does not occur in the terms described above, are recognized, as the case may be, as advances received under "Customer Advances" under current liabilities in the consolidated balance sheet.

Sales warranties cannot be purchased separately and are required by law. Consequently, the Company continues to recognize warranties and insurance contracts in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. No supplementary warranties are provided in addition to those required by law which, under IFRS 15, are considered to be service warranties and should, therefore, be recognized as a stand-alone performance obligation to which the Group must allocate a portion of the asset's selling price. The incremental costs of obtaining a sales contract, basically the sales commissions of the property development's agents, are recognized as a collection right until each unit being sold is executed in a deed (the moment in which the entire expense is recognized as the cost of sales), as they are reimbursable if the sales embodied in private sale and purchase agreements are not fulfilled. Other necessary or incremental contract costs might exist when entering into the private sale and purchase agreements (such as the costs associated with the guarantees provided to secure advances received from customers) which it is not practical to capitalize, but which could be revalued on the basis of changes in borrowing costs in the future, if it were considered that they contribute to improved matching between income and expenses. The uncapitalized expenses associated with costs of this type amounted to EUR 1.461 thousand in 2021 (EUR 1.162 thousand in 2020) recorded under the caption “External Services" in the accompanying consolidated income statement.

Revenue from the rendering of services is recognized by reference to the percentage or stage of completion of the transaction at the end of the reporting period, provided the outcome of the transaction can be estimated reliably. Revenue from the Group's services are those associated with the contract for the administration and management of real estate assets entered into with Kutxabank and described in Note 1 under exclusivity conditions, which also includes urban planning and marketing services. As consideration for these services, the various companies in the real estate area of Kutxabank pay a fixed remuneration based on the type and volume of the assets (a reference value being established between the parties) for the management and administration thereof, while a variable success remuneration is received for their marketing as well as other variable revenue accrued annually in the event of achieving the sales objectives established between the parties, which vary according to whether they are less than 70% thereof, equal to 70% or above 70%; to this is added the variable remuneration linked to the request for execution of certain specific actions relating to assets such as work requested in relation to the analysis of the incorporation of new assets under management or services associated with third-party assets at the request of Kutxabank. If over two successive years the degree of achievement of the objectives were below 30%, the right to exclusivity in relation to marketing would be lost. The objective has been achieved at the end of the reporting period 2021, according to the adjusted sales budget adjustment derived from the Covid-19 situation (Note 28). In 2020 this ratio was also accomplished.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset’s net carrying amount.

Dividend revenue from investments is recognized when shareholders’ rights to receive payment have been established.

The disaggregated breakdown of income from ordinary activities from contracts with customers required by IFRS 15 can be extracted from the segmented information disclosed in Note 6, as this information is sufficiently descriptive in terms of the nature, amount, timing and uncertainty that might affect the revenue and cash flows arising from the sale agreements.

Also, in relation to the Group’s main business lines (see Note 6), consisting of the “development sales” and the asset management services agreement (“servicing”), it is estimated that, according with the commitments made with customers as of December 31, 2021, considering that all of them reach a successful conclusion, the income figure associated with them will be the following for the next four years, in millions of euros:

Type	
Development sales (*)	812
Servicing	9
TOTAL	**821**

(*) Calculated based on the advances received of amounts for the housing units for which private sale and purchase agreements have been signed and which have not yet been handed over (see Note 12).

4.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of property developments or property investments are added to the costs of these assets, only during periods when an effective development occurs (idle periods are excluded) and until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

In the year ended 31 December 2021, the Group capitalized borrowing costs amounting to EUR 4.866 thousand to "Inventories" (4.166 thousand in 2020) (see Notes 4.6 and 12).

All other borrowing costs are recognized in the consolidated income statement in the period in which they are incurred.

4.15 Profit from operations

The profit from operations is presented before the share of results of associates (companies accounted for using the equity method) and before investment income and finance costs.

4.16 Termination benefits

Under current labor legislation, the Group companies are required to pay termination benefits to employees whose contracts are terminated under certain conditions. In the consolidated annual accounts for the year ended December 31, 2021, the Group has registered a provision amounting to 1.458 thousand euros for that concept being the total expense due to termination benefits EUR 2.935 thousand (as of December 31, 2020, the Group had no provision registered).

4.17 Consolidated cash flow statements

The consolidated cash flow statements have been prepared using the indirect method and the terms used are defined as follows:

1. Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

2. Operating activities: the principal revenue-producing activities of the entities composing the consolidated Group and other activities that are not investing or financing activities.

3. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents, if they have a direct impact on current cash flows.

4. Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities, if they have a direct impact on current cash flows.

4.18 Current assets and liabilities

The Group has opted to present current assets and liabilities in accordance with its ordinary course of business. The current assets and liabilities with estimated maturities of over twelve months are as follows:

	Thousands of euros	
	31.12.21	31.12.20
Inventories (long term)	792.407	581.408
Total current assets	**792.407**	**581.408**
Bank borrowings	95.445	168.441
Current trade and other payables	71.361	37.351
Other current liabilities	14.931	28.376
Total current liabilities	**181.737**	**234.168**

4.19 Share-based payments

During 2017 a long-term incentive plan payable in full in shares for 40 key employees was approved, approximately, including members of the Management Committee and the CEO, consisting of three consecutive overlapping three-year periods, i.e. 2017-2019, 2018-2020 and 2019-2021 in which the achievement measurement metrics are, in thirds, EBITDA, the developer margin and shareholder return, with a downward correction coefficient of 10% regarding the achievement of the aforementioned metrics determined by the evolution of the average Loan to Value (LTV) ratio in excess of a target ratio. Minimum amounts below which the incentives do not accrue and the possibility of an extra bonus of up to 150% were established. The sale of the number of shares thus acquired is restricted for periods of between one year and six months for the CEO and the members of the management committee. The shares to be received by each participant will be determined by the incentive attributed to each participant in the plan (in ranges of between EUR 10 thousand and EUR 250 thousand), the price of the shares for each three-year period (average of the share price in the 20 trading sessions prior to the commencement of each cycle) and by the achievement of objectives (range between 0% and 150%). Shares acquired under this plan are subject to lock-up commitments for periods of one year and 6 months for both the CEO and members of the management committee. In the case of the CEO and members of the management committee, this incentive is subject to a repayment clause if certain circumstances arise.

Additionally, in 2018 a long-term retention plan was approved aimed at the employees of the Group (with the exception of the Chief Executive Officer). The plan extends from 1 September 2018 to 2 September 2020 and consists of the allocation of an incentive based on each employee’s salary payable in shares of Neinor Homes, S.A., provided that resignation or dismissal on disciplinary grounds does not arise, and linked to the increase experienced in the value of the shares on expiry of the plan. The plan envisages various incentives, setting staggered compliance tranches (of 50%, 75% or 100%), the accrual of which commences with a minimum increase in the value of the share of 5%. The maximum disbursement envisaged under the plan amounts to an estimated EUR 9.3 million. Applying the Monte Carlo method and, taking into consideration the share price volatility of companies in the European real estate industry and Neinor Homes share’s volatility, over a comparable period, the external appraiser estimated that the fair value of the aforementioned variable portion amounted to approximately, EUR 2.9 million.

Lastly, in April 2020, the Shareholders of the Parent Company approved a new incentive plan payable in shares, for which the amount set is between EUR 8 million and EUR 12 million, for the period ending 31 December 2022. Initially, beneficiaries of the incentive plan are inside directors. However, members of the executive team of the Neinor Homes Group may get the access to this plan, requiring the approval of the Board. Achievement measurement metrics are EBITDA and the total return for the shareholder (which considers the gains in the stock's price of Neinor Homes). Minimum amounts below, which the incentives do not accrue, and the possibility of an extra bonus of up to 150% were established. Shares acquired under this plan are subject to lock-up commitments for a period of one year for inside directors. Additionally, this incentive is subject to a repayment clause if certain circumstances arise and there are minimum permanence requirements for the incentive accrual. The shares to be received by each participant will be determined by the incentive attributed to each participant in the plan and taking into account the evolution of the share price of Neinor Homes, S.A. during the incentive plan period. Additionally, the Group launched an incentive plan payable in cash, for which the amount set is between EUR 1,2 million and EUR 1,8 million and for which the beneficiaries are five members of the executive team of the Neinor Homes Group. Achievement measurement metric is EBITDA and the rest of the characteristics of the plan are very similar to those referred above. The assistance of an external appraiser was used for the accounting recognition of the incentive plans. Applying the Monte Carlo method and taking into consideration the share price volatility of companies in the European real estate industry over a comparable period, the external appraiser estimated that the fair value of the incentive plans amounted to approximately, EUR 1 million.

In 2021 incentive plans gave rise to the recognition of staff costs of EUR 3.582 thousand (EUR 1.790 thousand in 2020) with a balancing entry under equity and non-current and current provisions in the accompanying consolidated balance sheet (see Notes 15.4, 22.3 and 24).

There are no additional share-based incentive plans for employees.

4.20 Related party transactions

The Group performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Parent's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future (see Note 23).

In case significant differences arise between the established price and the fair value of a transaction between related companies, this difference would be considered the distribution of results or contribution of funds between the Company and the aforementioned related company and as such, it would be registered in reserves. However, if they correspond to transactions held with the shareholders, these will be recorded in the consolidated income statement in proportion to the shareholder's participation on the date of the transaction.

4.21 Remuneration of senior executives

The remuneration of senior executives of the Parent and persons who discharged similar duties (see Note 24) is recognized on an accrual basis, and at year-end the related provision is recognized for any amounts not settled.

5. Earnings / (loss) per share

5.1 Basic earnings /(loss) per share

Basic earnings / (loss) per share are calculated by dividing net profit/ (loss) for the year attributable to the Group (i.e., after tax and non-controlling interests) by the weighted average number of shares outstanding during that year.

Accordingly:

	31.12.21	31.12.20
Earnings / (loss) for the year (thousands of euros)	103.033	70.120
Weighted average number of shares outstanding (thousands of shares) (*) (Note 15)	76.613	73.930
Basic earnings/ (loss) per share (euros)	**1,345**	**0,948**

(*) Note: average number of shares adjusted for treasury shares.

5.2 Diluted earnings/ (loss) per share

Diluted earnings/loss per share is calculated in the same way as basic earnings/loss per share, but the weighted average number of shares outstanding is adjusted to take into account the potential dilutive effect of share options, warrants and convertible bonds outstanding at year end.

At 31 December 2021 and 2020, diluted earnings per share of the Neinor Homes Group basically coincided with the basic earnings per share, since the impact of the share-based payments in this calculation is not significant (see Note 4.19).

6. Segment reporting

6.1 Basis of segmentation

Segment reporting is structured based on the Group's various lines of business.

The lines of business described below were established on the basis of the Neinor Homes Group’s organizational structure at 2021 year-end, taking into account, on the one hand, the nature of the goods and services offered and, on the other, the customer segments at which they are targeted.

The Neinor Homes Group engages mainly in developing and selling property developments (see Note 1), and the Group distinguishes the results generated from the assets earmarked for property development, which could be sold before development (included under "Development") from those assets considered as non-strategic (included under "Legacy"). In this regard, it was determined that all the real estate assets acquired through the business combination with Quabit Inmobiliaria, S.A. (see Note 2.8) should be included under “Development”.

In addition, in accordance with the asset management and administration agreement described in Notes 1 and 4.13, the Group provides services of this nature to various Kutxabank Group companies, and the information relating to this segment is included under "Asset Management - Servicing" of this Note.

Additionally, in February 2020 the Board of Directors of the Parent Company approved the development of a new line of business of owned housing units using the current land bank. This development is initially limited to a maximum of 1,200 housing units, but the objective is to create a portfolio of 4.500 rental homes over the long-term (5 years). Nevertheless, rental property business line has been developed to diversify the main Group´s activity consisting of residential development. The Group has consolidated this new business line with the acquisition of Renta Garantizada, S.A. during the year 2020 and the acquisition of Sardes Holdco, S.L.U in January 2021 (Note 2.8) (both subsidiaries have been classified under the segment “Rental”).

Income and expenses that cannot be specifically attributed to any operating line or that are the result of decisions affecting the Group as a whole -and, among them, expenses incurred in projects or activities affecting several lines of business- are attributed to a “Corporate Unit/Other” to which the reconciling items arising from the reconciliation of the result of integrating the financial statements of the various lines of business (prepared using a management approach) to the Group’s consolidated financial statements are also allocated.

Group's activities at 31 December 2021 and 2020 have been carried out entirely in Spain.

6.2 Basis and methodology for segment reporting

The segment information below is based on monthly reports prepared by Group management and is generated through the same computer application as that used to obtain all the Group’s accounting information. This information is reviewed by the Finance Management Committee (on which both management and the sole shareholder are represented) to make decisions on the allocation of resources and to evaluate performance.

Segment revenue is revenue that is directly attributable to the segment. The revenue of each segment does not include interest income, dividends or gains on the sale of property assets.

The expenses of each segment are determined on the basis of the expenses arising from the segment’s operating activities that are directly attributable to it (as is the case of "Cost of sales", "External services" and "Change in trade provisions"), plus the relevant proportion of the expenses that may be allocated to the segment using reasonable allocation bases (the latter method is applied to staff costs).

The segment result is presented before any adjustments that might relate to non-controlling interests.

Segment assets and liabilities are those directly related to each segment's operations, plus the assets and liabilities that can be directly attributed thereto using the aforementioned allocation criteria. However, “Tax Receivables”, “Tax payable due to income tax” and “Cash and Cash Equivalents”, as well as the investments in companies accounted for using the equity method and interest in joint ventures (see Note 2.8), regardless of their origin, are allocated to “Corporate Unit/Other”.

	Thousands of Euros									
	Development (****)		Rental		Assets Management – Servicing & Others / Corporate		Legacy		Total	
	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20
Income:										
Third party sales	882.832	545.151	4.725	534	24.394	23.572	2.350	3.544	914.301	572.801
Cost of sales	(669.353)	(410.243)	-	-	-	-	(1.959)	(3.492)	(671.312)	(413.735)
Gross Margin	**213.479**	**134.908**	**4.725**	**534**	**24.394**	**23.572**	**391**	**52**	**242.989**	**159.066**
Employee benefits expenses	(21.362)	(15.028)	(965)	(179)	(5.622)	(3.611)	(375)	(164)	(28.324)	(18.982)
Employee benefits expenses – Incentives (Note 15 and 22.3)	(6.104)	(2.640)	(19)	-	(1.122)	(375)	(75)	(25)	(7.320)	(3.040)
External Services	(54.517)	(28.211)	(2.722)	(221)	(6.877)	(6.667)	(1.093)	(1.580)	(65.209)	(36.679)
Change in trade provisions	(15.240)	(696)	-	(35)	-	-	-	-	(15.240)	(731)
Other operating gains	2.601	740	23	-	-	200	103	9	2.727	949
Change in fair value in investment property	-	-	16.964	-	-	-	-	-	16.964	-
Negative difference on business combination	142	-	-	-	-	-	-	-	142	-
Impairment and gains / (losses) on disposals of non-current assets	-	1	-	84	-	-	-	66	-	151
EBITDA	**118.999**	**89.074**	**18.006**	**183**	**10.773**	**13.119**	**(1.049)**	**(1.642)**	**146.729**	**100.734**
Net interest expense and others	(6.523)	(4.590)	(1.183)	-	(10.974)	(1.350)	-	-	(18.680)	(5.940)
Depreciation and amortization	(4.335)	(3.127)	(61)	(38)	(206)	(920)	(301)	(10)	(4.903)	(4.095)
Profit / (Loss) Before Tax	**108.141**	**81.357**	**16.762**	**145**	**(407)**	**10.849**	**(1.350)**	**(1.652)**	**123.146**	**90.699**
Impairment losses of inventories (Note 22.6)	-	1.947	-	-	-	-	-	-	-	1.947
Change in trade provisions (Note 22.6)	-	3.100	-	-	-	-	-	-	-	3.100
MIP`s incentive (Note 22.3)	3.300	-	-	-	-	-	-	-	3.300	-
Change in fair value in investment property	-	-	(416)	-	-	-	-	-	(416)	-
Net interest expense and others (***)	6.523	4.590	1.183	-	10.974	1.350	-	-	18.680	5.940
Depreciation and amortization	4.335	3.127	61	38	206	920	301	10	4.903	4.095
ADJUSTED EBITDA (*)	**122.299**	**94.121**	**17.590**	**183**	**10.773**	**13.119**	**(1.049)**	**(1.642)**	**149.613**	**105.781**
Employee benefits expenses – Incentives (Notes 15 and 22.3)	1.854	2.640	-	-	591	375	39	25	2.484	3.040
Employee restructuring costs (Note 22.3)	2.887	-	19	-	-	-	-	-	2.906	-
Growth expenses (Notes 2.8 and 22.4)	3.104	1.573	-	-	-	-	-	-	3.104	1.573
ADJUSTED EBITDA (**)	**130.144**	**98.334**	**17.690**	**183**	**11.364**	**13.494**	**(1.010)**	**(1.617)**	**158.107**	**110.394**

(*) A financial measure used by Group management, which does not take into consideration the impairment losses of inventories, personal expenses associated with the incentives of the Parent Company, after-sales expenses and the change in fair value in investment property that took place between 30 June 2021 and 31 December 2021.

(**) A financial measure used by Group management, which does not take into consideration the incentive plan and growth and restructure expense due to the business combination (Note 2.8).

(***) Corporate business line includes financial expenses related to the bond issuance amounting 9 million euros (Note 17.2).

(****) Includes under "Development" segment an amount of EUR 18.053 thousand in 2021 corresponding to sales of plots of land, which were sold before development (EUR 6 million in 2020). Cost of sales of those plots of land amounted to EUR 13.977 thousand (EUR 6,1 million in 2020).

The main magnitudes of the consolidated balance sheet by segment at 31 of December 2021 and 2020 are the following:

	Thousands of Euros											
	Development		Rental		Management Assets- Servicing		Others / Corporate		Legacy		Total	
	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20
Balance sheet:												
Non-Current Assets	22.677	10.252	110.107	10.331	-	-	107.880	27.087	-	73	240.664	47.743
Current assets	1.399.483	1.244.681	1.000	1.642	8.499	8.002	311.227	269.024	5.835	7.867	1.726.044	1.511.216
Total Assets	**1.422.160**	**1.234.933**	**111.107**	**11.973**	**8.499**	**8.002**	**419.107**	**296.111**	**5.835**	**7.940**	**1.966.708**	**1.558.959**
Non-current Financial Debt	-	50.000	44.815	65	-	-	-	20.594	-	-	44.815	70.659
Current Financial Debt	209.601	242.864	461	-	-	-	3.884	19.471	-	-	213.946	262.335
Other non-current liabilities	3.006	2.614	6.494	2.558	-	-	294.550	-	-	-	304.050	5.172
Other current liabilities	442.914	351.776	2.746	520	687	1.462	12.676	5.613	378	524	459.401	359.895
Total Liabilities	**655.521**	**647.254**	**54.516**	**3.143**	**687**	**1.462**	**311.110**	**45.678**	**378**	**524**	**1.022.212**	**698.061**

7. Intangible assets

The changes in "Intangible assets" in the exercises ended 31 December 2021 and 2020, by type of asset, were as follows:

Exercise ended 31 December 2021

	Thousands of euros			
	Computer	Industrial property	Client portfolio (Note 2.8)	Total
Cost:				
Balance at 31 December 2020	3.749	15	775	4.539
Additions	501	-	-	501
Disposals	(2)	-	-	(2)
Business combination (Note 2.8)	116	-	7.401	7.517
Balance at 31 December 2021	**4.364**	**15**	**8.176**	**12.555**
Accumulated amortization:				
Balance at 31 December 2020	(2.615)	-	(38)	(2.653)
Charges	(669)	-	(156)	(825)
Disposals	2	-	-	2
Balance at 31 December 2021	**(3.282)**	**-**	**(194)**	**(3.476)**
Net Balance at 31 December 2021	**1.082**	**15**	**7.982**	**9.079**

Exercise ended 31 December 2019

	Thousands of euros			
	Computer	Industrial property	Client portfolio (Note 2.8)	Total
Cost:				
Balance at 31 December 2019	3.386	14	-	3.400
Additions	490	1	-	491
Disposals	(129)	-	-	(129)
Business combination (Note 2.8)	2	-	775	777
Balance at 31 December 2020	**3.749**	**15**	**775**	**4.539**
Accumulated amortisation:				
Balance at 31 December 2019	(1.864)	-	-	(1.864)
Charges	(879)	-	(38)	(917)
Disposals	128	-	-	128
Balance at 31 December 2020	**(2.615)**	**-**	**(38)**	**(2.653)**
Net Balance at 31 December 2020	**1.134**	**15**	**737**	**1.886**

The main additions in 2021 and 2020 relate to the development of the management software used by the Group.

At 31 December 2021 and 2020, there were no intangible assets provided as collateral for any obligation.

At 31 December 2021 intangible assets fully amortized amount to EUR 1.675 thousand (EUR 1.368 thousand at 31 December 2020).

8. Property, plant and equipment

The changes in this heading in the exercises ended 31 December 2021 and 2020 were as follows:

Exercise ended 31 December 2021

	Miles de Euros			
	Technical items and machinery	Other items of Property, Plant and equipment	Tangible Assets in course	Total
Cost:				
Balance at 31 December 2020	8.291	2.473	-	10.764
Additions	385	252	120	757
Disposals	(1.373)	(173)	-	(1.546)
Business combination (Note 2.8)	619	1.160	-	1.779
Balance at 31 December 2021	**7.922**	**3.712**	**120**	**11.754**
Accumulated amortization:				
Balance at 31 December 2020	(2.699)	(1.479)	-	(4.178)
Charges	(1.226)	(482)	-	(1.708)
Disposals	797	148	-	945
Balance at 31 December 2021	**(3.128)**	**(1.813)**	**-**	**(4.941)**
Accumulated depreciation:				
Balance at 31 December 2020	(590)	-	-	(590)
Balance at 31 December 2021	**(590)**	**-**	**-**	**(590)**
Net Balance at 31 December 2021	**4.204**	**1.899**	**120**	**6.223**

Exercise ended 31 December 2020

	Thousands of euros		
	Technical items and machinery	Other items of Property, Plant and equipment	Total
Cost:			
Balance at 31 December 2019	8.033	2.319	10.352
Additions	258	63	321
Disposals	-	(507)	(507)
Business combination (Note 2.8)	-	598	598
Balance at 31 December 2020	**8.291**	**2.473**	**10.764**
Accumulated amortisation:			
Balance at 31 December 2019	(1.458)	(1.073)	(2.531)
Charges	(1.241)	(424)	(1.665)
Disposals	-	18	18
Balance at 31 December 2020	**(2.699)**	**(1.479)**	**(4.178)**
Accumulated depreciation:			
Balance at 31 December 2019	(590)	-	(590)
Balance at 31 December 2020	**(590)**	**-**	**(590)**
Net Balance at 31 December 2020	**5.002**	**994**	**5.996**

The Neinor Homes Group takes out all the insurance policies it considers necessary to cover the risks which might affect its property, plant and equipment.

At 31 December 2021 property, plant and equipment assets fully amortized amount to EUR 1.212 thousand (EUR 283 thousand at 31 December 2020).

At 31 December 2021 and 2020, there were no property, plant and equipment items provided as collateral for any obligation.

At 31 December 2021 and 2020, the Group did not have any significant commitments to purchase items of property plant and equipment.

9. Right-of-use assets

The changes in this heading in the exercise ended 31 December 2021 and 2020 were as follows:

Exercise ended 31 December 2021

	Thousands of euros			
	Cost	Amortization	Depreciation	Total
Net Balance at 31 December 2020	**5.605**	**(2.118)**	**-**	**3.487**
Additions / Charges	272	(1.804)	-	(1.532)
Disposals	(941)	941	-	-
Business combination (Note 2.8)	103	-	-	103
Net Balance at 31 December 2021	**5.039**	**(2.981)**	**-**	**2.058**

Exercise ended 31 December 2020

	Thousands of euros			
	Cost	Amortization	Depreciation	Total
Net Balance at 31 December 2019	**4.810**	**(1.516)**	**-**	**3.294**
Additions / Charges	1.745	(1.552)	-	193
Disposals	(950)	950	-	-
Net Balance at 31 December 2020	**5.605**	**(2.118)**	**-**	**3.487**

10. Subsidiaries and associates

Appendix I to the notes to these financial statements details the subsidiaries and associates and information thereon (which includes, inter alia, name, registered offices and the percentage of direct and indirect ownership of the Parent).

11. Current and non-current financial assets

Details of these financial assets, by nature, are as follows:

	Thousands of euros			
	31.12.2021		31.12.2020	
	Non-current	Current	Non-current	Current
Equity instruments	1.069	78	150	-
Loans	2.825	1.179	-	-
Guarantees and deposits	4.385	4.649	6.214	2.198
Total	**8.279**	**5.906**	**6.364**	**2.198**

12. Inventories

Details of "Inventories" at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Sites and land (Note 19)	486.986	287.898
Construction work in progress	442.437	711.834
Completed buildings	391.651	211.052
Advances to suppliers	21.328	24.268
Less – Impairment losses (Note 9)	(19.719)	(26.610)
	1.322.683	**1.208.442**

In the year, ended 31 December 2021 borrowing costs amounting to EUR 4.866 thousand were capitalized to inventories (EUR 4.166 thousand in 2020) (Notes 4.6 and 4.14).

The additions in the period ended 31 December 2021 relate mainly to work certifications of the ongoing promotions and capitalized costs associated with the pre-construction for a value of EUR 331 million. Additionally, purchases of land worth EUR 199 million have taken place (355 and 5 million euros in 2020).

"Trade and Other Payables - Payable to Suppliers" under "Current Liabilities" in the consolidated balance sheet as at 31 December 2021 includes EUR 88 million (Note 19) relating to the deferred portion of the price for the purchase of plots of land (31 December 2020: EUR 37,4 million).

In addition, in 2021 the Group has handed over 31 properties and has 49 property developments recognized under “Construction work in progress” at year-end. In 2020, the Group handed over 27 properties and has 40 property developments recognized under “Construction work in progress” at year-end. Also, in 2021 one of the property developments was transferred to “Investment Property” as it was earmarked for lease. This asset was valued at EUR 32.333 thousand, and the related revaluation gain of EUR 4.963 thousand was recognized under “Changes in Fair Value of Investment Property” in the consolidated statement of profit or loss for the year ended 31 December 2021 (Note 2.8).

At 31 December 2021 there are assets included in "Inventories" caption in the accompanying consolidated balance sheet with a net cost of EUR 1.295 million corresponding to assets classified as "Development" (of which EUR 311 million were acquired in May 2021 as a result of the business combination with Quabit Inmobiliaria, S.A. and subsidiaries effected in May 2021 (see Note 2.8)) and EUR 6 million relating to "Legacy” assets (EUR 1.177 million and EUR 8 million at 31 December 2020). Likewise, at the end of 2021, the Group has paid advances to suppliers for future purchases of land amounting to 21 million euros, net of impairment, all of which correspond to assets that will be classified as "Development" and which are guaranteed by a mortgage or by means of a scroll account (31 December 2020: EUR 24 million).

At 31 December 2021, there are assets included under “Inventories” with a gross cost of EUR 975 million (EUR 921 million at 31 December 2020) securing a loan the Group has assumed the borrower position as the payment of the price arranged with the seller for the acquisition of a plot of land (see Note 17).

At the end of October 2020, the Parent agreed to provide marketing services for more than 1.000 housing units for a third-party real estate developer; these services have started during 2021. The services, which include the drafting of both the commercial sales plan and the communication and marketing strategy, the estimated cost associated with which is approximately EUR 1 million, will give rise as consideration to remuneration of a percentage of the final selling price of the housing units, in line with the commercial fees charged to the Group by real estate agents. This agreement also includes a purchase option on the units left to be marketed, exercisable only by the Parent prior to 31 December 2023 (which can be extended to 31 December 2026, provided that certain objectives regarding the number of units marketed are achieved).

As of December 31, 2021 and 2020, the Group did not maintain additional significant commitments.

The property development sale commitments entered into with customers at 31 December 2021 and 2020, relating to those units in which a private purchase and sale agreement was signed, have resulted in the collection or reception of notes receivables amounting to EUR 103.223 and 108.564 thousand respectively, which have been recognized under “Current liabilities - Customer advances” in the consolidated balance sheet at 31 December 2021 and 31 December 2020 (see Note 18).

The Group reviews periodically the fair value of its inventories, applying the corresponding provisions for impairment, in accordance with the criteria established in the Note 4.6. The changes in 2021 and 2020 in the write-downs associated with the inventories were as follows:

	2021	2020
Initial Balance	**26.610**	**29.793**
Write-downs recognized	173	1.947
Write-downs reversed	(7.064)	(5.130)
Final Balance	**19.719**	**26.610**

At 31 December 2021, all the Development assets have been evaluated by an independent expert. The net realizable value determined by "Savills Aguirre Newman Valoraciones y Tasaciones, S.A.U.)" for the inventories owned by the Group amounted to approximately EUR 1.854 million (EUR 1.907 million if the valuation of the investment properties, legacy assets and the assets related to the investment performed in HMB had been considered), while there is an uncertainty relating to the outcome of the Covid-19 crisis situation and the effects it might have specifically, on the determination of the market value of the Group's inventories, given the uncertainty involved in any information based on future expectations (EUR 1.585 million at 31 December 2020) This figure includes the value of land advances for an amount of EUR 104 million (EUR 51 million at 31 December 2020).

Considering the external appraiser's methodology described in Note 4.6, the key assumptions identified in the appraisals for the development assets (see Note 6) are the discount rate and the sale prices. In the case of the discount rate a sensitivity of +/- 100 basis points was established, based on the different economic scenarios forecast in the short and medium term, as well as the rate of return that would be required by other developers with different characteristics to the Group. In addition, a scenario of stable sales prices is expected, while the appraisal models involved conservative assumptions on the current economic situation, that explains the reason why a sensitivity of + 1%/ +5% was set.

Assuming the remaining variables to be constant, the appraised values of development projects and the carrying amount thereof would be affected as follows at 31 December 2021, taking into account the change in the key assumptions (in thousand euros):

Assumption	Discount Rate		Sale Price			
	+1%	-1%	+1%	-1%	+5%	-5%
	Increase (Decrease)					
Change in appraised values	(35.858)	37.741	27.187	(29.069)	135.662	(145.818)
Change in carrying amount (*)	(4.467)	2.433	2.286	(4.458)	9.482	(27.044)

(*) The carrying amount is based on the lower of cost or realizable value. Increases or decreases in the net realizable value are not necessarily accompanied by impacts on the carrying amount of inventories.

The Savills valuation models adopted by the Group are sufficiently conservative and prudent to make it inappropriate to consider sensitivities to a negative price performance. In addition, the directors consider that we are currently undergoing a price stability scenario. However, the Group has performed a sensitivity analysis considering a 1%/ 5% fall in prices in the base scenario without subsequent price growth and the other variables remaining constant. In such an adverse scenario, which is not considered likely at the moment, the effect on the value of the real estate assets would be a reduction of EUR 29.069 thousand and EUR 145.818 thousand, and the recognition of additional impairment losses of EUR 4.458 thousand and EUR 27.044 thousand, respectively (at December 31, 2020 the effect on the value of the real estate assets would be a reduction of EUR 22.130 thousand and EUR 110.674 thousand, and the recognition of additional impairment losses of EUR 837 thousand and EUR 7.893 thousand, respectively).

13. Trade and other receivables

"Trade and other receivables" includes the following items:

	Thousands of euros	
	31.12.2021	31.12.2020
Trade receivables and notes receivables	23.969	9.373
Other receivables – Down Payments	20.712	15.246
Other receivables – Provision of Services	88	45
Other receivables – Due from Personnel	16	11
Others	26.098	261
Impairment (Note 22.6)	(150)	(123)
Total	**70.733**	**24.813**

"Trade Notes Receivable" in the foregoing table mainly includes the amount receivable relating to the asset management and administration agreement entered into between various companies of the Kutxabank Group and Neinor Homes, S.A. (see Note 1), amounting to EUR 7.824 thousand (7.672 thousand euros at 31 December of 2020). Also, this line item includes deferred balances relating to sales of inventories amounting to EUR 5.400 thousand, trade receivables pending to be collected due to the works performed in Sector Playa Almenara amounted to EUR 3.174 thousand and trade receivables with related parties amounted to EUR 5.725 thousand (Note 23).

"Other receivables" in the foregoing table includes mainly the amounts receivable from third parties for services rendered (see Notes 22.1 and 23) and amounts paid in advance by the Group to service providers amounting to EUR 20.712 thousands an amount that includes 10.500 thousand euros in advances paid to agents who have intervened in the execution of the purchase and sale agreements pending deed (Note 4.13).

Finally, "Others" in the foregoing table includes mainly the amounts receivable owed by Empresa de Gestión Urbanística y Servicios de Alboraya, S.L. ("EGUSA") to the subsidiary Grupo Mediterráneo Costa Blanca, S.L. as of December 31, 2021. These amounts refer to both the principal of the debt, EUR 23.425 thousand, and the accrued interest, EUR 2.342 thousand, figures that coincide with those expressed in judgement no. 535/2016 of 15 December 2016, handed down by Valencia Court of First Instance number 6. These amounts are secured by a mortgage guarantee on land owned by EGUSA located in the UE-2 sector of Alboraya, the market value of which is higher than the amount recorded as a debit balance. The Group has recorded this receivable as a current asset since it is very likely to be realized in the short term through the delivery of land, which will be classified as a current asset in the consolidated balance sheet.

Trade receivables do not generate interest, in general terms and there are no doubtful assets for which impairment losses additional to those already recognized at year-end must be recognized.

The Group periodically analyses the risk of insolvency of its accounts receivable by updating the related provision for impairment losses. The Group's directors consider that the amount of trade and other receivables approximates their fair value. Additionally, the Group has evaluated the impact of Covid-19 on the expected credit loss of its financial assets, considering it not significant.

14. Cash and cash equivalents

"Cash and cash equivalents" includes the Group's cash on hand and in short-term bank deposits with an initial maturity of three months or less. The carrying amount of these assets is similar to their fair value.

In this regard, as described in Law 20/2015, of July 14, advances received and associated with a development (see Note 18) are deposited in a special account, separate from any other class of funds belonging to the Group, and are only drawn against in connection with the construction of the developments. The balance subject to this restriction amounted to EUR 39.958 thousand at 31 December 2021 (EUR 19.940 thousand 2020), which differs from the advances (see Note 18) as a result of the cash used to pay the progress billings of developments to which such advances are allocated. Likewise, the guarantees (Note 21) differ from these advances, on the one hand, because guarantees are issued for the total of the amounts that the clients will deliver on account during the work and not only for the amounts actually received, and on the other hand, due to the fact that the guarantee is issued in a period of up to 30 days after receiving the customer's advance.

15. Capital and reserves

15.1 Share capital

In 2017, the Parent, Neinor Homes, S.A. was registered as a public limited liability company ("S.A.") with a view to its admission to trading on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, which took place on 29 March 2017 with the prior authorisation of the Company’s sole shareholder on 6 March 2017. Also, in the aforementioned public deed, the number of existing shares of the Company was reduced by a reverse split whereby one new share of EUR 10 par value each was issued for every ten existing shares of EUR 1 par value each. Subsequently, on 6 March 2017 the then sole shareholder of Neinor Homes, S.A. approved a capital increase through monetary contributions for a cash amount of EUR 100 million. This capital increase was performed by issuing new ordinary shares of EUR 10 par value each, of the same class and series as those already in circulation, with a share premium of EUR 6,46 per share, giving a total share premium of EUR 39.247 thousand. Consequently, following the capital increase performed as part of the stock market flotation, the share capital of Neinor Homes, S.A. is represented by 79.005.034 shares of EUR 10 par value each.

On 10 May 2021, the Parent Company registered with the Commercial Registry of Bizkaia a public deed relating to a share capital reduction in the amount of 46.156.080 euros, by means of the cancellation of 4.615.608 own shares. The share capital reduction was approved by the General Shareholders’ Meeting of the Parent Company held on 31 March 2021. Additionally, as a consequence of the merger and in accordance with the exchange ratio regime and procedure established (Note 3), on 24 May 2021 the Parent Company increased its share capital in the amount of 55.992.160 euros, by means of the issuance of 4.615.608 shares with a nominal value of 10 euro each with a share premium of 1.455.796 euros.

At 31 December 2021, the Parent's share capital consisted of 79.988.642 fully subscribed and paid shares of EUR 10 par value each (79.005.034 fully subscribed and paid shares of EUR 10 par value each at 31 December 2020), according to the following breakdown:

	31.12.2021		31.12.2020	
	% Ownership Interest Registered	Total Share Capital Amount (Thousand euros)	% Ownership Interest Registered	Total Share Capital Amount (Thousand euros)
Orion European Real Estate Fund V, SLP	27,67	221.285	28,01	221.285
Adar Capital Partners Ltd	19,11	152.819	19,34	152.819
Bank of Montreal	-	-	5,21	41.154
Cohen & Steers, Inc.	4,98	39.868	-	-
BMO Asset Management Ltd	4,79	38.302	-	-
Remain stock exchange	43,45	347.612	47,44	374.492
Total	**100,00**	**799.886**	**100,00**	**790.050**

15.2 Reserves of the Parent

Legal reserve

Under Article 274 of the Consolidated Text of the Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve may be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At 31 December 2021 and 31 December 2020 legal reserve was not fully contributed.

15.3 Reserves at fully consolidated companies

Details, by company, of reserves at fully consolidated companies at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of euros	
Company	31.12.2021 (*)	31.12.2020 (*)
Full consolidation:		
Parent Company	**64.920**	**66.211**
Neinor Norte, S.L.U.	41.769	17.660
Rental Homes PropCo, S.L.U.	(324)	(297)
Neinor Rental OpCo, S.L.U.	(15.018)	(15.024)
Promociones Neinor 3, S.L.U.	(2.275)	(1.848)
Neinor Works, S.L.U.	(4.997)	(5.311)
Promociones Neinor 5, S.L.	(5.866)	(5.679)
Neinor Península, S.L.U.	(114.781)	(109.870)
Neinor Sur, S.L.U.	106.628	63.257
Renta Garantizada, S.A.	(13)	-
Reserves at fully consolidated companies	**5.123**	**(57.112)**
Total	**70.043**	**9.099**

(*) The Parent has also set up a legal reserve of EUR 5.570 thousand at December 2021 (EUR 4.773 thousand at December 2020) not included in this detail. The consolidated reserves include the legal reserve of the subsidiaries for an amount of EUR 20.325 thousand (EUR 13.534 thousand at December 2020)

At 31 December 2021 and 2020 the negative reserves contributed by the subsidiaries Rental Homes PropCo, S.L.U., S.L.U., Neinor Rental OpCo, S.L.U., Promociones Neinor 3, S.L.U., Neinor Works, S.L.U. and Promociones Neinor 5, S.L. arose as regards of the difference at the date when the Neinor Homes Group was created between the amounts the financial interests in these subsidiaries were contributed to the Group (specifically to the subsidiary Neinor Norte, S.L.U., its direct shareholder) and their underlying carrying amounts at that date were negative, due to the impairment recognized in connection with all their property assets. When the contribution was made, the Kutxabank Group intended the other investees of Kutxabank to make a direct contribution to restore their equity position so as not to give rise to any loss for Neinor Norte, S.L.U. Lastly, this contribution was made in 2015 by Kutxabank directly through a capital increase at Neinor Homes, S.A. prior to its transfer to Neinor Holdings, S.L.U. This capital increase was performed in steps at Neinor Norte, S.L.U. and its investees including, among others, those which had an equity imbalance, and the situation was remedied prior to the Lion transaction described in Note 1.

At November 2015, Neinor Holdings S.L.U, sole shareholder of Neinor Homes S.A., carried out a shareholder contribution increase to the mentioned entity amounting to EUR 1.346 thousand. The shareholder contribution was related to the arrangement signed at December 2014 between Kutxabank and Neinor Holdings S.L, as explained in the Note 1 of this consolidated financial statement, in the form of a price adjustment to compensate for the expenses paid by the Group to a Development and Apportionment Entity.

15.4 Treasury shares and other reserves

The Annual General Meeting held on 6 March 2017 authorized the derivative acquisition of treasury shares for the maximum period permitted by law and subject to the requirements established in Article 146 of the Spanish Limited Liability Companies Law.

On May 4, 2017, the Group began a program of Treasury Stock, and a total of 199.406 treasury shares were acquired until September 20, 2017. On September 22, 2017, the Parent Company signed a contract of liquidity with Gestión de Patrimonios Mobiliarios, S.V., S.A. whereby it makes purchase and sale of shares during the year.

On 4 April 2019, Neinor Homes, S.A. signed an agreement with Goldman Sachs International whereby the bank undertook to acquire at the Parent Company's request up to a maximum of 7,900,500 shares of Neinor Homes, S.A. or shares for up to an equivalent notional amount of EUR 100 million. Payment for the aforementioned shares, which entailed their physical delivery to Neinor Homes, S.A., was initially established on 5 October 2020 and the arrangement accrued interest at a fixed rate of 3.25%. In accordance with CNMV Circular 1/2017, of 26 April, on liquidity agreements, the agreement established that the bank's daily volume of purchases shall not exceed 15% of the average daily trading volume in the previous 30 trading sessions. Also, in relation to this agreement, Neinor Homes, S.A. has provided a guarantee through the delivery of cash of EUR 11 million, increasing to EUR 25 million during the first months of 2020. The arrangement and existing debt, amounting to approximately EUR 49 million, were settled at the end of March 2020 by the payment, net of guarantees given, of EUR 25 million.

Also, on 26 March 2021, and for a period of six months, the Group has launched a treasury share programme for the derivative acquisition of up to one million treasury shares, with a maximum permitted disbursement, in any event, of EUR 10 million, for which the Parent has entered into a liquidity agreement with JB Capital Markets Sociedad de Valores, S.A.U. Additionally, on 17 September 2021, and for a period of 1 year, the Group has launched a treasury share programme for the derivative acquisition of up to 2.5 million treasury shares, with a maximum permitted disbursement, in any event, of EUR 30 million, for which the Parent has entered into a liquidity agreement with Gestión de Patrimonios Mobiliarios, S.V., S.A.

As of December 31, 2021, the total Treasury Stock of the Parent Company amounts to 3.622.669 securities (4.645.608 at 31 December 2020). The average unit purchase price of the securities was 11,09 euros (11,00 euros at December 2020).

In 2018 a long-term retention plan was approved aimed at the employees of the Group (with the exception of the Chief Executive Officer). The plan extends from 1 September 2018 to 2 September 2020 and consists of the allocation of an incentive based on each employee's salary payable in shares of Neinor Homes, S.A., provided that resignation or dismissal on disciplinary grounds does not arise, and linked to the increase experienced in the value of the shares on expiry of the plan. In 2020 this plan gave rise to the recognition of staff costs of EUR 1.068 thousand with a balancing entry under equity in the accompanying consolidated balance sheet.

Lastly, in April 2020, the Shareholders of the Parent Company approved a new incentive plan payable in shares, for which the amount set is between EUR 8 million and EUR 12 million, for the period ending 31 December 2022. Initially, beneficiaries of the incentive plan are inside directors. However, members of the executive team of the Neinor Homes Group may get the access to this plan, requiring the approval of the

Board. Achievement measurement metrics are EBITDA and the total return for the shareholder (which considers the gains in the stock's price of Neinor Homes). Minimum amounts below, which the incentives do not accrue, and the possibility of an extra bonus of up to 150% were established. Shares acquired under this plan are subject to lock-up commitments for a period of one year for inside directors. Additionally, this incentive is subject to a repayment clause if certain circumstances arise and there are minimum permanence requirements for the incentive accrual. The shares to be received by each participant will be determined by the incentive attributed to each participant in the plan and taking into account the evolution of the share price of Neinor Homes, S.A. during the incentive plan period. In 2021 this plan gave rise to the recognition of staff costs of EUR 3.399 thousand with a balancing entry under equity in the accompanying consolidated balance sheet (EUR 75 thousand during 2020).

15.5 Dividends paid

The annual shareholders´ meeting held on April 1, 2020 approved the distribution of a dividend charged to the share premium reserve and/or to other distributable reserves to a maximum amount of 40 million euros, payable in one or more instalments during the years 2020 and 2021. It was also agreed to delegate to the Board of Directors of the Parent Company the power to establish, if appropriate, the amount and the exact date of each payment during said period, always in compliance with the maximum aggregated amount indicated. On 7 January 2021, the Parent's Board of Directors has approved to distribute a dividend of EUR 0.5 per share, to be paid out of share premium. The payment of the aforementioned dividend has taken place on March 2021. In addition, the Parent's Board of Directors plans to approve the distribution of a dividend of approximately EUR 50 million in 2022. This amount may be increased during 2022 (see Note 29).

16. Provisions

16.1 Current provisions

Changes in current provisions in 2021 and 2020 are as follows:

At 31 December 2021

	Thousands of euros		
Description	For taxes (see Note 22.4)	Other provisions (see Note 22.4)	Total
Balance at 31 December 2020	**6.350**	**10.330**	**16.680**
Charges	11.852	25.621	**37.473**
Business combination (Note 2.8)	-	21.366	**21.366**
Amounts used	(6.547)	(13.119)	**(19.666)**
Transfers	-	195	**195**
Balance at 31 December 2021	**11.655**	**44.393**	**56.048**

At 31 December 2020

Description	Thousands of euros		
	For taxes (see Note 22.4)	Other provisions (see Note 22.4)	Total
Balance at 31 December 2019	**3.932**	**7.273**	**11.205**
Charges	5.513	7.865	13.378
Amounts used	(3.095)	(4.808)	(7.903)
Balance at 31 December 2020	**6.350**	**10.330**	**16.680**

"Other provisions" caption includes, mainly, amounts set-aside warranty costs, after-sales expenses, as well as other construction costs not yet incurred. These provisions are recognized at the date of sale of the related products according to the Group's best estimate of the possible consideration required to settle the Group's liability.

Also, "For Taxes" caption in the foregoing table includes, mainly, the provisions recognized in relation to the taxes accrued in the period and which, at the reporting dates, have not been settled (mainly property tax) and the provision relating to non-deductible VAT as a result of applying the deductible proportion rule that has not yet been adjusted.

During 2021 and 2020, provisions have been charged for after-sales expenses, expenses to be incurred for sales commissions and capital gains derived from the increase in sales for the year (Note 22.6).

At each reporting date the Group assesses the estimated amounts required for probable or certain liabilities where payment is still not entirely determinable with regard to their exact amount, or the dates on which they will arise are uncertain since they depend on the fulfilment of certain conditions. Where appropriate, it recognizes the related provisions. In this connection, at 31 December 2021 there are legal claims in relation with assets owned by the different companies of the Group for a total amount of EUR 34.778 thousand (at 31 December 2020 EUR 30.507 thousand), mainly corresponding to construction contract resolutions for an amount of EUR 20.180 thousand euros, which include EUR 9.562 thousand corresponding to certifications and warranty withholdings to be paid registered as a current liability in the consolidated balance sheet. In relation to the remaining amount (EUR 10.618 thousand) no provision has been accounted, considering the directors of the Group that qualify the risk related to this litigation as possible. The directors of the Group and the external legal advisor consider purchase conditions were not accomplished and the risk related to this litigation is not significant. At 31 December 2021 the Group has recognized provisions amounting to EUR 4.731 thousand (EUR 830 thousand at 31 December 2020) since the Parent's directors, and its legal advisors, considered that the possible impacts for the Group arising from these liabilities would not be significant.

17. Bank borrowings and other financial liabilities

17.1 Bank borrowings

Details of bank borrowings and other financial liabilities at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Long-term bank borrowings:		
Mortgage loans (*)	44.815	-
Other loans (*)	-	70.659
Total (non-current)	**44.815**	**70.659**
Short-term Bank borrowings (see Note 23):		
Interest payable	509	584
Mortgage loans (*)	209.683	240.948
VAT lines	3.371	2.101
Other loans (*)	383	18.702
Total (current)	**213.946**	**262.335**

(*) Borrowings are presented at amortized cost, net of the debt arrangement expenses amounting to EUR 4.408 thousand (EUR 6.552 thousand in 2020).

31 December 2021

Scheduled maturities:	31.12.21
2022	163.316
2023	18.182
2024	30.258
2025 and following	46.758
Total	**258.761**

31 December 2020

Scheduled maturities:	31.12.20
2021	36.160
2022	83.574
2023	32.012
2024 and following	181.248
Total	**332.994**

Short-term and long-term bank borrowings

Mortgage loans

The balance recognized under “Bank borrowings – Mortgage loans for land” in the foregoing table which amounts to EUR 254.498 thousand at 31 December 2021 relates to the amount payable on loans regarding plots of land which secure repayment of these loans. These loans bear interest at a market rate and ultimately mature between 2022-2054.

Certain Group companies are jointly and severally guaranteeing most of these loans (See Appendix I).

Specifically, the Group has contracted 23 new mortgage loans during 2021 with a limit of EUR 197.212 thousand, of which an amount of EUR 58.761 thousand has been withdrawn. In addition, the limit and maturity of one loan contracted during the previous years have been extended.

At 31 December 2021, the Group's main mortgage loan drawn down relates to the financing granted by Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. ("SAREB"), the amortised cost of which amounted to EUR 51.812 thousand. On 25 March 2021, the aforementioned loan was novated, and the effectiveness and entry into force of the novation was subject to the registration of the merger in the Mercantile Register (described in Note 2.8); under the novation it was agreed to reduce the payable interest rate to 1%, and the following repayment schedule was established:

Scheduled maturities:	Thousands of euros
31 July 2022	11.324
31 July 2023	11.324
31 July 2024	14.155
31 July 2025	14.788
Total	**51.591**

In relation to this loan, on 16 September 2020 the Board of Directors of Quabit Inmobiliaria, S.A. approved the issue of warrants in favour of SAREB agreed within the framework of the refinancing agreement signed between the parties on 29 July 2020. These warrants entitled the holder to subscribe up to a maximum of 2.003.552 new Quabit Inmobiliaria, S.A. shares up to a maximum interest of 1% in its share capital. These warrants were cancelled on November 4, 2021 once the execution regarding the public deed of the cancellation of the Avenue warrants took place (Note 2.8).

Lastly, on 16 December 2021 a mortgage loan totalling EUR 100 million was granted by Natixis, S.A. Sucursal en España, Natixis Assurances Investments in Real Assets-Real Estate Compartment, Novo Banco, S.A. Succursale Luxembourg and BNP Paribas European Real Estate Debt Fund II to the Group companies Neinor Península, S.L.U., Neinor Sur, S.A.U., Panglao Investments, S.L.U., Quabit Alovera, S.L.U., Quabit Remate las Cañas, S.L.U., Quabit Cierzo, S.L.U. and Quabit Peñalara, S.L.U., in order to finance the construction costs of developments to be used in the rental business line. As a requisite for execution of the loan agreement, a first-ranking security interest was granted in all the collection rights relating to the bank account opened for the aforementioned financing and in such collection rights as might arise from some of the contracts related to the construction of the developments. The loan, which will have an initial term of 3.25 years, will bear interest at Euribor plus a spread of 2.75%. The agreement established a commitment to achieve the so-called "LTC Ratio", which, taken to be the quotient resulting from dividing the amounts drawn down against the loan by the construction costs of the financed developments, must be lower than 55%, as well as commitments to achieve the so-called "LTV Ratio", which is taken to be the quotient resulting from dividing net debt by the market value of the properties, both in terms of the Group's assets and its overall debt and in terms of the assets relating to the loan and the debt associated with those assets; these LTV ratios must be lower than 40% and 60%, respectively. The maturity of the loan may be extended by an additional period of 1.25 years, with a slight reduction of the spread associated with the financing, although this would entail the need to comply with covenants and to provide additional guarantees. At 31 December 2021, no balance had been drawn down. However, before the first drawdown is made, first-ranking mortgages must be created on the assets financed, and the Group subsidiaries that are the beneficiaries of the financing, or, failing them, Neinor Península, S.L.U. and Neinor Sur, S.A.U., must enter into a framework agreement for financial transactions to cap the interest rate associated with 75% of the financing.

VAT lines

This caption includes the balance drawn down of a loan received by the Group in order to finance the input VAT on certain land purchase transactions, which was received in 2015, and has been novated for an additional year. Hence, the loan matures in 2022 and bears interest at market rates. The limit on these loans amounts to EUR 15 million of which the amount of EUR 3.371 thousand has been disposed at December 2020 (EUR 2.101 thousand had been disposed at December 2020). To secure repayment of the borrowings, the receivables relating to input VAT arising for the public administration in these transactions were pledged to the financial institutions (Note 20).

Additionally, on 6 June 2017, the Group entered into a recourse factoring agreement with a bank mainly to finance input VAT on certain land purchase transactions. The agreement expires at one year and bears interest at market rates. The factoring line has a limit of 15 million euros, but no balance had been drawn down at 31 December 2021 and 2020. The amounts owed to it by virtue of the transactions performed will be used to guarantee the repayment of this financing.

Other loans

On 28 August 2017, the Group signed a financing agreement with J.P. Morgan for EUR 150 million. The loan was arranged for an initial term of 12 months and could be renewed for an additional 12 months. It has been drawn by Neinor Norte, S.L.U., Neinor Sur, S.A.U and Neinor Peninsula, S.L.U, acting Neinor Homes S.A. only as guarantor of this debt. Mainly for the purpose of repaying this loan and improving the Group's financial structure, in April 2019 a financing agreement was entered into with Deutsche Bank for a maximum amount of EUR 75 million, with Neinor Sur, S.A.U. acting as the lender and Neinor Homes, S.A., Neinor Península, S.L.U. and Neinor Norte, S.A.U. as guarantors. This financing initially matured in April 2020, although it could be extended at the Group's discretion until October 2021, provided that certain conditions are met (such as the delivery of a specified number of housing units). On 29 January 2020, debt agreement has been novated. Maturity date for this financing was January 2021, although it could be partially extended for an amount of 40 million euros, with minor interest rate increases, at the Group's discretion until December 2022, provided that certain conditions are met (in line with those fixed in the original contract). In this regard, the Group made during the year 2020 a voluntary repayment amounting to 25 million euros. This repayment was one of the conditions fixed for the maturity extension until December 2022. This financing, against which EUR 50 million had been drawn down at the end of December 2020. On 29 April 2021 this financing has been fully repaid with the funds obtained from the bonds issued by the Parent Company (Note 17.2).

In April 2020 the Parent arranged financing amounting to EUR 40 million, the final maturity of which was scheduled for April 2023, with a one-year grace period in respect of the principal and repayments being made on a straight-line basis over the subsequent two years and bearing interest at a fixed rate until maturity. On 29 April 2021 this financing has been also fully repaid with the funds obtained from the bonds issued by the Parent Company (Note 17.2).

Covenants and early repayment clauses

In connection with the borrowings arranged and drawn down by the Group and disclosed above, the Group has certain early repayment clauses associated with the loans and credit lines, including most notably the following:

- Obligation to achieve a firm and irrevocable LTV Ratio, taken to be the ratio of Net Debt to the Net Value of the Group's Properties (in both cases capex financing should be deducted), which must be below 35- 45%.

- In relation to the VAT factoring contract, 15% worsening in the coverage ratios (net financial debt to EBITDA ratio) and/or leverage (net financial debt to equity ratio) as compared to the measurement of these ratios in the latest annual financial statements; furthermore, when a depreciation of the Group's situation causes doubts as to the viability of its business, on the basis of market information. Management believes that the financial institution is aware of the current situation of the Group.

At year-end 2021, the Group was fully compliant with the covenants and clauses established in the aforementioned loans.

Other

In addition, the Group has drawn down reverse factoring lines amounting EUR 8.242 thousand at 31 December 2021 with a limit of EUR 98.550 thousand at that date (EUR 18.249 thousand at 31 December 2020 with a limit of EUR 95.366 thousand at that date).

All the loans and credit facilities outstanding at 31 December 2021 indicated above were arranged with leading banks and bear interest tied to Euribor plus market spreads.

The interest rate applicable to the Group, in general terms, is tied to Euribor plus a market spread ranging from 1,2% to 3,25% in 2021 (from 0,85% to 3,5% in 2020). The average cost of the borrowings calculated for 2021 and 2020 is approximately 2,49% and 3,06%, respectively (if calculation had been performed without considering the finance expense related to the bonds the average cost of the borrowings calculated for 2021 would have been of 1,81%).

At 31 December 2021, the Group companies have undrawn VAT and factoring loans totaling EUR 27 million (EUR 28 million at 31 December 2020).

Finally, the following is a reconciliation of the book value of liabilities arising from financing activities by distinguishing separately the changes that generate cash flows from those who do not:

2021

	01/01/2020	Business combination (Nota 2.8)	Cash Flow	Without cash flow impact			31/12/2021
				Variation in Fair Value	Reclassifications	Others (*)	
Long Term Loans	70.659	25.250	(44.253)	-	(6.435)	(406)	44.815
Short Term Loans	262.335	252.707	(274.077)	-	6.435	(33.454)	213.946
Total Liabilities from financing activities	**332.994**	**277.957**	**(318.330)**	**-**	**-**	**(33.860)**	**258.761**

(*) It includes the transfer of the assets owned by Quabit Las Lomas el Flamenco, S.L.U., for an approximate amount of 32 million euros (Note 2.8).

2020

	01/01/2020	Cash Flow	Without cash flow impact			31/12/2020
			Variation in fair value	Reclassifications	Others (Note 15.4)	
Long Term Loans	50.000	20.659	-	-	-	70.659
Short Term Loans	315.700	(28.419)	-	-	(24.946)	262.335
Total Liabilities from financing activities	**365.700**	**(7.760)**	-	**-**	**(24.946)**	**332.994**

17.2 Other financial liabilities

On 12 April 2021, the Board of Directors of the Parent approved the issue of guaranteed senior bonds maturing in 2026 (which may be redeemed early in certain circumstances and upon the occurrence of certain events) for a total principal amount of EUR 300 million; at the issue date (14 April 2021) it was established that the bonds would bear annual fixed interest of 4.5%, payable on a half-yearly basis (finance expense related to the bonds amounted to EUR 9 million at 31 December, 2021). The bonds, which were admitted to trading on the Global Exchange Market of the Irish Stock Exchange, are guaranteed by Neinor Homes, S.A. and certain of its subsidiaries that act as guarantors of the debt (Neinor Peninsula, S.L.U., Neinor Sur, S.A.U., Neinor Norte, S.L.U. and Promociones Neinor 1, S.L.U.). The notes are secured by share pledges over the guarantors and by pledges over intercompany loan receivables (if any) owed to the issuer or the guarantors. The Group has used and will use (in the case of the home-rental business line), the proceeds from the issue in order to:

- Repay EUR 152,6 million of outstanding indebtedness of Quabit Inmobiliaria, S.A. and its subsidiaries (Note 2.8).
- Repay the debt signed with the financial entity Deutsche Bank which at the period end on exercise 2020 was disposed in an amount of EUR 50 million, as well as two financial contracts with an amount of EUR 15 and 25 million, respectively, arranged with Banco Santander.
- Investments in connection with the rental property business line.
- Pay fees, commissions and expenses incurred directly attributable to the offering amounting to EUR 7 million, approximately, which have been deducted from the carrying value of the debt.

In addition to the use of gross proceeds indicated, the Group intend to allocate an amount equal to the net proceeds of this offering to residential projects which help to achieve the United Nations Sustainable Development Goals and which have a clear positive impact on the environment.

On April 11, 2021, in connection with the notes, the issuer and the guarantors entered into a revolving credit facility that provides for total commitments of up to EUR 50 million and which final maturity is 2026. The revolving credit facility is secured by substantially the same guarantees provided for the notes and will be available to finance or refinance the Group’s working capital requirements and general corporate purposes. The credit facility will bear interest at a variable rate of Euribor plus a market spread ranging from 2,5% to 3,25% calculated depending on the “LTV Ratio”. At 31 December 2021 no amount has been drawn.

Additionally, this caption includes, mainly:

- The variable amount payable resulting from the acquisition of 75% of the shares of Umber Jurídico Inmobiliario, S.L, recognized at amortised cost for EUR 2.661 thousand (see Notes 2.8 and 18).

- The leased assets held by the Group, for which the net book value at 31 December 2021 amounts to 2.058 thousand euros, being registered the associated debt to these operative leasing's under the caption "Other financial liabilities" of non-current and current liabilities of the accompanying consolidated balance sheet up an amount of 593 and 1.769 thousand euros, respectively. The maturities of the contracts associated with these leases expire from 2022 to 2027.

18. Other current and non-current liabilities

Details of other current and non-current liabilities at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of euros			
	31.12.2021		31.12.2020	
	Non-current	Current	Non-current	Current
Bonds (see Note 17.2)	294.400	1.549	-	-
Lease liabilities (see Note 17.2)	593	1.769	2.148	1.609
Guarantees and deposits received	446	1.990	1	337
Other financial liabilities (Note 17.2)	2.822	1.083	2.557	-
Other financial liabilities	**298.261**	**6.391**	**4.706**	**1.946**
Remuneration payable	-	5.991	-	3.602
Customer advances (see Note 12)	-	103.223	-	108.564
Other current liabilities	-	**109.214**	-	**112.166**
Total, gross	**298.261**	**115.605**	**4.706**	**114.112**

"Guarantees and deposits received" includes mainly guarantee deposits paid by lessees.

19. Current and non-current trade and other payables

"Trade and other payables" mainly includes balances payable for trade purchases and related costs. At 31 December 2021, this caption also included a payable amounting to EUR 88.075 thousand corresponding to the deferred portion of the price of a land purchased in these exercises (EUR 37.351 thousand at 31 December 2020) (see note 12).

In addition, this heading of the consolidated balance sheet includes at 31 December of 2021 an amount of EUR 49.812 thousand (EUR 40.918 thousand at 31 December 2020) as tax deductions applied to contractors for warranty.

The carrying amount of trade payables is similar to their fair value.

Information regarding the weighted average payment term to suppliers. Final Provision Two of Law 31/2014 of 3 December

Next it is detailed the information required by the Final Provision Two of Law 31/2014 of 3 December, that has been prepared applying the corresponding rules issued by the Accounting and Auditing Institute at 29 January 2016, which relates to the information to be included in the annual financial statements about weighted average payment term to suppliers.

	Period ended 31 December 2021	Period ended 31 December 2020
	Days	**Days**
Weighted average payment term to suppliers	57	51
Paid operations ratio	60	55
Outstanding payments ratio	35	23
	Thousands of euros	**Thousands of euros**
Total payments made	498.772	411.262
Total outstanding payments (*)	56.511	55.606

(*) Total outstanding payments do not include warranty withholdings deferred payments for the purchase of plots of land and invoices pending receipt. Additionally, amounts due to litigations have not been included (Note 16).

The figures in the preceding table on payments to suppliers refer to those whose nature make them trade creditors because they are suppliers of goods and services. Therefore, they include the figures relating to “Current trade and other payables” under current liabilities in the consolidated balance sheet. Deferred portion of the price in relation to the purchase of various plots of land (Note 12) has not been considered for this calculation.

“Weighted average payment term to suppliers” is taken to be the period that elapses from the delivery of the goods or the provision of the services by the supplier to the effective payment of the transaction.

Pursuant to Law 11/2003, of 26 July, establishing measures on combating late payment in commercial transactions, the statutory payment period applicable to the Company at 31 December 2021 and 31 December 2020 was 30 days, unless a longer period has been agreed, which in no case may exceed 60 days. In this connection, and for the calculations referred to above, the Group has considered in all cases a maximum legal term of 30 days, no matter which the arranged conditions with the suppliers are.

20. Tax matters

20.1 Tax rules and Consolidated tax group

All the Group companies, except the subsidiaries Neinor Península, S.L.U. and Neinor Sur, S.A.U., were paying income tax as from the years commencing 1 January 2015 as a Tax Group number 0211BSC in accordance with Corporation Tax Law 11/2013, of 5 December, pay taxes pursuant to Bizkaia Corporation Tax Regulation 11/2013. The tax group was headed by the Parent's former shareholder Neinor Holdings, S.L.U.

Due to Neinor Homes, S.A. admission to listing and Neinor Holdings, S.L.U’s loss of participation there has been a breakdown of the Tax Group. On 3 November 2017, the Administration approved the composition of the new Tax Group headed by Neinor Homes, S.A., and number 02117BSC. The Tax Group will pay income on a tax consolidation basis with effect from 1 January 2017 in accordance with Article 99.2 of Bizkaia Corporation Tax Regulation 11/2013, of 5 December.

On 13 December 2017, Neinor Norte, S.L.U., as the sole shareholder of Promociones Neinor 1, S.L. (currently named Rental Homes PropCo, S.L.U.), Promociones Neinor 2, S.L. (currently named Neinor Rental OpCo, S.L.U.), Promociones Neinor 3, S.L.U., Promociones Neinor 4, S.L. U. (currently named Neinor Works, S.L.U.) and Promociones Neinor 5, S.L., decided to change the registered office of the aforementioned companies, which will be located in Madrid. As a result, since it does not meet the requirements to file consolidated tax returns in Vizcaya, on 20 December 2017, Neinor Homes, S.A., as the head of the tax group, notified the tax authorities that the legislation applicable to the aforementioned investees of Neinor Norte, S.L. for the tax periods commencing on or after 1 January 2017 will be that of Spain (excluding Navarra and the Basque Country). Therefore, in 2020 and 2019 the Vizcaya consolidated tax group no. 02117BSC was made up of Neinor Homes, S.A. as the parent and Neinor Norte, S.L.U. as subsidiary.

On the other hand, on 9 January 2020, new Fiscal Group (number 5/20) for the common territory was approved. Tax group is made of Neinor Península, S.L.U. and also composed of Neinor Sur, S.A.U., Rental Homes Propco, S.L., Neinor Rental Opco, S.L., Promociones Neinor 3, S.L.U., Neinor Works, S.L. U. and Promociones Neinor 5, S.L., with number 5/20 (Note 20). In April and October 2021, the Group performed the necessary communications to the tax authorithies so that the following companies may also be part of said tax group: Renta Garantizada, S.A., Residencial Nuevo Levante, S.L., Quabit Inmobiliaria Internacional, S.L.U., Bulwin Investment Socimi, S.A., Grupo Mediterráneo Costa Blanca S.L., Quabit Quality Homes, S.L.U., Quabit Premier, S.L., Quabit Sant Feliu, S.L., El Balcon de las Cañas, S.L., Quabit Casares, S.L., Quabit Torrejón VP Fase 1, S.L.U., Quabit la Peñuela VL Fase 1, S.L.U., Quabit Torrejón VP Fase 2, S.L.U., Quabit la Peñuela VL Fase 2, S.L.U., Quabit Torrejón VP Fase 3, S.L.U., Quabit la Peñuela VL Fase 3, S.L.U., Quabit Remate Las Cañas, S.L.U., Quabit Quality Homes Guadalix, S.L.U., Quabit Quality Homes San Lamberto, S.L.U., Iber Activos Inmobiliarios, S.L., Quabit Sup-R6, S.L.U., Quabit Finance, S.A.U., Quabit Finance Assets, S.L.U., Quabit Gregal, S.L.U., Quabit Poniente, S.L.U., Quabit Siroco, S.L.U., Quabit Terral, S.L.U., Quabit Mistral, S.L.U., Quabit Cierzo, S.L.U., Quabit Tramontana, S.L.U., Quabit Aneto, S.L.U., Global Quabit, S.L.U., Quabit Alcarria, S.L.U., Quabit Distrito Centro, S.L.U., Quabit Corredor de Henares, S.L.U., Quabit Moncloa, S.L.U., Quabit Sureste, S.L.U., Quabit Hortaleza, S.L.U., Quabit Remate, S.L.U., Quabit Aguas Vivas, S.L.U., Global Quabit Cañaveral Málaga Fase 1, S.L.U., Global Quabit Cañaveral Málaga Centauro, S.L.U., Global Quabit Cañaveral Tercera Fase, S.L., Global Quabit Cañaveral Fase Cuatro, S.L.U., Global Quabit Málaga, S.L.U., Global Quabit Sur, S.L.U., Global Quabit Norte, S.L.U., Global Quabit Azuqueca, S.L.U., Quabit Casares Golf RP5, S.L.U., Quabit Almanzor, S.L.U., Quabit Teide, S.L.U., Quabit Peñalara, S.L.U., Global Quabit Desarrollos Inmobiliarios, S.L.U., Quabit Alovera, S.L.U., Quabit Las Lomas De Flamenco, S.L.U., Quabit Menorca Desarrollos Inmobiliarios, S.L.U., Quabit Freehold Properties, S.L.U., Quabit Freehold Properties Levante, S.L., Quabit Freehold Properties Sur, S.L.U., Quabit Freehold Properties Centro, S.L.U., Quabit Freehold Properties Madrid, S.L.U., Quabit Freehold Properties Valencia, S.L.U., Quabit Freehold Properties Este, S.L.U., Quabit Palmaces S.L.U., Quabit El Vado, S.L.U., Panglao Investments, S.L.U., Quabit Veleta, S.L.U., Quabit Puerta de Vistahermosa, S.L.U., B2R Proptech, S.L.U., Style Living Gestión, S.L.U. and Quabit Construcción, S.A. The Tax Group is taxed under a tax consolidation regime with effect from January 1, 2021, except for affiliates acquired as a result of the business combination with Quabit Inmobiliaria, S.A. (Note 2.8) whose tax contribution in the Tax Group began in May 2021, in accordance with the provisions of the Special Tax Consolidation Regime, regulated in Chapter VI of Title VII of Law 27/2014, of November 27, on Corporation Tax. Also, at the end of 2020 Quabit Inmobiliaria, S.A. headed tax group no. 131/07, which filed consolidated tax returns under the special consolidated tax regime regulated in Chapter VI of Title VII of Spanish Income Tax Law 27/2014, of 27 November, and which comprised substantially all of its subsidiaries, since it held, directly or indirectly, ownership interests of more than 80% in them and they were domiciled for tax purposes in Spain (excluding Navarra and the Basque Country). The extinguishment, through dissolution without liquidation, of Quabit Inmobiliaria, S.A. means that the tax period of the tax group of which it was the parent ended on the date on which it was extinguished and, also, obliges the subsidiaries to conclude their tax period on that same date, without prejudice to their subsequent inclusion, where appropriate, in the tax group headed by Neinor Península, S.L.U., once the pertinent requirements for application of the special consolidated tax regime to these subsidiaries have again been met.

20.2 Years open for review by the tax authorities

At 31 December 2021, the Parent and the subsidiaries have all main applicable taxes open for review by the tax authorities. Provincial Regulation 11/2013 establishes that all tax credits applied and tax losses generated in prior years can be reviewed when they are applied in any of the years open to review, while Law 27/2014 of 27 November, establishes a review term of ten years.

With regard to VAT, the various Group companies applied the deductible proportion rule set forth in Article 106 of VAT Law 37/1992, of 28 December (Article 106 of Provincial VAT Law 7/1994, of 14 December), which establishes that the amounts of tax paid in the acquisition of goods and services used solely in transactions made that give rise to the right to deduction may be deducted in full.

On 28 June 2017, certain Group companies were notified by the tax agency of the commencement of tax audits of the following taxes and periods:

- VAT of Neinor Península, S.L.U. for 2015 and 2016
- Income tax of Neinor Península, S.L.U. for 2015
- VAT of Neinor Sur, S.A.U. for 2014, 2015 and 2016
- Income tax of Neinor Sur, S.A.U. for 2012 to 2015

In January 2019 the Group received notification of final disciplinary proceedings concerning the tax inspections relating to Neinor Península, S.L.U., which gave rise to adjustments to tax payable amounting to EUR 3.272 thousand, which were recognized under “Income Tax” in the consolidated statement of profit or loss for the year ended 31 December 2018, and also penalties and late-payment interest of EUR 793 thousand and EUR 417 thousand recognized under “Other Operation Expenses” and “Finance Costs (Net of Capitalised Finance Costs)”, respectively, in the consolidated statement of profit or loss for the year ended 31 December 2018. Although pleadings have been filed against this decision, providing a guarantee of EUR 3 million, the Parent's directors, in accordance with the opinion of their external tax advisers, consider payment of these amounts probable since a final decision has been handed down in this connection. In this regard, provision is recognized under the caption “Tax payables” of the consolidated balance sheet as of 31 December 2021 and 2020. In addition, during the initial procedural formalities, penalties of EUR 6.3 million also became evident, but no provision has been recorded, considering that the administrative appeal filed by the Group will, in any event, give rise to a favorable outcome for it. This policy has also been approved by the Group’s external tax advisers.

Also, in October 2018 tax assessments were signed on an uncontested basis in relation to the income tax of Neinor Sur, S.A.U. The assessments gave rise to the adjustment of the tax losses for 2013, 2014 and 2015 by EUR 426 thousand, EUR 836 thousand and EUR 187 thousand, respectively, without any impact on the Group’s consolidated financial statements.

On 17 February 2020, the Regional Inspection Office of the Special Office of Andalusia commenced a limited tax audit on the company Neinor Península, S.L.U. for income tax relating to 2016 and 2017. During July 2020, the assessment was signed by the Company’s representative on an uncontested basis, giving rise to no tax contingencies in this connection.

Furthermore, on 8 February 2012, Quabit Inmobiliaria, S.A. received notification of the commencement of the verification and investigation of corporate income tax for the years 2007 to 2009, value added tax for the years 2008 and 2009 and withholdings on income from work for professionals and from movable capital for the years 2008 and 2009. In March2013, the assessments relating to the completion of the review process were received. The amount claimed by the tax authorities amounts to EUR 2.171 thousand, corresponding to settlement agreements issued by the Central Delegation for Large Taxpayers of the State Tax Administration Agency (''AEAT'') in March 2013. This amount is broken down into principal (EUR 1.088 thousand), interest (EUR 614 thousand) and a penalty (EUR 469 thousand), which have already been paid at the date of preparation of the accompanying consolidated financial statements. In addition, in its assessments, the AEAT proposed certain corrections to the taxable base for corporate income tax with no effect on the tax payable, as they correspond to periods in which the application of these corrections would not result in a positive taxable base and, therefore, in a payable tax. The proposed increase in the 2008 and 2009 tax bases proposed in the assessments was EUR 6.004 thousand and 7.204 thousand, respectively. The main adjustment item arose from amortization of goodwill from the merger in 2008 (EUR 5.641 thousand in 2008 and EUR 7.051 thousand in 2009). This difference in amortization derives from the difference in the quantification of amortization: EUR 152.332 thousand according to the AEAT compared to EUR 293.308 thousand calculated by Quabit Inmobiliaria, S.A. in its income tax settlements. Quabit Inmobiliaria, S.A. submitted pleas to the non-conformity assessments relating to corporate income tax and subsequently lodged an appeal with the Central Economic-Administrative Court (TEAC). In January 2017, Quabit Inmobiliaria, S.A. received a resolution from the TEAC rejecting all the pleas presented in its appeal. In March 2017, Quabit Inmobiliaria, S.A. filed an administrative appeal with the National High Court requesting a stay of the contested order. This suspension has been granted by the Court. Subsequently, on 7 December 2017, Quabit Inmobiliaria, S.A. filed a complaint with the Administrative Litigation Division of the National High Court. In September 2020, Quabit Inmobiliaria, S.A. received notification of the National Court's ruling rejecting all of its pleas. A cassation appeal was filed with the Supreme Court and, at the date of preparation of these consolidated financial statements, the ruling either giving this appeal leave to proceed, or refusing it, had not been received.

The directors of the Parent do not expect any additional material liabilities not already covered to arise as a result of the inspections that could occur for the years open to inspection. In this regard, in accordance with Additional Provision Nine of Royal Decree-Law 11/2020, of 31 March, and Additional Provision One of Royal Decree-Law 15/2020, of 21 April, the period between 14 March and 30 May 2020 shall not be taken into account for the purpose of calculating the limitation periods established in General Taxation Law 58/2003, of 17 December, and the usual limitation periods were therefore extended by a further 78 days.

20.3 Tax receivables and payables

Details of the main tax receivables and payables are as follows:

	Thousands of euros							
	31.12.2021				31.12.2020			
	Tax assets		Tax liabilities		Tax assets		Tax liabilities	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
VAT receivable / payable (Note 17)	-	6.681	-	21.956	-	4.898	-	25.491
Income tax (*)	-	1.483	-	7.513	-	652	-	17.324
Personal income tax withholdings payable	-	-	-	1.964	-	-	-	1.799
Social Security contributions payable	-	-	-	821	-	-	-	617
Deferred tax asset	98.319	-	-	-	25.355	-	-	-
Deferred tax liability	-	-	5.130	-	-	-	271	-
	98.139	**8.164**	**5.130**	**32.254**	**25.355**	**5.550**	**271**	**45.231**

(*) It includes the provision related to final disciplinary proceedings concerning tax inspections against which pleadings have been filed (Note 20.2).

__20.4 Reconciliation of accounting profit/loss to tax profit/loss__

The reconciliation of the accounting profit/loss to consolidated income tax expense/income for the year is as follows:

__At 31 December 2021__

	Thousands of euros			
	Group 02117BSC	Group 05/20	Other entities and consolidation adjustments	Total
Profit/(Loss) before tax	25.020	90.395	7.731	123.146
Permanent differences -	14	518	-	532
Temporary differences	774	(6.147)	(12.477)	(17.850)
Preliminary Taxable income/(loss)	**25.808**	**84.766**	**(4.746)**	**105.828**
Tax losses compensation	-	(18.970)	-	(18.970)
Taxable income/(loss)	**25.808**	**65.796**	**(4.746)**	**86.858**
Tax rate	24%	25%	25%	-
Tax accrued	6.194	16.449	-	22.643
Not capitalised Tax assets accrued in the period	-	-	-	-
Deferred Tax Asset capitalised	(4.186)	(4.757)	2.219	(6.724)
Deferred Tax Asset discharged	-	4.404	-	4.404
Other adjustments for income tax	(651)	639	(20)	(32)
Income tax expense	**1.357**	**16.735**	**2.199**	**20.291**

__At 31 December 2020__

	Thousands of euros			
	Group 02117BSC	Group 05/20	Other entities and consolidation adjustments	Total
Profit/(Loss) before tax	42.943	48.238	(482)	90.699
Permanent differences -	745	18	-	763
Temporary differences	1.576	2.167	582	4.325
Preliminary Taxable income/(loss)	**45.264**	**50.243**	**100**	**95.787**
Tax losses compensation	-	(12.607)	-	(12.607)
Taxable income/(loss)	**45.264**	**37.816**	**100**	**83.180**
Tax rate	24%	25%	25%	-
Tax accrued	10.863	9.454	25	20.342
Not capitalised Tax assets accrued in the period	-	-	-	-
Deferred Tax Asset capitalised	(378)	(2.411)	(508)	(3.297)
Deferred Tax Asset discharged	408	3.062	-	3.470
Other adjustments for income tax	(44)	28	84	68
Income tax expense	**10.849**	**10.133**	**(399)**	**20.583**

The permanent differences included in the preceding table correspond, mainly, to certain expenses recorded in the period that have not been considered deductible (see Note 16). Additionally, taking into account a conservative criteria that can be assumed by the tax authorities, the Group has considered deductible those impairments calculated on the basis of appraisals, which are carried out by independent experts not related to the Group and which are going to be available for the income tax file.

20.5 Tax losses

Details of the tax losses of the different companies included in the Neinor Homes Group at 31 December 2021, which correspond with those generated by the Group companies are as follows:

	Thousands of Euros		
Year of generation	Unrecognized	Recognized	Year of maturity
Negative tax bases of other companies (Foral Territory):			
Exercise 2008	35.824	67.234	2038
Exercise 2009	109.148	-	2039
Exercise 2010	99.999	-	2040
Exercise 2011	68.205	-	2041
Exercise 2012	29.622	-	2042
Exercise 2013	-	-	2043
Exercise 2014	-	-	2044
Exercise 30 of June 2015	-	-	2045
Exercise 31 of December 2015	-	-	2045
Exercise 2016	54.692	-	2046
Exercise 2017	15.755	-	2047
Exercise 2018	11.481	-	2048
Exercise 2019	12.066	-	2049
Exercise 2020	46.355	-	2050
Negative tax bases of other companies (Common Territory):			
Exercise 2007	3.215	-	No expiration
Exercise 2008	6.457	-	No expiration
Exercise 2009	5.293	-	No expiration
Exercise 2010	6.505	-	No expiration
Exercise 2011	8.680	892	No expiration
Exercise 2012	20.037	-	No expiration
Exercise 2013	1.641	4.338	No expiration
Exercise 2014	222	-	No expiration
Exercise 30 of June 2015 (*)	-	5.697	No expiration
Exercise 31 of December 2015 (*)	1.695	18.690	No expiration
Exercise 2016	39.644	21.627	No expiration
Exercise 2017	56.378	10.873	No expiration
Exercise 2018	30.947	-	No expiration
Exercise 2019	27.628	-	No expiration
Exercise 2020	24.626	-	No expiration
Exercise 2021 (hasta 19 de mayo de 2021)	51	-	No expiration
Total (**)	**716.166**	**129.351**	

(*) It includes tax losses that are subject to inspection for an amount of EUR 30.059 thousand (Note 20.2)

(**) As a result of the business combination (see Note 2.8), the tax loss carryforwards increased by EUR 652.742 thousand, of which EUR 12.4 million (tax charge) were recognized at the date of the business combination (EUR 65 million corresponding to the tax base) (see Note 2.8).

According to the tax rules currently in force, the tax losses with no time limit included in the preceding table, may be offset against the taxable profit for the following tax periods considering certain limits of the tax base prior to offset, with a minimum of EUR 1 million, taking into account the Group's revenue.

Regarding the negative tax bases with maturity broken down in the previous table, note that there is no annual limit to their compensation with the previous tax bases for each year. In this sense, the pending negative tax bases that were generated in accordance with regional regulations by the companies that have moved their registered address to Spanish Income Tax Law, may continue to be applied in the following tax periods in which they are taxed in accordance with the regulations, according to the quantitative, qualitative and temporal limits established in their birth regulations.

Until 2018 the Group did not recognize the deferred tax assets relating to tax loss carryforwards as the Parent's directors considered that the economic environment still generated some uncertainty as regards the consolidation of the industry trends and, accordingly, their recoverability by the Group and, therefore, by the companies taken separately was not reasonably assured.

In 2018, in the specific case of Neinor Sur, S.A.U., it was considered probable that sufficient future taxable profits would be obtained to enable the offset this subsidiary’s tax losses. In this regard, this subsidiary has obtained a profit from operations of EUR 86.161 thousand at 31 December 2021 (EUR 63.416 thousand at 31 December 2020) and the Group is in line with the budget drawn up, existing adequate visibility in terms of revenue in the next three years. During 2020 the Group considered for Neinor Works, S.L.U, probable that sufficient future taxable profits would be obtained to enable the offset this subsidiary’s tax losses, having obtained a profit before taxes of EUR 356 thousand at 31 December 2021 (EUR 121 thousand at 31 December 2020), from the management activity and supervision of the construction of 4 of the Group's promotions. This policy led to the recognition of income of EUR 220 thousand, net of tax losses compensation, with a credit to “Income Tax” in the consolidated statement of profit or loss for the year ended 31 December 2020.

On the other hand, in relation to other subsidiaries of the Group it was considered that the results of their operations would, based on their history of ongoing losses, either give rise to a loss or to scant profit. As a result, the obtainment of future taxable profit is not sufficiently supported and the policy followed to date was maintained. Accordingly, it was deemed reasonable not to recognize any deferred assets for these companies, since their recoverability is not reasonably assured.

In addition, as a result of the purchase price allocation process relating to the business combination of Quabit Inmobiliaria, S.A., deferred tax assets amounting to EUR 68.000 thousand (Note 2.8) associated with that transaction were identified, of which 12,4 million euros correspond to negative tax bases, since it is determined as reasonably assured the obtaining of future tax benefits that will allow their compensation.

20.6 Tax credits

At 31 December 2021 the Group had unrecognized tax credits amounting to EUR 981 thousand (at 31 December 2020 unrecognized tax credits amounted to 59 thousand).

20.7 Deferred Taxes

In accordance with the current tax legislation applicable to the Group companies, certain temporary differences may arise that should be taken into account in the estimate of the income tax base and the related income tax expense.

The changes in this heading in the exercise ended 31 December 2021 and 2020 were as follows:

Exercise ended 31 December 2021

	31.12.20	Business Combination (Note 2.8)	Additions	Disposals	Other	31.12.21
Deferred taxes	5.568	53.587	7.918	(276)	-	66.797
Total	**5.568**	**53.587**	**7.918**	**(276)**	**-**	**66.797**

Exercise ended 31 December 2020

	31.12.19	Additions	Disposals	Other	31.12.20
Deferred taxes	3.937	4.676	(3.470)	425	5.568
Total	**3.937**	**4.676**	**(3.470)**	**425**	**5.568**

At 31 December 2021, there were unrecognised deferred tax assets amounting to EUR 83.980 thousand (tax base) (31 December 2020: EUR 41.407 thousand) relating to adjustments made to the tax base, of which EUR 58 million arose as a result of the business combination with Quabit Inmobiliaria, S.A. (see Note 2.8).

20.8 Other tax matters

On 30 December 2020, through Law 11/2020, the Spanish State Budget for 2021 was approved, amending the Spanish Income Tax Regulation effective for annual reporting periods beginning on or after 1 January 2021. The most significant change consisted of the 95% limitation of the exemption on dividends and gains governed by Article 21 of the Spanish Income Tax Law. The impact of this measure is estimated to represent a tax rate of 1.25% of the value of the dividend distributed or of the gain generated on the transfer of investments (impact calculated on the basis of the 5% established in the exemption limitation, multiplied by the standard Income Tax rate, 25%).

21. Guarantee commitments to third parties and other contingent liabilities

At 31 December 2021, the Group had provided guarantees to third parties for a total amount of EUR 121.280 thousand (EUR 158.921 thousand at 31 December 2020). Included in this figure there is an amount of EUR 50.536 thousand (EUR 38.527 thousand at 31 December 2020) thousand related mainly to guarantees provided to different local authorities to secure the development of different properties and EUR 70.744 thousand to secure payments in advance received by customers (EUR 120.393 thousand at 31 December 2020). Additional guarantees and pledges of the Group have been disclosed in Note 17. Furthermore, guarantee amounting 3 million euros has been provided in relation to final disciplinary proceedings concerning tax inspections (Note 20.2).

Additionally, the Group has received at 31 December 2021 from different suppliers and contractors guarantees for a total amount of EUR 54.815 thousand (EUR 36.387 thousand at 31 December 2020) to secure the perfect completion of the corresponding construction works.

The Parent's directors do not expect any additional liabilities to arise in connection with the aforementioned guarantees.

22. Revenue and expense

22.1 Revenues

The breakdown of revenues is as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Legacy	2.351	3.544
Development	882.831	545.151
Assets Management – Servicing (Note 13)	24.394	23.572
Rental	4.725	534
Total	**914.301**	**572.801**

According to the asset administration and management agreement entered into by the Parent and various Kutxabank Group companies dated on 14 May 2015, the Group billed during the 2021 exercise an amount of EUR 24.394 thousand to the aforementioned companies of the Kutxabank Group (EUR 23.572 thousand at 31 December 2020).

All of the Group revenues have been obtained in Spain.

At the end of the reporting period, the Group minimum lease payment commitments to lessees are not significant.

22.2 Cost of sales

Details of this heading in the consolidated income statement are as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Cost of sales	**671.312**	**413.735**
Sites and land	13.977	10.852
Construction work in progress and completed buildings	657.335	402.883

22.3 Employee benefits expense and average headcount

Details of "Employee benefits expense" are as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Wages, salaries and similar expenses (*)	27.488	18.326
Termination benefits	2.935	(32)
Social security costs	4.789	3.438
Other employee benefit costs	432	290
Total	**35.644**	**22.022**

(*) As a consequence of the business combination there have been incentives amounting to EUR 1,3 million.

In the year ended 31 December 2021 an extra bonus, amounting to EUR 2 million, was approved as the targets in the Group's business plan had been exceeded. Also, “Wages, Salaries and Similar Expenses” includes EUR 3,582 thousand relating to incentive plans (from which EUR 282 thousand correspond to Neinor Península, S.L.U.) (2020: EUR 1,790 thousand) (see Notes 4.19, 15.4 and 24). Additionally, in the year ended 31 December 2020 an additional incentive was approved for meeting the targets set forth in the business plan in an exceptional situation such as that experienced during 2020 as a result of covid-19 (see Note 28), which led to the vesting of a salary incentive payable in cash amounting to EUR 1,250 thousand. Lastly, the termination benefit costs amounting to EUR 2.9 million arose as a result of the restructuring process carried out following the business combination with Quabit Inmobiliaria, S.A. (see Notes 2.8 and 6.2).

At December 2021, the average headcount at Group companies for Quabit Construcción, S.A. and Renta Garantizada, S.A. was 84 and 32, respectively (23 people for Renta Garantizada, S.A. at 31 December 2020). The average headcount for Neinor Homes was 320 people (284 people at 31 December 2020).

The number of people employed at the end of 2021 for Quabit Construcción, S.A., and for Rental Garantizada, S.A., is 113 and 37 people respectively (27 people at the end of 2020 for Renta Garantizada S.A.). The breakdown by category for Neinor Homes is as follows:

	31.12.2021			31.12.2020		
	Women	Men	Total	Women	Men	Total
Higher degree staff	102	144	246	87	139	226
Medium degree staff	56	28	84	40	22	62
Total	**158**	**172**	**330**	**127**	**161**	**288**

In addition, at 31 December 2021, the Group had 3 employees with a disability of more than 33% (3 at 31 December 2020).

22.4 External services

Details of this heading in the consolidated income statement are as follows:

	Thousands of euros	
	31.12.2021	31.12.2020
Leases and royalties	1.123	256
Maintenance	2.364	1.214
Independent professional services	36.794	20.295
Transport	5	13
Insurance premiums	1.296	764
Bank Services	1.791	1.338
Advertising and marketing	4.336	2.685
Supplies	865	275
Other external services	3.316	2.502
Levies (see Note 16)	13.319	7.337
Total (*)	**65.209**	**36.679**

(*) As a result of the business combination growth expenses in external services amounting to 1.8 million euros have been recorded.

"Independent Professional Services" in the foregoing table includes mainly the fees accrued in the period by the investment property agents and other intermediaries involved in their own sales and servicing income.

22.5 Contribution to consolidated profit or loss attributable to owners of the Company

The contributions to consolidated profit or loss for the exercise ended 31 December 2021 and 2020 by each company included in the consolidated group are as follows:

Entity	Thousands of euros 31.12.2021	Thousands of euros 31.12.2020
Full consolidation (*)		
Parent Company	6.277	7.868
Neinor Norte, S.L.U.	18.498	24.126
Rental Homes PropCo, S.L.U	4.236	(27)
Neinor Rental OpCo, S.L.U.	1	6
Promociones Neinor 3, S.L.U.	(554)	(427)
Promociones Neinor 4, S.L.U.	307	314
Promociones Neinor 5, S.L.U.	(443)	(187)
Neinor Península, S.L.U.	(2.063)	(4.911)
Neinor Sur, S.L.U	55.021	43.371
Renta Garantizada, S.A.	229	(13)
Neinor Sardes Rental, S.L.U.	8.703	-
Subsidiaries previously controlled by Quabit Inmobiliaria (Note 2.8)	12.821	-
Total	**103.033**	**70.120**

(*) Consolidation adjustments were made as the Group used the appraisal conducted by independent valuers to update the fair value of the properties acquired with the acquisition of Sardes Holdco, S.L.U., giving rise to a consolidation adjustment of EUR 12 million. Also, consolidation adjustments were made as a result of the application of IFRSs 9 and 16, amounting to EUR 395 thousand at 31 December 2021 (31 December 2020: EUR 99 thousand).

22.6 Changes in trade provisions

The detail of "Changes in trade provisions" recognized in the accompanying consolidated income statement is as follows:

	Thousands of euros Income / (Expense) 31.12.2021	Thousands of euros Income / (Expense) 31.12.2020
Change in trade provisions – Others		
Impairment losses of inventories (see Note 12)	(173)	(1.947)
Provision for bad debts (see Note 13)	(472)	(388)
Net accruals for after-sale provisions	(12.460)	(4.459)
Other provisions	(2.135)	6.063
Total change in trade provisions	**(15.240)**	**(731)**

In 2021, the Group has provided a amount of 12.460 thousand euros for additional repair expenses to be incurred in promotions delivered during this last period of 2021.

Although the Group has managed to complete and deliver more construction projects than those foreseen in its business plan for the year, the projects carried out during the year were affected by the stoppage of activity between March 30 and April 13 pursuant to Royal Decree-Law 10/2020, of March, as well as by the slowdown in the progress of construction work caused by the health emergency situation, which led to the delivery of many of the developments in December. Accordingly, the Group recognized a provision of EUR 3,1 million for additional repair expenses to be incurred in relation to developments handed over in this last period of 2020, exclusively as a result of the situation described (see Note 28).

23. Related party transactions

The Group's “related parties” are deemed to be, in addition to the subsidiaries, associates and jointly-controlled entities, the shareholders, the Parent's “key management personnel” (its directors and managers, and their close family members) and the entities over which key management personnel may exercise significant influence or control or by which they may be influenced. Specifically, related party transactions are deemed to be transactions with parties outside the Group but with which there are ties as defined in Ministry of Economy and Finance Order EHA/3050/2004, of 15 September, and in Spanish National Securities Market Commission (CNMV) Circular 1/2005, of 1 April. Pursuant to the aforementioned criteria, for disclosure purposes the bank Banco de Santander, S.A. is considered a related party, due the link between a senior executive and director of the group and one of the directors. Also, in accordance with the definitions and criteria contained in these provisions, 1810 Capital Investments, S.L., Global Hespérides, S.L., Rayet Medio Ambiente, S.L., Grupo Rayet S.A, Sistemas Integrales Cualificados, S.L., UTE I-15, Global Henares, S.L., Editorial Nueva Alcarria, S.A. Aquila Lux S.V., S.A.R.L., Restablo Inversiones, S.L. and Fincas Cuevas Minadas, S.L., are also considered to be related companies, due to their relatedness to shareholders and directors.

	Thousands of Euros					
	Income			Expenses		
	Net Revenues (Note 22.1)					
Exercise 2021	Sales	Services Provided	Financial Incomes	Cost of Sales – Purchases (Note 22.3)	External Services (Note 22.4)	Financial costs (Note 17)
Joint venture						
Nicrent Residencial, S.L.	-	-	8	-	-	-
Total	-	-	**8**	-	-	-
Other Group´s “related parties”-						
Banco de Santander, S.A.	-	-	-	4.660	507	2.076
1810 Capital Investments, S.L.	967	-	-	-	-	-
Global Hespérides, S.L.	13.856	38	-	-	-	-
Grupo Rayet, S.A.	-	-	-	6.474	-	-
Rayet Medio Ambiente, S.L.	-	-	140	15	21	-
Global Henares, S.L.	-	-	-	20	-	-
UTE I-15 Alovera	4.870	-	-	907	-	-
Editorial Nueva Alcarria, S.L.	-	-	-	-	14	-
Sistemas integrales Cualificados, S.L	-	-	-	-	286	-
Total	**19.693**	**38**	**148**	**12.076**	**828**	**2.076**

Exercise 2020	Thousands of Euros					
	Income			Expenses		
	Net Revenues (Note 22.1)		Financial Incomes	Cost of Sales – Purchases (Note 22.3)	External Services (Note 22.4)	Financial costs (Note 17)
	Sales	Services Provided				
Other Group´s "related parties"-						
Banco de Santander, S.A.	-	-	-	-	70	2.249
Global Hespérides, S.L.	10.088	-	-	-	-	-
Aquila Lux S.V., S.A.R.L.	-	10	-	-	-	-
	10.088	**10**	**-**	**-**	**70**	**2.249**

The breakdown of the main transactions carried out during 2021 and 2020 is as follows:

- Financial expenses arising on the loans and credit lines with the financial entity.
- Sales to 1 related party.
- The purchase of several plots from two related companies.

These transactions with related parties were performed on an arm's length basis. There are no obligations or guarantees to related parties in addition to those previously disclosed in this Note or in Note 17 in relation to the financial debt.

The balances held with companies related to the Group at 31 December 2021 and 2020 are as follows:

31 December 2021

Thousand of euros	Cash and equivalents	Long-term Bank borrowings	Other long-term financial liabilities	Other short-term financial liabilities	Other long-term financial assets	Other short-term financial assets	Accounts payable	Accounts receivable	Customer prepayments
Associates and Joint venture(*)-									
Alboraya Marina Nova, S.L.	-	-	-	-	-	-	-	-	-
Programa de actuación de Baleares, S.L.	-	-	-	-	-	7.210	-	9	-
Landscape Corsan, S.L.	-	-	-	-	-	-	-	1	-
Landscape Larcovi, S.L.	-	-	-	-	-	122	-	-	-
Landscape Gestión de Activos, S.L.	-	-	-	-	-	-	-	-	-
Nicrent Residencial, S.L.	-	-	-	-	-	1.582	-	-	-
Masia del Monte Sano, S.L.	-	-	-	78	-	-	-	-	-
Total	**-**	**-**	**-**	**78**	-	**8.914**	**-**	**10**	**-**
Other group´s "related Parties"									
Banco Santander, S.A.	149.648	11.028	-	-	-	-	-	-	-
IDOM, S.A.	-	-	-	-	-	-	-	-	-
1810 Capital Investments, S.L.	-	-	-	-	-	-	-	-	-
Global Hespérides, S.L.	-	-	-	587	-	-	-	14	747
Aquila Lux S.V. S.A.R.L.	-	-	-	-	-	-	-	-	-
Grupo Rayet, S.A.	-	-	-	-	515	-	4.125	2	-
Rayet Medio Ambiente, S.L.	-	-	18	-	627	256	25	1	-
UTE 15-ALOVERA	-	-	-	-	44	743	136	5.697	-
Editorial Nueva Alcarria, S.L.	-	-	-	-	-	-	14	-	-
Restablo Inversiones S.L.	-	-	-	6	-	-	-	-	-
Sistemas Integrales Cualificados	-	-	-	-	-	-	175	-	-
Fincas Cuevas Minadas, S.L.	-	-	-	-	-	-	-	1	-
Total	**149.648**	**11.028**	**18**	**671**	**1.186**	**9.913**	**4.475**	**5.725**	**747**

(*) As a result of the business combination the Group holds shares in Alboraya Marina Nova, S.L., Programa de Actuación de Baleares, S.L., Landscape Corsan, S.L., Landscape Larcovi, S.L., Landscape Gestión de Activos, S.L. and Masia del Monte Sano, S.L. with a cost of 601 thousand euros as of December 31, 2021 (Note 10 and index I).

31 December 2020

Thousands of Euros	Cash a cash equivalents	Long-term Bank borrowings	Short-term Bank borrowings	Current trade and other receivables	Customer prepayments
Other Group´s “related parties”-					
Banco Santander, S.A.	113.408	20.659	57.983	-	-
1810 Capital Investments, S.L.	-	-	-	-	879
Global Hespérides, S.L.	-	-	-	-	3.307
	113.408	**20.659**	**57.983**	**-**	**4.186**

On 29 June 2020, 72 housing units (together with their garages and storage rooms), linked to five developments in progress, which should be handed over separately between the last quarter of 2020 and the end of 2022, were pre-sold to the related company Global Hespérides, S.L. by Neinor Norte, S.L.U. and Neinor Sur, S.A.U. for a total price of EUR 20 million. The selling price includes, as consideration, both the delivery of the aforementioned units and the obligation to provide, for a period of three years from delivery, a management service for these assets including, inter alia, finding tenants, managing the leases and handling incidents relating to these units, with the Neinor Homes Group guaranteeing vis-à-vis the related entity a market yield on the gross leasable area which, if not reached, should be subject to compensation. In this same regard, in December 2020 the Group signed an addendum to the aforementioned contract providing for the additional pre-sale of another ten homes corresponding to one of the developments. In the year ended 31 December 2021, a total of 41 housing units were handed over, together with their respective garages and storage rooms, linked to three of the developments included in the aforementioned agreement, for a total of EUR 13.856 thousand (25 housing units were handed over, together with their respective garages and storage rooms, linked to one of the developments included in the aforementioned agreement, for a total of EUR 10.088 thousand at 31 December 2020). On 31 December 2021, 30% of the remaining transaction price was paid in advance.

24. Legal information relating to the Board of Directors and Senior executives

Information regarding situations of conflict of interest involving the directors

In the exercises ended 31 December 2021 and 31 December 2020 the Parent’s current and former directors did not perform any transactions with the Parent or the companies of the Group to which it belongs that were outside the normal course of business or were not on an arm’s length basis.

Also, during the current exercise and the former one the members of the Board of Directors of the Parent and persons related thereto, as defined by the Spanish Limited Liability Companies Law, did not maintain relationships with other companies that may represent a conflict of interest for them or the Parent. No notification was made to the competent bodies in the sense indicated in Article 229 and, accordingly, these consolidated financial statements do not present any disclosures in this connection.

Directors' compensation and other benefits

As of December 31, 2021, the Directors of the Parent Company, including those who have at the same time the status of members of the Senior Management (2 persons), have received a fixed and variable compensation for their position as administrators an amount of EUR 3.102 not having received remunerations for other concepts (1.809 and 13 thousand euros, respectively, as of December 31,2020).

The companies related to them provided to the Group and billed the amounts indicated in Note 23.

The Parent has taken out third-party liability insurance for directors and senior executives the cost of which amounts to EUR 251 thousand in 2021 (EUR 78 thousand in 2020).

The Parent has no pension obligations to the Directors.

The Parent has granted no advances, loans or guarantees to any of its Directors.

Senior executives' compensation and other benefits

The remuneration of the Parent's senior executives and persons discharging similar duties, excluding those who are simultaneously members of the Board of Directors (2 persons at 31 December 2021 and at 31 December 2020), at 31 December 2021 and 31 December 2020 is summarised as follows:

Number of employees		Thousands of euros					
		31.12.2021			31.12.2020		
31.12.2021	31.12.2020	Fixed and variable remuneration	Other Total	Total	Fixed and variable remuneration	Other Total	Total
6	7	1.900	1.633	3.533	1.673	270	1.943

The Parent has no pension obligations and has granted no advances, loans or guarantees to senior executives.

Additionally, some of the compensation contracts for the Group management include payments due to non-compete clauses, in case of contract termination takes place. Commitments are not significant in relation to the Group's financial statements.

25. Auditors' fees

Fees for audit services for the exercise ended 31 December 2021 for the different companies in the Neinor Homes Group and subsidiaries, provided by the statutory auditor and companies related thereto have amounted to EUR 255 thousand (EUR 123 thousand at 31 December 2020). Likewise, fees for verification services and other services provided by the statutory auditor for the exercise ended at 31 December 2021 have amounted to EUR 124 thousand and EUR 45 thousand at 31 December 2020.

Additionally, companies related to the statutory auditor have provided additional services amounting to EUR 243 thousand for the exercise ended 31 December 2021 (EUR 41 thousand 31 December 2020).

26. Environmental information

Since inception, Neinor Homes has been a company staunchly committed to the environment and the communities in which it operates, aware of the fundamental role it, as a property developer, plays in the local social fabric, and which promotes respect for the environment, establishing objectives to reduce the environmental impact associated with the entire value chain of its business activity.

The year 2021 was a year of great progress for the Company in terms of sustainability and environmental management, with the updating and rollout of its Sustainability Policy, the formation of a Sustainability Committee the members of which include the CEO and other senior executives, and the preparation of its 2022-

2025 Sustainability Plan, which extends these values, establishes specific short- and medium-term targets and officialises Neinor Homes' commitment to sustainability.

The preliminary work on the preparation of this 2022-2025 Sustainability Plan was based on an analysis of best practices and most relevant matters in the development sector in relation to sustainability, such as the S&P Global Corporate Sustainability Assessment; on a review of best practices in sustainability, such as the United Nations Sustainable Development Goals of the 2030 Agenda and the CNMV's recommendations on ESG; on an analysis of investors' expectations, through an assessment of the ESG requirements of proxy advisers or the ESG guidelines of the major asset managers worldwide; and on an active exercise of listening to the Company's employees.

In addition to all the foregoing, as part of the preliminary work, an analysis was performed of the main risks and opportunities identified by the Task Force on Climate-related Financial Disclosures (TCFD) in its recommendations on the disclosure of information on climate-related risks and opportunities for financial institutions and non-financial companies, which were published in 2017 and are widely recognised internationally as guidelines in this regard.

The nature of development activity means that Neinor Homes must assess and, where appropriate, mitigate, both the inherent risks of the transition to a low-emission economy and the risks related to the physical impacts of climate change.

Firstly, the **risks of transition** to a low-emission economy relate to the possible political, legal, technological and market changes that might occur at medium and long term in the period of transition to an economy that is less dependent on fossil fuels and has lower greenhouse gas emissions.

Certain of these transition risks were identified as having a greater impact on the organisation, such as:

- **Political and legal risks,** i.e., risks arising from the possible actions of political and regulatory bodies that attempt either to limit the factors causing climate change or to promote measures to adapt to climate change, and which affect the performance of the Company's activity, such as requirements to change to clean energy sources, demands to reduce the greenhouse gas emissions resulting directly or indirectly from the Company's activity, or the promotion of sustainable practices in the use and development of land.

  In this connection and very closely related to these regulatory matters, it is also probable that there will be an increase in the legal risks or the risk of litigation regarding climate-related matters.

- **Reputational risk**, closely related to the claims, which have increased since the appearance of covid, of a society that is increasingly aware of matters relating to the environment, sustainability and good business practices, and how the market will reward companies seen to be leaders in the transformation and modernisation of the real estate industry and will foreseeably punish companies that contribute in a scantly visible way to this transformation or are perceived as obsolete in ESG matters.

- **Market risk**, relating to situations in which there may be changes and imbalances in the supply chain of and demand for certain raw materials, products and services, which might potentially compromise the Company's supply chain.

- **Technology risk,** which relates to the technological innovations that arise or are facilitated by the transition process, and the consequent replacement of old systems by these new technologies.

However, the **physical risks** are those related to events (acute risks) or to long-term changes (chronic risks) stemming from climate change, such as natural disasters or long-term changes in climate patterns. Because of the life cycle of real estate product, these events or long-term changes could give rise to financial repercussions for the Company, e.g., direct damage to assets and/or the production cycle, changes in the availability and quality of the water or extreme changes in temperature that affect the infrastructure, inventories, production cycle or the organisation's employees.

Efforts to mitigate and adapt to climate change can also create opportunities for the Company, and were identified and are detailed as follows:

- **Resilience and responsiveness** to climate change and the challenges, not only ecological challenges but also regulatory ones, that it poses, and which the Company will be better prepared to face.

- **Better positioning in the market**, as a result of better product design that is more sustainable, resilient and energy efficient, and an **enhanced reputational image** that is in line with the demands of a society increasingly aware of sustainability.

- Obtainment of **better financing conditions** for the execution of sustainable projects, with significant reductions in interest rates and, in this same connection, higher credit ratings for bond issues, such as the first green bond in the Company's history, which was issued in 2021.

- **Diversification and expansion of the spectrum of the Company's investors** towards funds and investors who include indicators relating to sustainability and responsible business in their investment criteria or by including the Company's shares in indices and portfolios focusing on sustainability.

- Global trend towards **clean energy sources**, giving rise to greater energy efficiency, a reduction in costs and improvements in storage capacity.

- Search for **greater efficiency in the management** of the Company's resources and waste, which will enable it to reduce operating costs.

The 2022-2025 Sustainability Plan defines three main cornerstones or dimensions on which the Company bases its sustainability strategy, which are in line with the Environmental, Social and Governance (ESG) principles, and establishes 16 areas of action, 30 medium-term goals and 95 specific lines of action on which to work over the lifetime of the Plan.

As part of the environmental dimension, with the aim of setting tangible objectives at short- and medium-term that allow the risks detected to be mitigated and the opportunities identified to be taken advantage of, the Plan establishes the following five areas of action.

- **Sustainable, resilient homes**, which give rise to the following medium-term objectives:

  - ➢ Maintenance of the Company's commitment to deliver sustainable homes, a commitment that is reflected in the aim of being the company with the most BREEAM-certified projects in Spain in at least the next seven years.

  - ➢ Maintenance of an environmental management system compliant with the ISO 14001 standard.

  - ➢ Analysis and development of the factors that increase resilience and adaptation to climate change risks, such as, inter alia, the orientation of developments, taking advantage of hours of sunlight, analysis and mitigation of risks of flooding and control of erosion.

- **Consideration of climate change. Life cycle and carbon footprint analysis**.

    - In 2021, for the first time in its history, with the support of an external expert of recognised prestige and following the guidelines of the GHG Protocol Corporate Accounting and Reporting Standard, Neinor Homes calculated the carbon footprint linked to the performance of its activity, assessing scope 1 greenhouse gas (GHG) emissions (direct emissions) and scope 2 emissions (indirect emissions arising from electricity consumption) and performing a screening or first assessment of categories and a preliminary calculation of scope 3 emissions, i.e., other indirect GHG emissions that are produced in the Company's value chain.

      At the date of publication of this information, once the Company's scope 1 and 2 emissions had been measured, Neinor Homes had offset 100% of these GHG emissions by searching for and selecting voluntary carbon market projects, which enabled the offset to be carried out by means of a hydroelectric project in disadvantaged areas of Nepal of social interest to the Company.

      The next steps in this project, from next year onwards, will be to calculate the scope 3 GHG emissions in detail and define a series of science-based goals to enable all these emissions to be measured and reduced.

    - In all projects initiated from 2022 onwards, a Life Cycle analysis will be performed and the use of materials, systems and components that reduce the impact on the environment of these developments will be encouraged.

- **Eco-efficient homes**, with actions aimed at enabling house buyers to efficiently manage the environmental resources of their homes when they are living in them, with two main objectives: on the one hand, that at least 60% of the new homes delivered by the Company have class A energy certification, which must, by law, be at least class B in all other homes, and on the other hand to implement a series of measures to enable water consumption to be reduced in each home and in each development at community association level.

- **Protection and improvement of the environment**, which will have three medium-term goals:

    - Encouragement of sustainable mobility, with highly specific measures such as bicycle parking facilities in all the developments that allow bicycles, the pre-installation of electricity chargers in all the garage spaces built, and the assignment of parking spaces to car-sharing in rental developments.

    - Improvement of biodiversity wherever the Company has a presence, conducting analyses of areas with potential for the development of ecosystems with natural value and carrying out the appropriate measures to enable biodiversity to exceed the level it had in the area previously.

    - Development of urban regeneration initiatives in environments in which the Company is present and which are in singular areas with situations of abandonment of services or industry by carrying out joint actions with the respective municipal councils such as the decontamination of land, development and the provision of public and care services in these areas.

- **Circular economy**, focusing on the reduction of consumption and waste through the valorisation of at least 80% of the waste generated in the projects carried out by the Company, and encouraging the recycling of waste generated in the homes once they are inhabited, assigning spaces for this purpose in all developments.

Through these five areas of action, the Company expects not only to mitigate the risks associated with the environment and climate change in the period, but also consolidate Neinor Homes' position among the spectrum of companies in the industry in Spain and Europe, ensuring sustainability and value creation at medium- and long-term. With the future publication of this Sustainability Plan, Neinor Homes intends to lead the Real Estate industry in what we hope will be a change in the way the activity is understood in Spain.

27. Exposure to risk

The Group manages its capital to ensure that Group companies will be able to continue as profitable businesses and to maximize shareholder value by achieving a balance between debt and equity. In this regard, the Group has decided not to exceed in the long term a leverage ratio of 20% regarding Loan to Value (LTV) ratio and 40% in relation to the ratio of Net Debt to the Net Value of the Group's Properties, which, in turn, will enable it to comply with the covenants established with respect to its borrowings (see Note 17).

The Company's financial risk management is centralized in its Corporate Financial Office, which has established the mechanisms required to control exposure to credit and liquidity risk, as well as, though in a minor way, to interest rate fluctuations risk. The main financial risks affecting the Company are as follows:

Liquidity risk: the risk that the Group may not be able to meet payments to which it is already committed and/or commitments arising from new investments.

Market risk:

1. Interest rate risk: the impact that any rise in interest rates may have on finance costs charged to the income statement.

2. Credit risk: the impact that defaults on receivables may have on the income statement.

The risk management systems in place to mitigate these risks are detailed below:

Liquidity risk

The Group calculates its cash needs using a 12-month cash-flow budget. This tool is used to identify the amounts and timing of cash needs and to plan for new funding requirements.

The Group's liquidity management policy is to arrange firm credit facilities and hold short-term financial investments that are sufficient to meet its forecast needs over periods that vary depending on the current situation and the outlook for debt and capital markets.

At 31 December 2021, the undrawn VAT and factoring lines amounted to EUR 27 million (the undrawn credit facilities amounted to EUR 28 million at 31 December 2020).

The Group's available cash position at 31 December 2021 was EUR 309.644 thousand (270.213 thousand at 31 December 2020) of which EUR 39.958 thousand (19.940 thousand at December 2020) may only be drawn down in connection with the construction of the developments, as indicated in Note 14.

The Company's directors are confident that they will have sufficient funds to meet its cash requirements in the future (in this regard it should be considered that the figure of current liabilities with estimated maturities of over twelve months amounts to EUR 181.737 thousand at 31 December 2021 (Note 4.18)). In addition, the Group entered into an administration management and property asset management contract with Kutxabank, S.A., which provides the Group with relatively stable annual revenue until the contract expires in 2022. In this connection, cash is managed at Neinor Homes Group level, in order to avoid cash strains in the operating subsidiaries and allow them to normally develop their properties that are forecasted to be financed by third parties.

Market risk

Interest rate risk

Interest rate fluctuations affect the fair value of fixed-rate assets and liabilities and the future cash flows from floating-rate assets and liabilities.

According to the financial structure described in Note 17 the Group has exposure to the risk of interest rate volatility; leading to a change in the Group's finance costs of approximately EUR +/- 3,6 million if the interest rate applicable to the Group's current borrowings increases or decreases by 1% in relation to 2021 reporting period (+/- 3 million in 2020) (see Note 17).

Credit risk

The Company does not have a significant credit risk exposure to third parties arising from its own property activity since it collects substantially all of its sales when they are executed in a public deed, when the purchaser either subrogates to the related portion of the property developer loan or chooses a different method. The credit risk arising from the deferred payments on land or building sales is offset through the securing of collateral by the purchaser of the setting of conditions subsequent in the event of non-payment. These conditions would give rise to the recovery of ownership of the asset sold and the collection of compensation.

In general, the Group holds its cash and cash equivalents at banks with high credit ratings.

28. Disclosures related to Covid-19 impacts

Following the communication on the impact that covid-19 has had on the Company, on which information is provided in the financial statements as at June and December 2020, as well as in those as at June 2021, that information is hereby updated in this Note.

2021, globally, was characterised mainly, on the one hand, by the progress made in the vaccination of the general population that began at the end of 2020, and, on the other, by the appearance of different variants of the virus that have emerged in other countries. This led governments to continue to apply the measures adopted in 2020 to contain the spread of the virus, and restrictions were once again placed on the free movement of people, with the imposition of curfews, the closure of public and private premises, the closure of borders and a drastic reduction in air, sea, rail and land transport.

These measures have continued to significantly affect the global economy, due to the interruption or slowdown of supply chains, the significant increase in economic uncertainty and the rapid change in consumption habits of citizens, evidenced by an increase in the volatility of asset prices and the rise to historic levels of inflation rates in Europe and the US. Although some economists believe that this rise in inflation is due to temporary bottlenecks in some parts of the production structure caused by the pandemic in 2020 that will be resolved in the short term, there is a risk of inflation spreading other sectors of the economy and persisting into the medium or long term. This situation has provoked a response from the various international monetary authorities: in the US, the Fed announced that it will be tightening financial conditions by withdrawing monetary stimulus and raising interest rates over the first half of 2022; and the European Central Bank, although it does not plan to raise interest rates for the time being, will begin to reduce financial stimulus in stages over the period and has announced that it will monitor the economic situation and may adjust its economic policy accordingly.

In Spain in particular the impact of the pandemic in the first quarter and last month of the year was especially significant, coinciding with the arrival and expansion throughout the country of new variants in those periods, which revived fears of the possibility of a new healthcare system collapse such as that experienced in 2020 which led to the maintenance or reactivation of the measures aimed at containing the pandemic, depending on the infection figures in each region.

The high percentage of the population vaccinated in Spain, with more than 80% of the population having been double vaccinated and over 40% having received a booster jab (at the date of issuance of this Note) and the lower mortality rate observed in the case of the latest variants of the virus that have appeared, have boosted the expectations of governments and citizens that we are entering the endemic phase of the virus, which could potentially lead to the total or partial elimination of the containment measures implemented by governments.

However, the risks have not yet fully dissipated: the appearance of new variants that are more deadly, contagious or that circumvent the immunity provided by current vaccines is still a possibility, and the economic uncertainties in the short and medium term, such as the solvency of companies worst affected by the pandemic, inflation or the possibility of interest rate hikes, could jeopardise economic recovery. Irrespective of the situation of the markets due to their globalisation, the demand for housing has remained high and, for the Company, this has led to an increase in revenue, with sales this year at an all-time high; the Company achieved a rate of 95% fulfilment at the end of the year of the projections established in the Business Plan, which is even more remarkable taking into account the ambitious objectives set for 2021, in which the Company achieved its Run-Rate or cruising speed in housing deliveries.

Accordingly, at the date of preparation of these consolidated financial statements, based on the scant effect on sales and the maintenance of sustainable demand, since the industry is seen as a safe harbour due to the current volatility of the markets and to expectations that the low interest rates will not be raised in the short term, we still expect the property industry to drive economic recovery. Against this backdrop of the fulfilment of the Business Plan, the Company is continuing to adapt its risk mitigation strategy detailed in this Note on the basis of the incidence of the pandemic and the situation of the market.

The Group, within its Integrated Risk Management and Control System, had from the start of the state of emergency (March 2020) prepared a specific model to deal with the risks that could materialize due to this situation (the Escipión Project), which has been disseminated through the entire organization, which is associated with strategic objectives, processes and control measures, and which is periodically monitored and its results reported to the Management and the Audit Committee.

In this connection, this risk structure of the Group, along with certain conservative and prudent measures taken by the respective General Managements during the past year before the declaration of the state of emergency, have promoted a strengthening of the organisation's resilience by providing it with the capacity to take advantage of business opportunities, which has meant that it has emerged strengthened and in an advantageous position to face the period of certain uncertainty ahead of us.

Set out below is information showing the measures taken and the impact that the emergency public health situation has had to date, according to the main risks that have been identified.

- **Health Risk**: The Group's main priority continues to be to safeguard the health of its employees. Therefore, during the periods in which the pandemic worsened and infection rates were very high, we continued to prioritise remote working. In addition, at a minimum, the measures imposed by the authorities were established at all the workplaces and the correct implementation of the measures at our construction projects in progress was verified. Preventive measures were also introduced at the points of sale.

  Based on the evolution of the pandemic, different phases have been established and communicated:

    - **Containment**, where in the phase with the lowest infection figures it was possible to have 80% of the workforce physically present in all the offices, a measure implemented in accordance with the World Health Organization recommendation, with social distancing, protection and safety partitions, as well as the conditioning of common areas (canteens and meeting rooms), strengthening in this case their cleaning and disinfection, and limiting access and capacity.

  - **De-escalation,** for the staggered return of employees to the offices through a shift system that will ensure compliance with safety measures.

In the latter part of the year, in which the situation worsened, it was decided that 100% of the employees should work remotely; and employees who, either for work reasons/commitments or because of personal preference, decided to go to the office would be afforded this possibility through the establishment and equipping of safe work areas.

In addition, the Company has been monitoring the current regulations established by the authorities in order to adapt to them and take the measures required to improve the safety and health of the Company's employees.

- **Team motivation risk:** Neinor Homes considers its workforce to be a key factor in the road to recovery, for maintaining operations and for ensuring we interact in the best possible way with our customers and suppliers. To this end, emotional support and monitoring activities have been carried out (calls, emails, videoconferences), conveying management's concern for the well-being of the teams in order to boost motivation and ensure that employees are in the best possible frame of mind, for which purpose all employees, having been declared fit to work after suffering from covid, have also been afforded the possibility of carrying out a test at the Company's expense before returning to the office environment. In addition, the efforts of the workforce and its adaptation to the new working scenario have been acknowledged.

- **Liquidity risk**: the general situation of the markets is causing a general increase in liquidity tensions in the economy, as well as a contraction in the credit market. In this regard, we detail the main actions taken by the Group to date:

  ✓ **Corporate finance (Note 17)**: the Group issued a five-and-a-half-year EUR 300 million green bond to repay Neinor's corporate debt and Quabit's debt prior to the merger at a significantly lower interest rate. The bond provides long-term stability and strengthens the cash position with a view to undertaking investments and favouring growth.

  ✓ **Developer financing**: the Group continued to provided promotor loans at its usual rate and in line with its customary dynamics. At the date of these financial statements the Company had granted promotor loans exceeding EUR 329 million throughout the Neinor Group, of which EUR 40.5 million correspond to the Quabit Group.

  ✓ **With regard to the net cash position**: the Group established from the outset an ambitious cash assurance plan. This contingency plan now includes various measures, being the main measure a plan for savings in operating expenses. With the fulfilment of the objectives and the business plan prior to covid-19, the envisaged delivery of homes resulted in the expected generation of cash and, therefore, the Group has resumed its investments in land and also paid the dividend approved at the General Meeting as initially envisaged, both of which had been halted under the contingency plan.

  In addition, the Group has received an inflow of funds from the signing of the deeds of the developments that were scheduled for delivery during the year.

  In this regard, it is reported that our net cash position at the beginning of the month of March, when the cash flow contingency plan was established, was 95.8 million euros. At the close of the year 2020 it has reached more than 249 million euros and as of December 31, 2021, it amounted more than 270 million euros. This is due to the adoption of the aforementioned measures and, to a large extent, fulfilment of the deliveries envisaged in our Business Plan.

These measures, together with the implementation of specific plans for the improvement and efficient management of liquidity, have enabled us to handle these tensions and meet all payment obligations.

- **Operating risk (work in progress)**: during the current period, the public health emergency has not led to a slowdown in the execution of the works in progress or a temporary interruption in production due to specific breaks in the supply chain due to collateral effects of Covid-19.

  In this regard, the Group has established a series of measures to help eliminate or alleviate the effects of Covid-19 and in prevention, they continue to develop, being able to highlight two of them:

  - ✓ The creation of a construction Group within the group (Neinor Works), which is fully operational, and which is in a position to continue the work of construction companies that do not comply with what has been agreed or to begin developments as it is the best option in economic and completion terms of the offers presented.

    As at the date of these consolidated financial results, 2 developments already delivered were carried out by Neinor Works and there are 2 other developments in progress, which have made optimum progress during this period.

    In June 2021 the property developer Quabit Inmobiliaria and its construction company Quabit Construcción were merged by absorption into the Group. At the date of these financial statements Quabit Construcción had 17 developments in progress which are progressing in optimum fashion.

  - ✓ The monitoring and advancing of payments to construction companies and main subcontractors in order to direct such liquidity to the execution and degree of progress of the developments in progress.

  In addition to the above measures, other types of actions, already planned during the past year, have been taken, i.e.: planning and advancing payments for supplies, recommendations for the implementation of preventative measures, works acceleration programs, analysis of the optimization of projects underway as well as the organization and forms of conduct of the works, in order to transfer the best practices to each of our current developments.

  Supply chain risks: apart from the operational risks detailed above, the Company is aware of the indirect consequences of the pandemic on the production structure and has implemented a series of measures focused on mitigating and preventing possible scenarios in which there are shortages of the materials needed on site or increases in raw material prices that may adversely affect the evolution of the Company's business.

  The measures that the Company has implemented to prevent these risks from materialising in order to ensure the future fulfilment of its Business Plan include most notably:

  - New Framework Agreements were entered into with manufacturers to add to those that already existed and meetings were held with each of the latter in order to guarantee the supply and prices of their materials in all our property developments.
  - This year the Company initiated a supply assessment and planning process in view of the possible scarcity and increased prices of raw and other materials. Prices are monitored and adjustments are made to the materials ordered on the basis of the situation existing at any given time.

- New construction technologies have started to be evaluated, and the Company is now studying alternative construction and industrialisation alternatives that reduce its dependence on certain raw materials where there are risks of shortages or inflation.

We believe that as a result of all these specific procedures and practices designed to monitor and manage the progress of the works at all times, we have been able to minimize the impact of this situation on our business.

- ✓ All our WIP works have maintained their activity and none of them have been suspended.

- ✓ Works have been closely monitored regarding COVID risks. Those outbreaks that have occurred on construction sites have been isolated and have been quickly controlled thanks to the application of the protocols established in each case.

  In the second semester and due to the infections decrease, only specific cases were followed. In mid-December and after the new regrowth , a monitoring has been prepared with a biweekly/ monthly periodicity as the incidence increases or decreases.

- ✓ There have not been significant delays in the completion of the works due Covid-19.

With respect to the deliveries for 2021, construction projects progressed according to schedule and planning is in line with the forecasts for this year. We are also working on bringing forward the delivery of five developments that were scheduled to be delivered in 2022.

- **Commercial risk**: the factors mentioned above, together with other specific factors, such as a complex macroeconomic context with falls in GDP, a higher unemployment rate, restriction of movement, uncertainty regarding short and medium term economic expectations, etc., significantly impact the behaviour of housing demand. Therefore, as in the other sections, the Group has established a contingency plan to minimize the impact of the situation created by the pandemic on commercial activity, working on various courses of action.

  Insurance of the backlog/reservations: An important factor for the Company continues to be the insurance of pre-sale agreements by converting them into private agreements.

  We also continue to monitor customers that could be in some kind of special employment or health situation and we have the Family Homes Protection insurance that gives these customers protection if they lose their jobs or become ill. This year only 9 customers applied for this insurance compared to the 87 that used it in 2020. Due to these figures, we predict that the effects of the pandemic are easing and giving way to a new phase of recovery.

  Lastly, the implementation of the digital signature platform was promoted as the preferred method for executing documents in relation to all the Company's developments.

  The Group's current data on its customer portfolio are as follows:

  - ✓ 73% of our customers have signed a private sale and purchase agreement.
  - ✓ These customers pay in advance an average of 16% of the price of a property.

  Cancellations/terminations of reservation or purchase agreements stood at around 0.5% in the year as a whole, which was in line with the 0.5% achieved by the Company in the last two years. This is the case only of the developments corresponding to Neinor Homes.

  Regarding the terminations of agreements relating to Quabit, since the data available prior to the second half of 2021 are not analytically conclusive, it is not possible to draw conclusions. The ratio was 1%. in the second half of 2021. This difference with respect to Neinor developments is due to the less stringent cancellation terms and conditions in the agreements signed before 07/01/21 and terminated since that date. In the short/medium term, this percentage will tend to converge with that of developments corresponding to Neinor.

Continuation in the sales activity: this year the Company continued to promote online sales, virtual viewings for customers and digital signings, measures that were implemented in the first quarter of 2020 and that have minimised the negative impact of the pandemic.

The trend in sales of new-build properties was highly positive. Despite the backdrop of economic uncertainty and restrictions, in 2021 Neinor Homes delivered 2,880 units, thereby achieving 95% of the deliveries projected in the Business Plan for 2021 as a whole.

This excellent figure is due to the fact that customers who are in a good financial position consider that this is the ideal time to buy and are looking for new-build properties with specific characteristics for their day-to-day well-being and comfort (larger homes, with bigger terraces, and better quality and more specialised communal spaces). These clearly favourable results put us in a leadership position in the market.

On the basis of the data currently available, in 2021 the Company achieved 139% of the pre-sales projected for the year (excluding from the analysis units that have already been delivered).

Guaranteeing the health and safety of customers and sales staff in the Neinor Stores: to this end, health prevention protocols have been generated in the Neinor Stores, and they have been provided with the necessary equipment (signage, PPE, dispensers etc.)

- **Asset management service risk (servicing)**: The risks described above have a correlative impact on our service management business for the Kutxabank bank.

The emergence of covid-19 led not only to the risk of the Company losing revenue, but also to the possibility of its suffering a loss of effectiveness or reputational problems vis-à-vis its customers. In order to mitigate these risks and to avoid passing on the loss of effectiveness to Kutxabank, we took advantage of the situation to fine-tune and enhance processes, implementing procedures that are still in place today, focusing on three major lines of action: assessing our exposure to the third parties we work with in the Servicing area; strengthening the quality and control of the services provided to the entity (particularly the metrics to reduce time to market and the action plans for the management of urban planning, due to the importance of land compared to the total portfolio managed); and meeting the sales figures agreed upon for this year.

In this regard, the control and evaluation of strategic external suppliers continued to be strengthened, analysing their covid-19-related contingency plans, and new improvement measures were set in motion throughout the value chain in order to continue taking advantage of this exceptional situation.

Aside from the above, we consider that this situation has not had a material impact on the results of the business line, which have been very positive in terms of budgetary fulfilment: at 31 December the budget for agreed annual sales had been exceeded by 11% and the proposed asset write-down figure was 6% lower than budgeted. In addition, we complied with all the action plans put in place, and our customers acknowledged the effectiveness of the measures implemented and their satisfaction with the results obtained.

In July 2021 notification was received of the termination of the contract with Kutxabank from May 2022 for reasons unrelated to the situation caused by covid-19 or the service itself, but rather the termination being due to a competitive bidding process organised by the bank where priority was placed on service fee levels. Since this notification was received we have been working on a migration plan aimed at enabling us to comply with our contractual obligations to the bank and mitigate reputational risk or the risk of a potential deterioration of the Company's image, with a view to organising, planning and verifying that the responsibilities imposed by the migration process are objectively fulfilled.

Despite the loss of the contract with Kutxabank, we continue to value the importance of this business line, in view of the know-how acquired by the Company over all these years and the professionalism and service quality that we have achieved and, accordingly, we have decided to initiate a search for new customers to whom we can provide asset management services rather than to Kutxabank to that we can maintain this recurring revenue and diversify our lines of business.

- **Balance sheet assets valuation risk:** a change in the future estimates of sales, the variability of the financial costs of works that we finance with our own funds, the sensitivity of changes in established sales prices, the different use that a development may have (sale or rental), collectability from customers etc., may have an impact on the valuation of these items depending on the valuation method used, since they depend on the discount rates and discounted cash flows used.

  A negative evolution of the factors mentioned above could result in a fall in the Group's valuations, although this would probably not have an impact on the Group’s financial statements, as the independent external valuator’s valuation model is usually conservative and prudent.

  According to an appraisal conducted at 31 December 2021, the fair value of the Group's assets amounts to EUR 1,854 million, 30% higher than the carrying amount of the Company's inventories at that date (EUR 1,316 million).

  According to the appraisal conducted at 30 June 2021, the fair value of the Company's assets amounted to EUR 2,140 million, 34% higher than the carrying amount of the Company's inventories at that date (EUR 1,603 million). A comparison of the appraisals conducted at December 2021 and 2021 shows that the fair value of the assets dropped as a result of the deliveries made in the second half of 2021.

  At 31 December 2020, the fair value of the Company's assets totalled EUR 1,584 million (carrying amount of the inventories: EUR 1,208 million). The increase in the fair value of the assets at 2021 year-end with respect to 31 December 2020 was due to the inclusion of the asset portfolios of the Quabit Group and Sardes, which were integrated into Neinor in the first half of the year, and to other acquisitions of land carried out on a complementary basis during the period.

- **Risk of continuity (as a going concern):** We consider a multitude of factors that must be looked at before talking about the principle of a going concern in a Group that is one of the foremost residential developers nationwide. As regards the position of the industry, the Spanish real estate sector has historically been highly fragmented, but the increased complexity and regulation of the business and the increasing difficulty of access to sources of financing make a gradual consolidation in the sector likely, as is the closure of some small and medium-sized property developers.

  Although the demand for new-build housing in Spain increased by 26% with respect to the previous period (January-September 2020 to January-September 2021), an increase that has also led to a rise in the housing price index, there is a large volume of accumulated unsold stock, approximately 450,000 units, mostly left over from the previous real estate cycle, which the market continues to absorb slowly.

  The start of the pandemic in 2020 coincided with a more professional, healthy, procedural and innovative property development sector, which contributed to the economic crisis having a less significant impact on the new-build housing segment. The drop in in the number of sales and in house prices at the start of the pandemic was followed by a strong recovery in both prices and the number of deliveries in the last quarter of 2020.

We consider that, based on current trends, the market will reward in the medium and long term companies that integrate factors such as sustainability, digital transformation or social welfare into their decision-making and modus operandi. In this regard, Neinor Homes is in a position of leadership within the industry, after several years of work and progress on these issues, as reflected in the Sustainability Reports published on its website and recently in the preparation of the new Sustainability Plan, the measurement of the Company's environmental (by measuring its carbon footprint) and social impacts and the creation of a sustainable financing framework.

In January of this year Sustainalytics, one of the leading ESG (environmental, social and corporate governance factors of companies) analysts, recognised Neinor Homes as an ESG Regional Top Rated and an ESG Industry Top Rated performer, distinguishing the Company as the most outstanding both nationally and in its industry. In addition, this renowned analyst rated the Company with a score of 10.5 (low risk), i.e., the best ESG score obtained by a property developer in the world.

Just as we have monitored and studied the risks detailed in this Note, we are aware that these risks can have an impact not only on the Company but also on any of the players present in the real estate industry, and that due to the macroeconomic dynamics that have been affected by the pandemic, there may be situations in which the suppliers and construction companies with which the Company works suffer cash flow tensions that affect the progress of the WIP or lead to the suspension of payments or bankruptcy of those third parties.

Accordingly, the Company has strengthened its construction management, contributing such personnel and resources as might be required, so that Neinor Works and the recently integrated Quabit Construction can take on a greater number of new projects as well as construction work that has been suspended as a result of the bankruptcy of the construction company assigned to it. Moreover, we have attempted to ensure the cash flow of the subcontractors who work on our construction projects, for instance, by revising certain clauses in the construction contracts, ad hoc monitoring of the construction project progress billings from when are paid to the construction company until they reach the subcontractor, and advancing the payment of progress billings wherever necessary.

- **Diversification and growth:** The Group continues to explore new ways of growing organically and non-organically, which include business lines such as delegated development, the integration of the value chain, public/private agreements and the construction of social housing for rent**.**

  The Company, when it presented its 2020 results, published its latest strategic update in which it materialises its current business philosophy, which is focused on reducing risks and diversifying the business, transitioning from a "pure" property developer to a diversified residential platform.

  In the Real Estate business line, the Company has launched a new product line, Neinor Essentials, which emerged after the merger with Quabit Inmobiliaria, with the aim of providing a quality residential offering to all segments of the population, giving a segment of the market that has traditionally had difficulties in accessing housing the possibility of buying a product with the habitual quality standards provided by Neinor.

  On the other, the Company has a rental business line that was consolidated in 2020 with the acquisition of 75% of Renta Garantizada, one of the leading rental management companies in Spain and a PRS (Private Rented Sector, finished and rented product) portfolio.

  In addition to the property development business, the Company has a servicing line of business, as a Servicer of Kutxabank, with which it has a contract until May 2022, giving it a source of recurring revenue.

  Furthermore, of the measures taken to mitigate the various risks, in 2021 the following were carried out as part of the strategy of diversification and non-dependence on the development/demand cycle and macro situation:

- ✓ Closure of the acquisition of the PRS portfolio (Private Rented Sector, finished product and rented) made up of nine residential buildings (391 housing units) for EUR 58 million. The aim of this transaction is to consolidate the rental business, together with the growth of Neinor Rental and the inclusion of Renta Garantizada, which enables us to manage the rental of own assets (new build developments for rent which were included this year) and those of third parties, including the management of portfolios sold to Family Offices.

- ✓ Merger by absorption of Quabit Inmobiliaria, a property developer that extends the range of our property offering to include more affordable dwellings for specific sectors of the population with the greatest difficulties in accessing housing. This transaction also involved the inclusion of Quabit Construcción, which strengthens the construction line of Neinor Works and, lastly, the contribution of land for 7,000 housing units, thereby boosting Neinor Homes' land bank capacity to be able to build more than 16,000 homes.

- ✓ Alliance with Cevasa and Habitatge Metròpolis Barcelona (HMB) to build 4,500 social housing units for rent in Barcelona and its metropolitan area which should come into operation between 2024 and 2027. This transaction involves the opening of a new business line, consisting of public/private cooperation to be able to offer certain sectors of the population access to rental housing. We are the first developers to reach a large-scale public/private cooperation agreement involving a large number of housing units.

Taking into account all the aforementioned factors, and also considering those described in the previous sections, the directors consider that the conclusion regarding the appropriateness of the use of the going concern basis of accounting remains valid.

We consider it relevant to consider that within the risks that the situation created by the pandemic may entail, the Group has kept great discipline and prudence with regard to internal liquidity, has developed a diversification strategy that has materialised in it being the only Group in Spain that covers 100% of the entire value chain from land purchase and planning management to the management of third-party housing for rent and, ultimately, it has also integrated a construction company.

Finally, it should be noted that the Group 's directors and management are constantly monitoring the evolution of the situation in order to successfully address any possible impacts, both financial and non-financial, that may arise.

29. Events after the reporting period

It is expected that during 2022 the Parent's Board of Directors is going to approve a dividend distribution amounting to EUR 50 million, approximately. This amount may be increased during 2022.

Between January 1, 2022 and the date of formulation of the present consolidated annual accounts for the year ended December 31, 2021, the Board of Directors does not consider that there have been additional significant events that have a significant effect on the mentioned consolidated annual accounts or in the information contained therein.

30. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 2). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Appendix I

"Scope of consolidation"

Company	Registered address	Activity	% direct and indirect ownership 31/12/21	31/12/20	Shareholder	Auditors
Neinor Norte, S.L.U.	Bilbao	Real Estate Development	100%	100%	Neinor Homes, S.A.	Deloitte, S.L.
Rental Homes PropCo, S.L.U.	Madrid	Real Estate Development	100%	100%	Neinor Homes, S.A.	Deloitte, S.L.
Neinor Rental OpCo, S.L.U.	Madrid	Real Estate Development	100%	100%	Neinor Homes, S.A.	Deloitte, S.L.
Promociones Neinor 3, S.L.U.	Madrid	Real Estate Development	100%	100%	Neinor Norte, S.L.U.	Deloitte, S.L.
Neinor Works, S.L.U.	Madrid	Construction	100%	100%	Neinor Norte, S.L.U.	Deloitte, S.L.
Promociones Neinor 5, S.L.U.	Madrid	Real Estate Development	100%	100%	Neinor Norte, S.L.U.	Deloitte, S.L.
Neinor Península, S.L.U.	Madrid	Real Estate Development	100%	100%	Neinor Homes, S.A.	Deloitte, S.L.
Neinor Sur, S.A.U.	Madrid	Real Estate Development	100%	100%	Neinor Península, S.L.U.	Deloitte, S.L.
Neinor Sardes Rental, S.L.U.	Madrid	Rental business	100%	-	Rental Homes PropCo, S.L.U.	Deloitte, S.L.
Renta Garantizada, S.A.	Madrid	Rental business	75%	75%	Neinor Homes, S.A.	Deloitte, S.L.
Quabit Comunidades, S.L.	Madrid	Development Real Estate	60%	-	Neinor Homes, S.A.	-
Quabit Inmobiliaria Internacional, S.L.	Madrid	Development Real Estate	99,313%	-	Neinor Homes, S.A.	-
Parque Las Cañas, S.L.U.	Madrid	Development Real Estate	100%	-	Neinor Homes, S.A.	-
Bulwin Investments, S.A.U.	Madrid	Rental Business	100%	-	Neinor Homes, S.A.	-
Grupo Meditarráneo Costa Blanca, S.L.U.	Madrid	Development Real Estate	100%	-	Neinor Homes, S.A.	-
Quabit Quality Homes, S.L.U.	Madrid	Development	100%	-	Neinor Homes, S.A.	-
Quabit Premier, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	-
Quabit Sant Feliu, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	-
El Balcón de las Cañas, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	-
Quabit Casares, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	Deloitte, S.L.
Quabit Torrejón VP Fase 1, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	-
Quabit Peñuela VL Fase 1, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	-
Quabit Torrejón VP Fase 2, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	-
Quabit Peñuela VL Fase 2, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	-
Quabit Torrejón VP Fase 3, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	-
Quabit Peñuela VL Fase 3, S.L.U.	Madrid	Real Estate	100%	-	Quabit Quality Homes, S.L.U.	-

		Development				
Quabit Remate las Cañas, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	-
Quabit Quality Homes Guadalix, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	-
Quabit Quality Homes San Lamberto, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	-
Iber Activos Inmobiliarios, S.L.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes San Lamberto, S.L.U.	-
Quabit SUP-R6, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Quality Homes, S.L.U.	-
Quabit Finance, S.A.U.	Madrid	Real Estate Development	100%	-	Neinor Homes, S.A.	-
Quabit Finance Assets, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Finance, S.A.U.	-
Quabit Gregal, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Finance Assets, S.L.U.	-
Quabit Poniente, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Finance Assets, S.L.U.	-
Quabit Siroco, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Finance Assets, S.L.U.	-
Quabit Terral, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Finance Assets, S.L.U.	
Quabit Mistral, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Finance Assets, S.L.U.	-
Quabit Cierzo, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Finance Assets, S.L.U.	-
Quabit Tramontana, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Finance Assets, S.L.U.	-
Quabit Aneto, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Finance Assets, S.L.U.	-
Global Quabit, S.L.U.	Madrid	Real Estate Development	100%	-	Neinor Homes, S.A.	-
Quabit Alcarria, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Quabit Distrito Centro, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Quabit Corredor del Henares, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Quabit Moncloa, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Quabit Sureste, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Quabit Hortaleza, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Quabit Remate, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Quabit Aguas Vivas, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Global Quabit Cañaveral Málaga Fase 1, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Global Quabit Cañaveral Málaga Centauro, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Global Quabit Cañaveral Tercera Fase, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Global Quabit Cañaveral Fase Cuatro, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Global Quabit Málaga, S.L.U.	Madrid	Real Estate	100%	-	Global Quabit, S.L.U.	-

		Development					
Global Quabit Sur, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Global Quabit Norte, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Global Quabit Azuqueca, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Quabit Casares Golf RP5, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Quabit Almanzor, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Quabit Teide, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Quabit Peñalara, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit, S.L.U.	-
Global Quabit Desarrollos Inmobiliarios, S.L.	Madrid	Real Estate Development	100%	-	Neinor Homes, S.A.	-
Quabit Alovera, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit Desarrollos Inmobiliarios, S.L.	-
Quabit Bonaire, S.L.	Madrid	Real Estate Development	66,2%	-	Quabit Alovera, S.L.U.	-
Meltonever Project, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Alovera, S.L.U.	-
Quabit Las Lomas de Flamenco, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit Desarrollos Inmobiliarios, S.L.	-
Quabit Menorca Desarrollos Inmobiliarios, S.L.U.	Madrid	Real Estate Development	100%	-	Global Quabit Desarrollos Innobiliarios, S.L.	-
Quabit Freehold Properties, S.L.U.	Madrid	Real Estate Development	100%	-	Neinor Homes, S.A.	-
Quabit Freehold Properties Levante, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Freehold Properties, S.L.U.	-
Quabit Freehold Properties Sur, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Freehold Properties, S.L.U.	-
Quabit Freehold Properties Centro, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Freehold Properties, S.L.U.	-
Quabit Freehold Properties Madrid, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Freehold Properties, S.L.U.	-
Quabit Freehold Properties Valencia, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Freehold Properties, S.L.U.	-
Quabit Freehold Properties Este, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Freehold Properties, S.L.U.	-
Quabit Palmaces, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Freehold Properties, S.L.U.	-
Quabit El Vado, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Freehold Properties, S.L.U.	-
Panglao Inventments, S.L.U.	Madrid	Real Estate Development	100%	-	Quabit Freehold Properties, S.L.U.	-
Quabit Veleta, S.L.U.	Madrid	Real Estate Development	100%	-	Neinor Homes, S.A.	-
Quabit Puerta de Vistahermosa, S.L.U.	Madrid	Real Estate Development	100%	-	Neinor Homes, S.A.	-
B2R PROPTECH, S.L.U.	Madrid	Real Estate Development	100%	-	Neinor Homes, S.A.	-
Style Living Gestión, S.L.U.	Madrid	Real Estate Development	100%	-	Neinor Homes, S.A.	-
Quabit Construcción, S.A.	Guadalajara	Real Estate Construction	82,95%	-	Neinor Homes, S.A.	Deloitte, S.L.

Some financial figures of interest with respect to the consolidated companies are given below:

Company	Total equity at December 31, 2021 (thousands of euros)						
	Share capital	Share premium	Reserves	Previous years' losses	Profit / (Loss)	Other equity	Total equity
Neinor Norte, S.L.U.	235.091	-	58.500	-	20.075	967	314.633
Rental Homes PropCo, S.L.U.	301	-	59	(82)	(3.868)	1.100	(2.490)
Neinor Rental OpCo, S.L.U.	880	-	170	(68)	1	-	983
Promociones Neinor 3, S.L.U.	594	-	256	(1.425)	(554)	2.500	1.371
Neinor Works, S.L.U.	6	-	635	-	307	-	948
Promociones Neinor 5, S.L.U.	5.649	593	619	(467)	(443)	-	5.951
Neinor Península, S.L.U.	558.422	-	114	(67.495)	(2.063)	1.060	490.038
Neinor Sur, S.A.U.	158.981	-	122.157	-	62.403	23	343.564
Neinor Sardes Rental, S.L.U	2.963	1.881	640	(60)	(588)	-	4.836
Renta Garantizada, S.A.	60	-	218	862	443	-	1.583
Quabit Comunidades, S.L.	600	-	13	(268)	5	103	453
Quabit Inmobiliaria Internacional, S.L.	3	-	315	(9.457)	(5)	-	(9.144)
Parque Las Cañas, S.L.U.	393	3.536	173	(6.429)	(311)	2.593	(45)
Bulwin Investments, S.A.U.	60	-	(1)	(2)	(1)	-	56
Grupo Meditarráneo Costa Blanca, S.L.U.	660	-	123	(512)	(42)	-	229
Quabit Quality Homes, S.L.U.	21.623	27.747	(18)	(24.329)	(9.110)	-	15.913
Quabit Premier, S.L.U.	2.892	-	2.358	(37)	(9)	-	5.204
Quabit Sant Feliu, S.L.U.	6.853	2.626	52	(1.082)	(142)	-	8.307
El Balcón de las Cañas, S.L.U.	479	1.639	(17)	(909)	(41)	-	1.151
Quabit Casares, S.L.U.	4.420	4.565	18	(3.365)	(1.484)	-	4.154
Quabit Torrejón VP Fase 1, S.L.U.	620	1.851	(1)	(2.101)	(1.203)	-	(834)
Quabit Peñuela VL Fase 1, S.L.U.	219	648	(3)	(897)	(2)	203	168
Quabit Torrejón VP Fase 2, S.L.U.	527	1.571	9	(1.935)	(887)	354	(361)
Quabit Peñuela VL Fase 2, S.L.U.	426	1.268	(4)	(1.282)	(344)	-	64
Quabit Torrejón VP Fase 3, S.L.U.	189	554	(3)	(356)	(349)	-	35
Quabit Peñuela VL Fase 3, S.L.U	1.063	3.180	(5)	(2.840)	(2)	-	1.396

Quabit Remate las Cañas, S.L.U.	1.009	3.020	(5)	(773)	(2.778)	-	473
Quabit Quality Homes Guadalix, S.L.U.	1.354	4.052	(6)	(175)	(42)	-	5.183
Quabit Quality Homes San Lamberto, S.L.U.	302	897	(4)	(1.468)	(1.257)	-	(1.530)
Iber Activos Inmobiliarios, S.L.	2.752	-	128	-	(374)	-	2.506
Quabit SUP-R6, S.L.U.	1.037	3.101	(5)	(929)	(928)	-	2.276
Quabit Finance, S.A.U.	60	-	(2)	(1.592)	(13.125)	-	(14.659)
Quabit Finance Assets, S.L.U.	253	750	(2)	(2.512)	(11.547)	-	(13.058)
Quabit Gregal, S.L.U.	141	413	(1)	(245)	(244)	-	64
Quabit Poniente, S.L.U.	228	675	(2)	(231)	(667)	-	3
Quabit Siroco, S.L.U.	590	1.763	(2)	(704)	(1.385)	-	262
Quabit Terral, S.L.U.	3	-	-	(312)	(344)	-	(653)
Quabit Mistral, S.L.U.	368	1.095	(2)	(162)	(277)	-	1.022
Quabit Cierzo, S.L.U.	3	-	-	(200)	(5.470)	-	(5.667)
Quabit Tramontana, S.L.U.	3	-	-	(607)	(415)	-	(1.019)
Quabit Aneto, S.L.U.	430	1.288	(7)	(357)	(153)	-	1.201
Global Quabit, S.L.U.	13.474	9.434	(38)	(3.412)	(14.562)	357	5.253
Quabit Alcarria, S.L.U.	1.030	-	940	-	(74)	10	1.906
Quabit Distrito Centro, S.L.U.	3.030	-	62	(1.405)	(115)	41	1.613
Quabit Corredor del Henares, S.L.U.	2.359	1.811	(4)	(654)	3.361	57	6.930
Quabit Moncloa, S.L.U.	80	-	(1)	(3)	(1)	-	75
Quabit Sureste, S.L.U.	555	1.575	151	-	(2.449)	36	(132)
Quabit Hortaleza, S.L.U.	1.678	-	(4)	(528)	(3.029)	19	(1.864)
Quabit Remate, S.L.U.	786	1.444	(3)	(178)	4.325	31	6.405
Quabit Aguas Vivas, S.L.U.	1.252	-	2.205	-	(130)	38	3.365
Global Quabit Cañaveral Málaga Fase 1, S.L.U.	210	622	468	-	146	15	1.461
Global Quabit Cañaveral Málaga Centauro, S.L.U.	205	605	(4)	(97)	939	14	1.662
Global Quabit Cañaveral Tercera Fase, S.L.U.	89	257	(3)	(245)	(1.389)	8	(1.283)
Global Quabit Cañaveral Fase Cuatro, S.L.U.	27	71	(3)	(2)	(1)	-	92
Global Quabit Málaga, S.L.U.	144	424	(4)	(1.119)	(1)	699	143

Global Quabit Sur, S.L.U.	243	720	(4)	(284)	(912)	17	(220)
Global Quabit Norte, S.L.U.	498	-	653	-	10	9	1.170
Global Quabit Azuqueca, S.L.U.	663	-	1.647	-	1.008	11	3.329
Quabit Casares Golf RP5, S.L.U.	131	385	(2)	(109)	(264)	9	150
Quabit Almanzor, S.L.U.	123	360	(2)	(261)	(1.332)	7	(1.105)
Quabit Teide, S.L.U.	108	315	(2)	(169)	128	5	385
Quabit Peñalara, S.L.U.	284	844	(2)	(422)	(757)	19	(34)
Global Quabit Desarrollos Inmobiliarios, S.L.	9.824	29.438	(32)	(7.835)	(26.486)	466	5.375
Quabit Alovera, S.L.U.	5.211	15.625	(17)	(3.059)	(19.887)	53	(2.074)
Quabit Bonaire, S.L.	3	-	5	(26)	(5)	2	(21)
Meltonever Project, S.L.U.	-	-	-	-	(2)	1.336	1.334
Quabit Las Lomas de Flamenco, S.L.U.	1.785	5.343	(11)	(5.337)	28	203	2.011
Quabit Menorca Desarrollos Inmobiliarios, S.L.U.	1.569	4.694	275	(4.852)	(1.495)	209	400
Quabit Freehold Properties, S.L.U.	3.243	4.784	(11)	(489)	(23.965)	-	(16.438)
Quabit Freehold Properties Levante, S.L.U.	104	304	(1)	(465)	(2.033)	162	(1.929)
Quabit Freehold Properties Sur, S.L.U.	288	855	(2)	(169)	(337)	-	635
Quabit Freehold Properties Centro, S.L.U.	500	1.443	(2)	(1.139)	(6.766)	-	(5.964)
Quabit Freehold Properties Madrid, S.L.U.	3	-	(1)	(3)	(1)	4	2
Quabit Freehold Properties Valencia, S.L.U.	3	-	(1)	(3)	(1)	4	2
Quabit Freehold Properties Este, S.L.U.	3	-	(1)	(3)	(1)	4	2
Quabit Palmaces, S.L.U.	277	828	(2)	(247)	(951)	-	(95)
Quabit El Vado, S.L.U.	325	965	(3)	(724)	(5.896)	-	(5.333)
Panglao Inventments, S.L.U.	3	-	-	(1.087)	(2.818)	1.087	(2.815)
Quabit Veleta, S.L.U.	677	2.022	651	-	-	(269)	3.081
Quabit Puerta de Vistahermosa, S.L.U.	3	-	(1)	(1)	(1)	2	2
B2R PROPTECH, S.L.U.	10	-	(1)	-	(1)	-	8

Style Living Gestión, S.L.U.	3	-	-	(45)	(1)	50	7
Quabit Construcción, S.A.	1.497	-	2.511	-	969	-	4.977
Programa de Actuación de Baleares, S.L.	7.500	-	(26)	(3.087)	-	-	4.387
Landscape Corsan, S.L.	12	-	49	(50)	-	-	11
Landscape Larcovi Proyectos Inmobiliarios, S.L.	600	-	117	(64.789)	(6)	-	(64.078)
Masía de Montesano, S.L.	2.520	-	-	(715)	(11)		1.794
Alboraya Marina Nova, S.L.	60	-	-	(33)	-	-	27
Nicrent Residencial, S.L.	63	11.940	-	-	(3)	-	12.000

Company	Total equity at December 31, 2020 (thousands of euros)						
	Share capital	Share premium	Reserves	Previous years' losses	Profit / (Loss)	Other equity	Total equity
Neinor Norte, S.L.U.	235.091	-	34.080	-	24.420	998	294.589
Promociones Neinor 1, S.L.U.	301	-	59	(55)	(27)	-	278
Promociones Neinor 2, S.L.U.	880	-	170	(74)	6	-	982
Promociones Neinor 3, S.L.U.	594	-	256	(998)	(427)	2.500	1.925
Neinor Works, S.L.U.	6	-	339	(18)	314	-	641
Promociones Neinor 5, S.L.	5.649	593	619	(280)	(187)	-	6.394
Neinor Peninsula, S.L.U.	558.422	-	114	(62.584)	(4.911)	1.089	492.130
Neinor Sur, S.A.U.	158.981	-	78.785	-	43.372	23	281.161
Renta Garantizada, S.A.	60	-	137	580	364	-	1.141

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

DIRECTORS' REPORT

Year ended 31 December 2021

Neinor Homes, S.A. and Subsidiaries

1. <u>The Group: Organisational structure and operations</u>

The Neinor Homes Group was incorporated under the memorandum of understanding entered into in 2014 by Kutxabank, S.A. and the Lone Star investment fund, through its investee, Intertax Business, S.L.U. (now Neinor Holdings, S.L.U.), for the purchase and sale of a portion of the Kutxabank Group's property assets. The aforementioned purchase and sale (Operation Lion) was completed on 14 May 2015 through the transfer by Kutxabank, S.A. to Neinor Holdings, S.L.U. of all the shares that the former held in Neinor Homes, S.A., once the conditions precedent set forth in the purchase and sale agreement entered into by the parties on 18 December 2014 had been fulfilled.

On 1 January 2015, within the context of the transaction (the "Transaction"), all the employees who had been performing the property development group’s development and management tasks, and the technical resources and means required to carry out the activity, were transferred to Neinor Homes, S.A.

In 2017, the Parent, Neinor Homes, S.A. was registered as a public limited liability company ("S.A.") (a transaction that was formalised by virtue of a public deed executed on 1 March 2017 before the Bilbao notary Raquel Ruiz Torres under number 234 of her protocol) with a view to its admission to trading on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, which took place on 29 March 2017 with the prior authorisation of the Company’s sole shareholder on 6 March 2017.

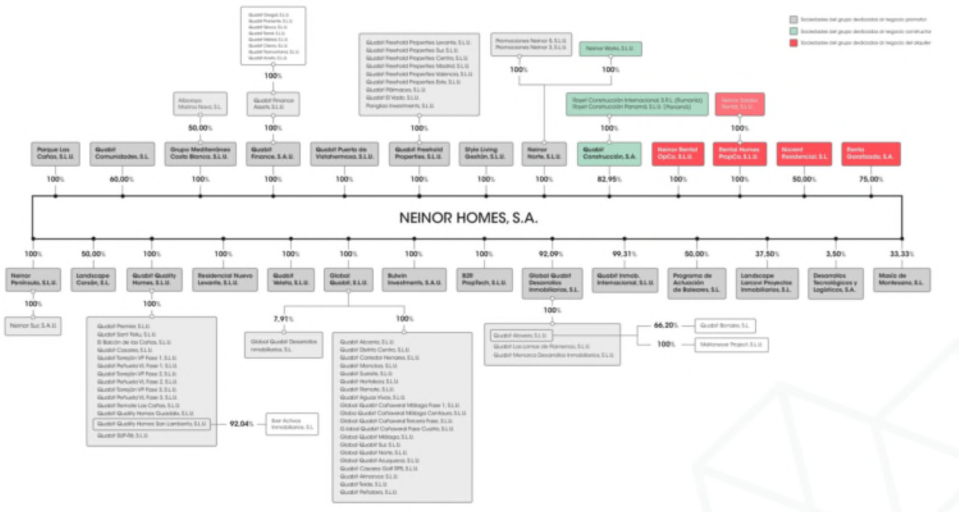
In September 2020 Neinor Homes, S.A. acquired a 75% ownership interest in the share capital of Umber Jurídico Inmobiliario, S.L. (a company that was dissolved in November 2020 as it had been absorbed in a downstream merger by its wholly-owned subsidiary Renta Garantizada, S.A.).

On 11 January 2021, the draft terms of merger of Neinor Homes, S.A. (absorbing company) and Quabit Inmobiliaria, S.A. (absorbed company) were approved by the companies’ respective Boards of Directors, and the validity of the draft terms of merger were conditional upon the occurrence of the following several suspensive conditions. The acquisition date was established as 19 May 2021 following the obtainment, on the immediately preceding day, of authorisation of the Merger from the competition authorities and, thus, the fulfilment of all of the conditions precedent described above; as a result, Neinor Homes, S.A. obtained control of Quabit Inmobiliaria, S.A.

On 12 April 2021, the Board of Directors of the Parent approved the issue of guaranteed senior bonds maturing in 2026 (which may be redeemed early in certain circumstances and upon the occurrence of certain events) for a total principal amount of EUR 300 million; at the issue date (14 April 2021) it was established that the bonds would bear annual fixed interest of 4.5%, payable on a half-yearly basis. The bonds, which were admitted to trading on the Global Exchange Market of the Irish Stock Exchange, are guaranteed by Neinor Homes, S.A. and certain of its subsidiaries that act as guarantors of the debt (Neinor Peninsula, S.L.U., Neinor Sur, S.A.U., Neinor Norte, S.L.U. and Rental Homes Propco, S.L.U.).

Neinor Homes Homes, is currently the head of a business group which carries on its activities either directly or indirectly through ownership interests in various companies.

A flowchart of the corporate structure of Neinor Homes S.A. and Subsidiaries (the "Group") is as follows:



The Group's business activities are performed exclusively in Spain, and principally, through three business lines:

A) Development business line:

The Group's core and strategic business activity based on the acquisition of land for residential use for its subsequent property development.

The Group's land portfolio is comprised of 325 lots with a total of 13.300 buildable units. The portfolio is distributed over the Parent's five main geographical areas of activity, namely: Madrid, Guadalajara, Catalonia, the Basque Country Valencia and Andalusia.

The land portfolio arose as a result of both the Transaction and subsequent purchase described in Note 1 of the Group´s consolidated financial statements and sale transactions during 2015-2021.

B) Rental business line:

In February 2020 the Board of Directors of the Parent Company approved the development of a new line of business of owned housing units using the current land bank. The objective is to create a portfolio of 4.500 rental units.

In 4 January 2021 the company acquired a PRS (Private Rented Sector, finished and rented product) portfolio through the acquisition of Sardes Holdco, SLU, a company that owns 9 developments for leasing and located in Alicante, Badalona , Girona, Madrid, Malaga, Sabadell, Terrassa and Valencia (392 units).

Additionally, during the 2021 financial year, the first installment of a new-build development intended for rental, Hacienda Homes, with 142 units, was made.

Likewise, since the 2020 financial year, the Group owns Renta Garantizada, one of the leading companies in rental management in Spain and which allows us to manage the rental of both our own assets (Hacienda Homes), as well as those of third parties.

C) Servicing business line:

On 14 May 2015, an asset administration and management agreement was entered into between the various companies of the Kutxabank Group and Neinor Homes, S.A. in relation to the property assets which continue to be the property of the Kutxabank Group. This servicing agreement has an initial term of seven years, and may be automatically renewed for additional periods of one year.

As consideration for this service, the Kutxabank Group pays remuneration based on the type and volume of managed assets, as well as an additional variable remuneration applicable to success for marketing them and for the execution of certain specific actions related to them.

This contract ends in May 2022 and will not be renewed

D) Legacy business line:

Business activity consisting of the disposal of non-strategic assets acquired in the Transaction (450 units, at year end).

The portfolio is divided into two main types of asset: i) multi-unit new property developments and ii) remnants of new property developments end products.

At an organisational structure level, the Company has a Board of Directors and three Committees: Audit and Control Committee, Nomination and Remuneration Committee and Land Investment Committee.

In 2021, the Board of Directors held 16 meetings, Audit and Control Commite 11 meetings and Nomination and Remuneration Committee and Land Investment Committee 5 meetings each of them.

Following are the main agreements, approvals and supervisory activities entered into, granted and performed, respectively, by the Board and its committees during 2021:

a) The call for the General Shareholders' Meeting
b) Business Plan for 2022-2025
c) External Accounts Audit Plan for 2021
d) Annual plan for the CAC and Nomination and Remunerations Committee for 2022
e) Meetings schedule for the Committee for 2022.
f) Incentive plan, salary objetives and bonus system
g) Re-election of external auditors
h) Verification of the independence of the external auditors
i) Re-election of Directors
j) Annual accounts and directors' report
k) Quarterly, semi-annual and annual financial results and presentation to markets
l) Distribution of 2020 and 2021 income
m) Proposal for the distribution of dividends
n) Approval of the merger projetc between Neinor Homes S.A., and Quabit Inmobiliaria, S.A.
o) Approval of changes in the corporate structure of the group.
p) Approval the issuance of a green bond
q) Agreements related to the merger and the operations to be executed with various creditors of Quabit.
r) Acceptance by Neinor Homes of the positions of board member and representative of a natural person.
s) Presentation of the acquisitions and launches for 2021 and planned program for 2022.
t) Supervision of ICFR
u) Strategy and analysis of new business lines
v) Analysis of corporate operations
w) Activities report the Board of Directors and its Committees
x) Sustainability report 2020 and the non-financial information statement/ Sustainability report 2021.
y) Sustainability plan 2022-2025
z) The independence report of the external auditors.
aa) Evaluation report the Board of Directors and its Committee
bb) The 2021 Annual Corporate Governance Report.
cc) The annual remuneration report 2021.
dd) The Corporate Social Responsibility Report 2021 and the CSR Plan 2022
ee) Report of related operations and conflicts of interest and analysis of different

operations.

ff) Approval of financing and refinancing operations
gg) Reporting of compliance activities 2021
hh) Report of activities carried out for the supervision of the RIC
ii) Modification of RIC
jj) Analysis and supervision of related-party transactions and conflict of interest
kk) Supervision of ICFR
ll) Supervision ot the control model of Prevention of Money Laundering and Financing of Terrorism
mm) Supervision of the integrated model of Internal Control and Risks
nn) Monitoring and approval of the disclosure to be included in the interim summarised consolidated financial statements according to the impacts due to COVID-19.
oo) Renewal process of the servicing contract and analysis of alternative line of business.
pp) Approval of the agreements between Quabit Construcción S.A. / Neinor Homes S.A., and Quabit's CEO.
qq) Approval of the signing of the framework agreement of the urbanization of Sector II-1 of Alovera.
rr) Monitoring of markets communications
ss) Review of the communication received from the stock market regulator on November 24, 2021. Review and approval of the modifications to be made in the current information and confidentiality policy.
tt) Approval of a program for the repurchase of own shares as treasury stock.
uu) Proposal to the General Meeting on the reduction of capital by amortization of treasury shares.
vv) Review and update of compliance and internal control policies
ww) Supervision and follow-up of the complaints received in the company's ethical channel.

Regarding the control and compliance model, in Neinor Homes it is implanted an integrated a GRC structure (Government, Risk and Compliance) that is based on:

- Analysis and evaluation of risks that affect internally and to interested parties.
- Integration of all regulatory environments and business processes.
- Homogeneous methodology in implementations and projects in the field of fulfillment.

This model is based on the analysis and evaluation of strategic risks of the company, of all control environments and the entire value chain. In this way, all risks are analyzed, gross and residuals and they are classified according to their economic, reputational and organizational impact.

Currently in the model, all the company's business processes are integrated and the different normative areas, among others, the SCIIF, prevention of criminal responsibility, Prevention of Cybersecurity, RDL 5/2018 on data protection, PBC / FT, LSC, Good Governance recommendations, Order EHA / 3050/2004 on Operations Linked, Circular 3/2015 of the CNMV.

The balance scorecard of the model includes:

- The processes and procedures that apply to an environment of regulatory or operational compliance.
- The controls assigned to each risk and environment
- Which risks are mitigated or eliminated by each control, to which processes does it affect
- Who is the responsible for each control, of its supervision and when it is reported

The management of GRC, composed by areas of Internal Audit, Corporate Governance, Compliance, Risks, Corporate Social Responsibility and Quality is in charge of ensuring the entire integrated control and assurance system.

The annual corporate gorvernance report is part of the director's report and it is possible to access to its contet through CNMV web page (www.cnmv.es).

2. ***Business performance and earnings - Significant aggregates***

In 2021, the Group recognised revenue of EUR 914.301 thousand achieving a gross margin of EUR 242.989 thousand and presents a first adjusted EBITDA (hereinafter after adjusted EBITDA 1) of EUR 149.613 thousand (adjusted for MIP and increased valuation of rental assets) and a second adjusted EBITDA (hereinafter adjusted EBITDA 2) of EUR 158.107 thousand (additionally adjusting personnel incentive expenses, personnel restructuring expenses and company growth expenses). The equity level amounts to EUR 944.496 thousand, total assets amounts to EUR 1.966.708 thousand and current and non-current liabilities amounts to EUR 1.022.212 thousand.

Revenue and gross margin

By business volume, the Development business line has recognised sales of EUR 882.832 thousand, with a gross margin of EUR 213.479 thousand, representing a margin of 24,18%.
This is followed by the volume in Servicing business line, with revenue of EUR 24.394 thousand. The new rental line of business has recognised sales of EUR 4.725 thousand, of which EUR 2.316 thousand belong to rental income from owned homes and EUR 2.409 thousand correspond to income from services related to rentals provided through the Renta Garantizada's Income. Finally, the Legacy business line recognised revenue of EUR 2.351 thousand and gross margin of EUR 391 thousand.

Development sales are due mainly to the completion and delivery many property developments among which the followings stand out: Amara Homes with sales of EUR 53.520 thousand, Bolueta Homes with sales of EUR 44.322 thousand, Cañaveral Homes with sales of EUR 43.714 thousand, Hacienda Homes with sales of EUR 39.350 thousand, Saler Homes with sales of EUR 35.709 thousand, Limonar Homes with sales of EUR 34.519 thousand, Bulevar Homes with sales of EUR 34.166 thousand, San Juan Homes with sales of EUR 32.494 thousand and Mesas Homes with sales of 30.211 EUR.

Servicing revenue relates mainly to: *Management Fee* on the EUR 1.1Bn of managed assets (EUR 16.327 thousand (67%), *Success Fee* calculated on total sales of EUR 160 million (EUR 7.633 thousand (31%)), and other income (EUR 433 thousand (2%).

Legacy sales correspond to more than 48 main units, situated mainly in Southern Spain (54%).

EBITDA

The adjusted EBITDA 1 in 2021 reached EUR 149.613 thousand, mainly due to Development with and adjusted EBITDA of EUR 122.299 thousand, Servicing' a positive adjusted EBITDA of EUR 10.773 thousand and Rental a positive EBITDA of EUR 17.590 thousand and Legacy with a negative adjusted EBITDA of EUR 1.049 thousand.

The adjusted EBITDA 2 in 2021 reached EUR 158.107 thousand, mainly due to Development with EUR 130.144 thousand, Servicing a positive EBITDA of EUR 11.364 thousand, Rental a positive EBITDA of EUR 17.609 thousand and Legacy with a negative EBITDA of 1.010 thousand.

Profit for the year

The consolidated profit of 2021 amounts to EUR 102.855 thousand, from which EUR 103.033 thousand are attributable to owners of the Company.

Financial position

The current liabilities and non-current liabilities at 31 December 2021 amounted to EUR 1.022.212 thousand compared to EUR 698.061 thousand at 31 December 2020 (an increase of EUR 324.151 thousand).

The borrowing position at 31 December 2021 continues to indicate very sound debt/equity ratios: 26,4% Loan To Cost ratio (LTC) and 19,8% Loan To Value ratio (LTV).

Borrowings at 31 December 2021

At the end of 2021, EUR 259 million was recognised under current and non-current bank borrowings. The detail of bank borrowings is as follows:

- Corporate facilities: EUR 0,5 million.
- Land financing facilities: EUR 88,8 million with a limit of EUR 88,8 million
- Capex financing facilities: EUR 123,9 million with a limit of EUR 355 million
- Rental financing facilities: EUR 46,1 million with a limit of EUR 49,4 million.
- Interest payable: EUR 0,5 million.
- Debt arrangement expenses: EUR (4,4) million
- VAT facilities: a limit of EUR 15 million with EUR 3,4 millions disposed

The Group has issued a bond (300m nominal value) due in 2,026. This has made possible to repay corporate debt in 2021 for a total of EUR 90 million, EUR 50 million from the line with Deutsche Bank (disposed by Neinor Sur) and 40 million euros from the line with Santander (disposed by Neinor Homes).

In conclusion, the Company has been able during 2021 to reduce the LTV (after the absorption of Quabit), refinancing the vast majority of the corporate debt with a maturity of more than 5 years, which places the Group in a very solid debt situation.

3. Matters relating to the environment and employees

In view of the business activities carried on by the Neinor Homes Group, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. In addition, the Group's activities do not give rise to situations relating to greenhouse gas emission allowances.

At 31 December 2021, the average number of employees employed by Quabit Construcción, S.A. and by Renta Garantizada S.A is 84 and 32, respectively (23 people at the end of the 2020 for Renta Garantizada, S.A) with the average number of people employed by Neinor Homes at 31 December 2021 being 320 (284 during the year ended on December 2020). The number of people employed at the end of the 2021 by Quabit Construcción, S.A. and for Renta Garantizada SA, it is 113 and 37 people, respectively (27 people at the end of the 2020 for Renta Garantizada S.A. The distribution of the headcount for Neinor Homes S.A., by gender and professional category, was as follows:

	31/12/21			31/12/20		
	Women	Men	Total	Women	Men	Total
University graduates	102	144	246	87	139	226
Further education college graduates	56	28	84	40	22	62
Total	**158**	**172**	**330**	**127**	**161**	**288**

4. Liquidity and capital resources

The Group has a sufficient level of cash and cash equivalents in order to carry on its business activities.

Of note in 2021, is the financing, mainly of land and corporate projects, obtained by the Group, which amounts to an on balance sheet balance of EUR 258.761 thousand .

In addition to this financing, the outlook is to arrange developer-type financing to fund the investment and, in turn, link the majority of the required payments and investments with the delivery of the property development and, therefore, the earnings from the sale.

The company continues to be engaged in conversations with financial institutions regarding a potential refinancing and/or a notes issuance following its solid financial results and cash position.

The Group's capital management focuses on achieving a financial structure that optimises the cost of capital to ensure a sound financial position. This policy enables value creation for shareholders to be compatible with access to financial markets at a competitive cost to cover the needs for refinancing debt and financing the investment plan not covered by the funds generated by the business.

5. ***Main risks and uncertainties***

The Company has a risk map. In this connection, the organisation's procedures have been analysed, the possible sources of risk have been identified and, the appropriate measures have been taken to prevent them.

The most significant financial risks are:

Market risk

Exposure to interest rate risk

The Group does not use interest rate hedges.

Most of the loans and credit facilities in the Group's balance sheet are indexed to Euribor.

Exposure to credit risk

The Group does not have significant credit risk exposure to third parties arising from its own development business since it receives payment for substantially all its sales at the time the transaction is executed in a deed through subrogation of the buyer for the corresponding portion of the developer loan or by any other method of the buyer's choice. The credit risk arising from the payment deferrals in land or completed buildings sale transactions are mitigated through the obtainment of guarantees by the buyer or through the establishment of conditions subsequent in the event of default, which would give rise to the recovery of ownership of the asset sold and the collection of an indemnity payment.

In general, the Group holds its cash and cash equivalents at banks with high credit ratings.

Exposure to solvency risk

The Group regularly analyses the insolvency risk of its accounts receivable and adjusts the corresponding impairment loss. The Parent's directors consider that the amount of trade and other receivables approximates their fair value.

Exposure to exchange rate risk

In view of the Group’s scant international exposure in markets outside the eurozone, its exposure to foreign currency risk is scantly material.

6. ***Significant events after the reporting period***

Subsequent to 2021 year-end no additional events took place other than those indicated in Note 29 to the consolidated financial statements which may significantly affect the financial information detailed in this report, or which should be highlighted in view of its importance.

7. ***Information on the outlook for the entity in 2022***

The Group's main lines of action for 2022 focus on:

Development business line

- Monitoring of the construction projects which the Group had at 2021 year-end, plus the tenders and contracting of new projects.

- Continuing the upward trend in the number of pre-sales. Also, capture the increases in prices that are occurring in each location due to the increase in demand and low supply of quality products.

- Delivering the property developments for which the construction completion date is forecast for 2022, while taking due care of our clients' satisfaction and experience.

Rental business line

- Manage and build 3.500 units for this line of business

- Provision of property and asset management services to third parties through the acquired company Renta Garantizada, S.A. one of the leading rental management companies in Spain.

- Alliance with Cevasa and Habitatge Metròpolis Barcelona (HMB) to build 4,500 social housing units for rent in Barcelona and its metropolitan area which should come into operation between 2024 and 2027. During 2021 it has started the launch of phase 1, equivalent to 750 units.

Servicing business line

- Management of KUtxabank's assets under the contract signed in 2015 and ending in May 2022.

Legacy business line

- Continuing with the divestment in order to monetise the majority of the portfolio in 2022.

8. R&D&i activities

Given the lines of business of Neinor Homes S.A., there are no relevant research, development and innovation activities.

9. Treasury shares

At 31 December 2021, the Company's share capital was represented by 79.988.642 fully subscribed and paid shares of EUR 10 par value each. All these shares carry identical voting and dividend rights.

During 2021, treasury shares have been acquired, including an amount of EUR 40.205 thousand on the balance sheet at 31 December 2021.

At 31 December 2021, the Parent Company held 3.622.669 treasury shares being the average purchase price of EUR 11,09 following the value date criteria.

10. Alternative performance measures

As indicated in Note 2 to the consolidated financial statements, the Group prepares its consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union (EU-IFRSs). The Group also presents certain Alternative Performance Measures (APMs) to provide additional information which facilitates the comparability and comprehension of its financial information and enables decision-making and assessment of the Group's performance.

The most significant APMs are as follows:

Gross profit:

Definition: External sales + Cost of sales

Reconciliation: the Parent presents the calculation of gross profit in Note 6 to the consolidated financial statements.

Explanation of use: the Parent considers gross profit to be a performance measure, since it provides information on gross profit, which is calculated on the basis of external sales less the cost incurred to complete those sales. The impairment losses derecognised in connection with real estate assets sold during the year were also taken into consideration for this calculation.

Comparative: the Parent presents comparative figures for the prior year.

Consistency: the criterion used to calculate the gross profit is the same as that used in the previous year.

EBITDA:

Definition: Gross profit + Staff costs + Outside services + Change in operating provisions, allowances and write-downs – Other + Other operating income + Impairment and gains/(losses) on disposals of non-current assets.

Reconciliation: the Parent presents the calculation of EBITDA in Note 6 to the consolidated financial statements.

Explanation of use: the Parent considers EBITDA to be a performance measure since it provides an analysis of the operating results (excluding depreciation and amortisation, as it is a non-cash item) as an approximation of the cash flows from operating activities which reflect the generation of cash. It is also an indicator that is widely used by investors when valuing companies, and by rating agencies and creditors to measure the level of borrowings, comparing EBITDA with net debt.

Comparative: the Parent presents comparative figures for the prior year.

Consistency: the criterion used to calculate EBITDA is the same as that used in the previous year.

Adjusted EBITDA 1

Definition: Profit or loss before tax + MIP + Change in fair value in real estate investments (valuation increase) + Net financial profit or loss and other income and expenses + Impairment of assets (Note 22.6)

Reconciliation: the Parent presents the calculation of adjusted EBITDA in Note 6 to the consolidated financial statements.

Explanation of use: the Parent considers adjusted EBITDA to be a performance measure since it provides an analysis of the operating results, excluding the non-cash depreciation and amortisation charge, inventory write-downs, investment property and doubtful debts considered to be non-recurring.

Comparative: the Parent presents comparative figures for the prior year.

Consistency: the criterion used to calculate adjusted EBITDA is the same as that used in 2018 and 2019, including the growth expenses and additional afeter-sale expeses.

Adjusted EBITDA 2

Definition: Profit or loss before tax + MIP + Change in fair value in real estate investments (valuation increase) + net financial profit or loss and other income and expenses + depreciation and amortisation charge + impairment of assets + incentive plan costs (except of MIP adjusted in EBITDA 1) + staff restructuring expenses + growth expenses (Note 22.6)

Reconciliation: the Parent presents the calculation of adjusted EBITDA in Note 6 to the consolidated financial statements.

Explanation of use: the Parent considers adjusted EBITDA to be a performance measure since it provides an analysis of the operating results, excluding the non-cash depreciation and amortisation charge, inventory write-downs, investment property and doubtful debts considered to be non-recurring.

Comparative: the Parent presents comparative figures for the prior year.

Consistency: the criterion used to calculate adjusted EBITDA is the same as that used in 2018 and 2019, including the growth expenses and additional afeter-sale expeses.

Borrowings

Definition: Bank borrowings recognised under non-current liabilities + bank borrowings recognised under current liabilities.

Reconciliation: the Parent presents the calculation of borrowings in Note 6 to the consolidated financial statements.

Explanation of use: Borrowings is a financial indicator that measures the company's debt position. It is also an indicator that is widely used by investors when valuing the financial leverage of companies, and by rating agencies and creditors to assess the level of borrowings.

Comparative: the Parent presents comparative figures for the prior year.

Consistency: the criterion used to calculate borrowings is the same as that used in the previous year.

Net financial debt

Definition: Bank borrowings (current and non-current liabilities) + Other current and non-current financial liabilites (associated with the borrowings and bond) – “Cash and Cash Equivalents" (excluding the restricted component associated with the advances received and associated with a property development, which are deposited in a special account and are only available in connection with the construction of the property developments.

Reconciliation: the detail of the reconciliation of this APM with the consolidated financial statements is as follows (in thousand euros):

	31/12/21
Non-current liabilities - bank borrowings	44.815
Current liabilities - bank borrowings	213.946
Other non-current financial liabilities	297.657
Other current financial liabilities	2.210
Cash and cash equivalents - available cash (Note 14)	(269.685)
	288.943

Explanation of use: Net financial debt is a financial indicator that measures a company's net debt position. It is also an indicator that is widely used by investors when valuing the net financial leverage of companies, and by rating agencies and creditors to assess the level of net borrowings.

Comparative: the Parent presents comparative figures for the prior year.

Consistency: the criterion used to calculate net financial debt is the same as that used in the previous year, including other non current-financial liabilities, due to the adquisition of 75% of Umber Jurídico, S.L.

Adjusted Net financial debt

Definition: Bank borrowings (current and non-current liabilities) + deferred payment for the purchase of land recognised under "Trade and Other Payables" under both non-current and current liabilities (Note 17) + Other non-current financial liabilites (associated with borrowings and bond) - "Cash and Cash Equivalents" (excluding the restricted component associated with the advances received and associated with a property development, which are deposited in a special account and are only available in connection with the construction of the property developments

Reconciliation: the detail of the reconciliation of this APM with the consolidated financial statements is as follows (in thousand euros):

	31/12/21
Non-current liabilities - bank borrowings	44.815
Current liabilities - bank borrowings	213.946
Other non-current financial liabilities	297.657
Other current financial liabilities	2.210
Deferred land payments	88.075
Cash and cash equivalents - available cash (Note 14)	(269.685)
	377.018

Explanation of use: Net financial debt is a financial indicator that measures a company's net debt position. It is also an indicator that is widely used by investors when valuing the net financial leverage of companies, and by rating agencies and creditors to assess the level of net borrowings.

Comparative: the Parent presents comparative figures for the prior year.

Consistency: the criterion used to calculate net financial debt is the same as that used in the previous year.

Loan to Value (LTV)

Definition: Net financial debt / Assets market value

Explanation of use: The LTV ratio is an indicator that measures the company´s indebtedness position. It is widely used by investors to assess the financial leverage of real estate companies, as well as by rating agencies and banks to assess the level of indebtedness.

Reconciliation: The reconciliation of this APM with the consolidated financial statements is as follows (in thousand euros):

	31 December 2021
Net financial debt	288.943
Assets market value	1.907.283
LTV	**15,1%**

Definition: Adjusted Net financial debt / Assets market value

Explanation of use: The LTV ratio is an indicator that measures the company´s indebtedness position. It is widely used by investors to assess the financial leverage of real estate companies, as well as by rating agencies and banks to assess the level of indebtedness.

Reconciliation: The reconciliation of this APM with the consolidated financial statements is as follows (in thousand euros):

	31 December 2021
Net financial debt – Adjusted	377.018
Assets market value	1.907.283
LTV	**19,8%**

Loan to Cost (LTC)

Definition: Net financial debt / (Inventories + Investment Property)

Explanation of use: The LTC is an indicator that measures the company´s indebtedness position. It is widely used by investors to assess the financial leverage of real estate companies, as well as by rating agencies and banks to assess the level of indebtedness.

Reconciliation: The reconciliation of this APM with the consolidated financial statements is as follows (in thousand euros):

	31 December 2021
Net financial debt - Adjusted	288.943
Inventories	1.322.683
Investment Property	105.632
LTC	**20,2%**

Definition: Adjusted Net financial debt / (Inventories + Investment Property)

Explanation of use: The LTC is an indicator that measures the company´s indebtedness position. It is widely used by investors to assess the financial leverage of real estate companies, as well as by rating agencies and banks to assess the level of indebtedness.

Reconciliation: The reconciliation of this APM with the consolidated financial statements is as follows (in million euros):

	31 December 2021
Net financial debt - Adjusted	377.018
Inventories	1.322.683
Investment Property	105.632
LTC	**26,4%**

ANNEX I – FORM

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

PARTICULARS OF THE ISSUER

REPORTING DATE	2021

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 on the share capital and attributed voting rights, including, where applicable, those corresponding to shares with loyalty voting rights, at the end of the reporting period:

Indicate whether the company's articles of association contain a provision for double loyalty voting:

☐ Sí ☑ No

On February 23, 2022, the Board of Directors of Neinor Homes proceeded to update and review the company's articles of association, including the figure of loyalty shares provided for in the regulations. These amendments will be submitted for approval, if applicable, at the General Shareholders' Meeting to be held on April 13, 2022.

Date of approval at the General Shareholders' Meeting:

Minimum period of uninterrupted ownership required by the bylaws

Indicate whether the company has attributed loyalty votes:

☐ Sí ☑ No

Date of last change in share capital	Equity capital	Number of shares	Number of voting rights (not including additional votes attributed on the basis of loyalty)	Number of additional voting rights attributed corresponding to loyalty voting shares	Total number of voting rights, including additional votes attributed on the basis of loyalty
25/5/2021	799,886,420	79,988,642	79,988,642	0	79,988,642

Number of shares registered in the special share register pending completion of the loyalty period:

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, including directors who have a significant shareholding:

Name or company name of the shareholder	% voting rights attached to the shares		% voting rights held via financial instruments		% total voting rights	Of the total no. of voting rights attributed to shares, specify, where applicable, the additional attributed votes corresponding to shares with loyalty votes	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
ORION EUROPEAN REAL ESTATE FUND V, SLP	0	28,009%	0	0	28,009%		
ADAR CAPITAL PARTNERS LTD	0	17,444%	0	1,899%	19,343%		
COHEN & STEERS, INC.	0	4,984%	0	0	4,984%		
BMO ASSET MANAGEMENT LIMITED	0	4,788%	0	0	4,788%		

Remarks

Detail of the indirect shareholding:

Indirect shareholder's name	Direct shareholder's name	% of voting rights associated with the shares (including loyalty votes)	% of voting rights held through financial instruments	% of total voting rights	Of the total no. of voting rights attributed to shares, specify, where applicable, the additional attributed votes corresponding to shares with loyalty vote

Remarks

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

Shareholder's name	Transaction date	Description of the transaction
COHEN & STEERS, INC.	30/8/2021	Increase in the percentage of treasury stock voting rights from 0% to 4,984%
BMO ASSET MANAGEMENT LIMITED	12/11/2021	Decrease in the percentage of treasury stock voting rights from 5,209% to 4,788%

A.3. Detail, regardless of the percentage, the ownership interest at the end of the reporting period of the members of the Board of Directors who are holders of voting rights attributed to shares of the company or through financial instruments, excluding directors identified in section A.2 above:

Name or company name of the director	% of voting rights associated with the shares (including loyalty votes)		% of voting rights held through financial instruments		% of total voting rights	Of the total % of voting rights attributed to shares, specify, where applicable, the % of additional attributed votes corresponding to shares with loyalty vote	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
SEGAL, ANDREAS	0,013				0,013		
GARCIA-EGOTXEAGA VERGARA, BORJA	0,0007				0,0007		
Morenés Botín Sanz-de Sautuola, Felipe		0.025			0,025		

% of total voting rights held by the board of directors	0,038%

Remarks

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 (including loyalty votes)	% of voting rights held through financial instruments	% of total voting rights	Of the total % of voting rights attributed to shares, specify, where applicable, the % of additional attributed votes corresponding to shares with loyalty vote

Remarks

Give details of the total percentage of voting rights represented on the Board:

Total % of voting rights represented on the Board of Directors	0,038%

cve: BOE-A-2018-9935
Verificable en http://www.boe.es

Remarks

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 are no family, commercial, contractual or corporate relations between significant shareholders and the Company.

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
LAHHAM, AREF H.	ORION EUROPEAN REAL ESTATE FUND V, SLP		Proprietary Director
STULTS, VAN J.	ORION EUROPEAN REAL ESTATE FUND V, SLP		Proprietary Director

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
The company periodically provides training on Good Governance and Compliance to the members of the Board, paying special attention to directors' duties and responsibilities. In addition, the Audit Committee reminds the Board of the regulatory obligations in the various matters addressed on the agenda, and when situations might arise that could give rise to doubts as to the existence of shareholders' agreements due to the existence and recurrence of concerted management between different shareholders, and the Chair of the Audit Committee asks about these issues and reminds the members of the Board of their duty to inform the company and the CNMV.

State Whether the company has knowledge of any concerted action between shareholders, describe them briefly

☐ 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
3.622.669		4,53%

Remarks

(*) Through:

Name of the direct owner of the shareholding	Number of direct shares
Neinor Homes S.A.	3.622.669
Total:	3.622.669

Remarks

Explain any significant changes arising during the year:

Explain the significant changes
From 01/01/2021 to 25/03/2021 the liquidity agreement started on 22/09/2017, reported in previous years in this report, was maintained. Three treasury share programmes were launched during the year. The first two were completed, while the last one is still ongoing. Between them and considering the transactions carried out up to 31/12/2021 of the ongoing buy-back programme, a total of 3,582,150 shares have been acquired. On 10/05/2021, the public deed for the reduction of share capital through the redemption of 4,615,608 shares was registered in the Mercantile Register of Bizkaia. At the end of the reporting period, the company held a total of 3,622,669 treasury shares, of which 64,091 were deposited in the account associated with the liquidity agreement and 3,558,578 arose from treasury share programmes.

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 preceding 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 because of the exercise of stock options by their holders.

A.11. Estimated free float

	%
Estimated free float	42.88 %

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		

Description of differences

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

	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
% established by the entity for the adoption of resolutions	66%	

Description of differences
Article 17.4 of the Regulations of the Board of Directors states that: Except where the law or the Articles of Association specifically establish other voting rules, resolutions shall be adopted by absolute majority of the directors present at the meeting. In particular, the appointment, removal and agreements to terminate of CEOs, as well as the previous approval of contracts to be entered into between the Company and directors who are given executive functions will require the favorable vote of at least two thirds of the members of the Board, with the abstention, where applicable, of the affected director. In the event of a tie, the Chairman will not have a casting vote. The Capital Companies Law indicates that a majority vote is sufficient for the appointment or removal of the Chief Executive Officers.

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:

	Attendance figures				
Date of general meeting	% physical attendance	% attendance by proxy	% remote votes cast		Total
			Electronic votes	Other	
01/04/2020	6,6279%	47,9817%			54,6096%
31/03/2021	6,1586%	72,8729%			79,0315%
Of which floating capital:					51,0315%

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-and-investors

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.

Maximum number of directors	15
Minimum number of directors	5
Number of directors established by the general meeting	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		Independent	President	08/03/2017	01/04/2020	Re-election by the General Meeting of Shareholders	08/09/1950
Anna M. Birulés Bertrán		Independent	Vocal	08/03/2017	01/04/2020	Re-election by the General Meeting of Shareholders	28/06/1954
Alfonso Rodés Vilà		Independent	Vocal	08/03/2017	01/04/2020	Re-election by the General Meeting of Shareholders	09/08/1961
Jorge Pepa		Executive	Vocal	18/04/2018	31/03/2021	Re-election by the General Meeting of Shareholders	29/10/1980
Andreas Segal		Independent	Vocal	27/02/2019	03/04/2019	Appointment by the General Meeting of Shareholders	30/08/1969
Van J. Stults		Propriety	Vocal	22/10/2019	01/04/2020	Appointment by the General Meeting of Shareholders	30/09/1954
Felipe Morenés Botín Sanz-de Sautuola		Independent	Vocal	14/05/2015	01/04/2020	Re-election by the General Meeting of Shareholders	13/02/1986
Aref H. Lahham		Propriety	Vocal	12/12/2019	01/04/2020	Appointment by the General Meeting of Shareholders	15/02/1965
Borja García-Egotxeaga Vergara		Executive	CEO	08/04/2019	01/04/2020	Appointment by the General Meeting of Shareholders	23/11/1967

Total number of directors	9

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

Cause of exit, if before the end of the term of office and other remarks; information on whether the director has sent a letter to the other members of the Board and, in the case of the exit of non-executive directors, explanation or opinion of the director who has been removed by the General Shareholders' Meeting

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-Egotxeaga Vergara	Chief Executive	Borja joined Neinor in June 2016 and since April 2019 he has served as Chief Executive Officer and is a member of the Board of Directors and the Real Estate Investment Committee. Over the last 20 years his professional life has been in the field of residential development, with extensive experience in team and project management. Borja studied Industrial Engineering at the Escuela Superior de Ingenieros Industriales in Bilbao and has an INSIDE Master's degree in Business Management from the University of Deusto.
Jorge Pepa	Executive Vice-President	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 16 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.

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

Remarks

cve: BOE-A-2018-9935
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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)	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. Mr Lahham has 34 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. 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. Previously, he was also a member of the Board and Strategic Committee of the French-listed real estate company, Société Foncière Lyonnaise. 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
Van J. Stults	Pyxis V Lux S.À.R.L. (Orion)	Mr Van J. Stults is Managing Director and Founding Partner of Orion Capital Managers and is a member of the Firm's Investment Committee. Mr Stults has 42 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. 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. 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.

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

Remarks

INDEPENDENT EXTERNAL DIRECTORS

Director's name	Profile
Ricardo Martí Fluxá	Mr. Martí Fluxá is President of the Spanish Association of Real Estate Consulting Companies (ACI), of the Spanish Association of Defence, Security, Aeronautics and Space Technologies (TEDAE) and Director of Liteyca. He was Secretary of State for Security from 1996 to 2000. As a member of the Spanish Diplomatic Career, he held various posts abroad and finally that of Head of Protocol and Activities of His Majesty The King's Household. In the private sector he was, among other positions, President 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. He has also been Member of the Governing Board and Secretary of the Fundación Pro Real Academia Española and Chairman of the Royal Board of Trustees of the Museo Nacional Centro de Arte Reina Sofía. He is currently Chairman of the Tomás Pascual Institute for Nutrition and Health and Chairman of the Ankaria Foundation and a member of the Board of Trustees of the Juan March Foundation.
Anna M. Birulés Bertrán	Ms Birulés is an Independent Director, Chairwoman of the Investment Committee and member of the Executive and Remuneration and Appointments Committees of Grupo Pelayo, Mutua de Seguros y Reaseguros a Prima Fija. She is also Independent Director, Chairwoman of the Audit and Risk Committee and member of the Remuneration and Nomination Committee of Banco Mediolanum and Independent Director, Chairwoman of the Audit Committee and member of the Remuneration and Nomination Committee of Enerside Energy. She is a member of several corporate advisory boards. She was Minister of Science and Technology of the Spanish Government, General Secretary of Banco Sabadell and Vice-Chairman of Renta Corporación. With a PhD in Economics, she began her professional career in the Department of Industry and Energy of the Generalitat de Catalunya and was Director General of the Centre for Information and Business Development (CIDEM), as well as President of the Consortium for the Commercial Promotion of Catalonia (COPCA). She was CEO of Retevisión (now owned by the Cellnex and Vodafone groups), from where she led the expansion process of the telecommunications operator and its subsidiaries (now owned by Orange). She has been a Director of companies in various sectors and geographies. She is a member of the Círculo de Empresarios and the Círculo de Economía. She is strongly linked to 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.
Andreas Segal	Mr. Segal has more than 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, among others Buwog Group, Deutsche Wohnen and GSW Immobilien. Mr Segal holds a degree in economics from the University of Berlin FU (Germany) and a law degree. He is also a graduate of the Harvard Business School (Boston, USA).
Alfonso Rodés Vilà	Mr. Rodés is Chairman of Havas Group Media, Chairman of Havas Group Spain and Director of Havas S.A., a multinational advertising company with a market capitalisation in excess of EUR 4 billion and part of the Vivendi group. Previously, Mr Rodés was CEO 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, where he led the group's expansion throughout Latin America, North America and Asia. Previously, he developed his professional career in private banking. Mr. Rodés has been a Director of Havas S.A. since 19 June 2012. He also sits on the boards of other investment vehicles controlled by the Rodés family.
Felipe Morenés Botín Sanz-de Sautuola	Mr. Felipe Morenés Botín-Sanz de Sautuola is a founding partner of Stoneshield Capital. Previously, he was a director at Lone Star, where he was involved in the fund's investment operations in Europe. Since 2013, he was responsible for the analysis, structuring and supervision of several debt and equity investments. Prior to joining Lone Star, he spent 5 years as an Associate Director at UBS Investment Banking and UBS Credit Structuring Desk in London. During his experience at UBS, he advised on M&A, capital raising and structured finance transactions for banks and hedge funds. Mr. Morenés holds a BA in Political Science and Economics from Georgetown University.

Total number of independent directors	5
% of total board	55,5%

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 relationship	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:

Director's name	Reasons	Company, executive or shareholder with whom the director is related	Profile

Total other external directors	
% of total board	

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
Felipe Morenés Botín Sanz-de Sautuola	24/02/2021	Other External	Independent Director

Remarks
Mr Morenés was reclassified from Other External Director to Independent Director on 24 February 2021, date on which the Appointments and Remuneration Committee approved his change of status and which was subsequently ratified by the Board on the basis of article 529 duodecies of the Capital Companies Act.

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			
	2021	2020	2019	2018	2021	2020	2019	2018
Executive	0	0	0	0	0%	0%	0%	0%
Proprietary	0	0	0	0	0%	0%	0%	0%
Independent	1	1	1	1	20%	25%	25%	33%
Other external	0	0	0	0	0%	0%	0%	0%
Total:	1	1	1	1	11,1%	11,1%	11,1%	12,5%

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.
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. 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. 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. During the financial year, it was not considered necessary to replace or appoint new directors to deliberately incorporate people who could improve the board's gender balance. This increased balance shall be considered by the Board in the event of the departure or replacement of any of its independent or executive members. The policy is available at https://www.neinorhomes.com/responsible-business-and-innovation/corporate-governance/director-selection-policy/

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 to ensure that it achieves a balanced make-up between women and men. Also indicate whether these measures include encouraging the company to have a significant number of senior managers:

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 various evaluations of the functioning of the Board and its committees carried out internally or by an independent third party of recognised standing. The policy is available at: https://www.neinorhomes.com/responsible-business-and-innovation/corporate-governance/director-selection-policy/

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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 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) E In the financial year 2021, there have been no appointments as a director of the company

On 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 the powers and authorizations, if any, including those relating to the possibility of issuing or repurchasing shares, delegated by the Board of Directors to directors or to 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. QUABIT FINANCE ASSETS, S.L.U. QUABIT GREGAL, S.L.U. QUABIT PONIENTE, S.L.U. QUABIT SIROCO, S.L.U. QUABIT TERRAL, S.L.U. QUABIT MISTRAL, S.L.U. QUABIT CIERZO, S.L.U. QUABIT TRAMONTANA, S.L.U. QUABIT ANETO, S.L.U. QUABIT FREEHOLD PROPERTIES CENTRO, S.L.U. QUABIT FREEHOLD PROPERTIES SUR, S.L.U QUABIT FREEHOLD PROPERTIES LEVANTE, S.L.U QUABIT FREEHOLD PROPERTIES VALENCIA, S.L.U QUABIT FREEHOLD PROPERTIES MADRID, S.L.U QUABIT FREEHOLD PROPERTIES ESTE, S.L.U QUABIT EL VADO, S.L.U. QUABIT PALMACES, S.L.U. PANGLAO INVESTMENTS, S.L.U QUABIT LAS LOMAS DE FLAMENCO, S.L.U QUABIT ALOVERA, S.L.U QUABIT MENORCA DESARROLLOS INMOBILIARIOS, S.L.U QUABIT BONAIRE, S.L. MELTONEVER PROJECT, S.L. QUABIT ALCARRIA, S.L.U QUABIT CORREDOR HENARES, S.L.U QUABIT DISTRITO CENTRO, S.L.U QUABIT HORTALEZA, S.L.U QUABIT SURESTE, S.L.U QUABIT REMATE, S.L.U QUABIT MONCLOA, S.L.U QUABIT AGUAS VIVAS, S.L.U GLOBAL QUABIT CAÑAVERAL MÁLAGA FASE 1, S.L.U. GLOBAL QUABIT CAÑAVERAL MÁLAGA	Sole Director	Yes

	CENTAURO, S.L.U. GLOBAL QUABIT CAÑAVERAL TERCERA FASE, S.L.U. GLOBAL QUABIT CAÑAVERAL FASE CUATRO, S.L. GLOBAL QUABIT MÁLAGA, S.L.U GLOBAL QUABIT SUR, S.L.U GLOBAL QUABIT NORTE, S.L.U GLOBAL QUABIT AZUQUECA, S.L.U QUABIT CASARES GOLF RP5, S.L.U QUABIT ALMANZOR, S.L.U QUABIT TEIDE, S.L.U. QUABIT PEÑALARA, S.L.U. EL BALCÓN DE LAS CAÑAS, S.L.U. QUABIT PREMIER, S.L.U QUABIT SANT FELIU, S.L.U QUABIT CASARES, S.L.U QUABIT TORREJÓN VP FASE 1, S.LU QUABIT TORREJÓN VP FASE 2, S.LU QUABIT TORREJÓN VP FASE 3, S.LU QUABIT PEÑUELA VL FASE 1, S.L.U QUABIT PEÑUELA VL FASE 2, S.L.U QUABIT PEÑUELA VL FASE 3, S.L.U QUABIT REMATE LAS CAÑAS, S.L.U QUABIT SUP-R6, S.L.U QUABIT QUALITY HOMES GUADALIX, S.L.U QUABIT QUALITY HOMES SAN LAMBERTO S.L.U IBER ACTIVOS INMOBILIARIOS, S.L. GRUPO MEDITERRÁNEO COSTA BLANCA, S.L.U. PARQUE LAS CAÑAS, S.L.U. QUABIT COMUNIDADES, S.L. QUABIT INMOBILIARIA INTERNACIONAL, S.L. RESIDENCIAL NUEVO LEVANTE, S.L. BULWIN INVESTMENTS, S.A.U. QUABIT QUALITY HOMES, S.L.U. QUABIT FINANCE, S.A.U GLOBAL QUABIT, S.L.U GLOBAL QUABIT DESARROLLOS INMOBILIARIOS, S.L. QUABIT VELETA, S.L.U. QUABIT FREEHOLD PROPERTIES, S.L.U B2R PROPTECH, S.L.U STYLE LIVING GESTIÓN, S.L.U. QUABIT PUERTA DE VISTAHERMOSA, S.L.U.		
Borja García-Egotxeaga Vergara	RENTAL HOMES PROPCO, S.L.U. NEINOR RENTAL OPCO, S.L.U.	Joint director	Yes

	PROMOCIONES NEINOR 3, S.L.U. NEINOR WORKS, S.L.U. PROMOCIONES NEINOR 5, S.L. NEINOR SARDES RENTAL, S.L.		
Borja García-Egotxeaga Vergara	ALBORAYA MARINA NOVA, S.L. DESARROLLOS TECNOLÓGICOS Y LOGÍSTICOS, S.A. LANDSCAPE CORSAN, S.L. LANDSCAPE LARCOVI PROYECTOS INMOBILIARIOS, S.L. MASIA DE MONTE SANO, S.L.	Natural person representative of Director	Yes
Borja García-Egotxeaga Vergara	PROGRAMAS ACTUACION BALEARES, S.L.	Individual representative of Joint Administrator	Yes
Borja García-Egotxeaga Vergara	QUABIT CONSTRUCCIÓN, S.A.	Director	Yes
Jorge Pepa	RENTA GARANTIZADA, S.A.	Director	No

Remarks

C.1.11. Give details of any positions of director, administrator or executive, or representatives thereof, held by directors or representatives of directors who are members of the company's board of directors in other entities, whether they are listed companies:

Identificación del consejero o representante	Denominación social de la entidad, cotizada o no	Cargo
Anna M. Birulés Bertran	Banco Mediolanum	Independent Director
Anna M. Birulés Bertran	Pelayo Mutua de seguros	Independent Director
Anna M. Birulés Bertran	Enerside Energy	Independent Director
Andreas Segal	Domicil Real State AG	Director
Alfonso Rodés Vilà	Havas	Administrator
Alfonso Rodés Vilà	Havas Media Group USA LLC (États-Unis)	President
Alfonso Rodés Vilà	Media Planning International Corporation (États-Unis)	President
Alfonso Rodés Vilà	Arena Media SRL (Italie)	President
Alfonso Rodés Vilà	Havas Media SRL (Italie)	President
Alfonso Rodés Vilà	Havas Media Middle East FZ LLC (Dubai)	Director
Alfonso Rodés Vilà	Havas Media Sp. Zo. O (Polonía)	Director
Alfonso Rodés Vilà	Havas Media Peru SAC	Director
Alfonso Rodés Vilà	Arena Media Peru SAC	Director
Alfonso Rodés Vilà	Havas+ SAC (Pérou)	Director
Alfonso Rodés Vilà	Havas Management Portugal, Unipesrsoal Lda	Director
Alfonso Rodés Vilà	Cake Media Ltd. (UK)	Director
Alfonso Rodés Vilà	Media Planning International Corporation (USA)	Director
Alfonso Rodés Vilà	Havas Media South Africa (Pty) Ltd (Sudáfrica)	Director
Alfonso Rodés Vilà	Havas Media India Private Limited (India)	Director
Alfonso Rodés Vilà	Arena India Private Limited (India)	Director
Alfonso Rodés Vilà	Media Advisors SA (Espagne)	Joint Administrator

Alfonso Rodés Vilà	Arena Media Communications España SA	President
Alfonso Rodés Vilà	Habas Media Group Spain SA	President
Alfonso Rodés Vilà	Arena Communications Network SL	Vice-President
Alfonso Rodés Vilà	Havas Management España SL	Director
Alfonso Rodés Vilà	Havas Media Group Spain SA	CEO
Alfonso Rodés Vilà	Arena Communications Network SL (Espagne)	CEO
Alfonso Rodés Vilà	Havas Media Regions SA de CV (Mexique)	President
Alfonso Rodés Vilà	Arena Communications SA de CV (Mexique)	Propriety Director
Alfonso Rodés Vilà	Havas+ SA de CV (Mexique)	Propriety Director
Alfonso Rodés Vilà	Havas Media Group USA	Manager
Alfonso Rodés Vilà	Havas Media Kuala Lumpur, SDN BDH (Malaysia)	Manager
Alfonso Rodés Vilà	Havas Costa Rica, SA	Secretary of the Board
Alfonso Rodés Vilà	Fusión de Producción Digital, SA (Costa Rica)	Secretary of the Board
Alfonso Rodés Vilà	Promótica de Costa Rica, SA (Costa Rica)	Secretary of the Board
Alfonso Rodés Vilà	Arena Media SA (Costa Rica)	Secretary of the Board
Alfonso Rodés Vilà	Inversiones y Servicios Publicitarios, S.L.	Director
Alfonso Rodés Vilà	Acacia ISP, S.L.	Solidarity Administrator
Alfonso Rodés Vilà	Gestora de Viviendas, S.A.	Solidarity Administrator
Alfonso Rodés Vilà	In-Store Media Group S.A.	Director
Alfonso Rodés Vilà	In-Store Media Mexico S.A. de C.V.	Director
Alfonso Rodés Vilà	Cala Thunder S.L.	Solidarity Administrator
Alfonso Rodés Vilà	Mesigual 2020 S.L.	Director
Alfonso Rodés Vilà	Metrópolis	Director

Remarks

Indicate, if applicable, any other remunerated activities of the directors or representatives of directors, whatever their nature, other than those indicated in the above table.

Identification of the director or representative	Other remunerated activities

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)	3.102
Amount of funds accumulated by current directors through long-term savings schemes with vested economic rights (thousands of euros)	N/A
Amount of funds accumulated by current directors for long-term savings schemes with non-vested economic rights (thousands of euros)	N/A
Amount of funds accumulated by former directors through long-term savings schemes (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 or company name	Office
Jordi Argemí García	Deputy CEO and CFO
Gabriel Sánchez Cassinello	Chief Business Officer
Mario Lapiedra Vivanco	Chief Investment Officer
Julio Egusquiza González-Gil	Chief Servicing Officer
Fernando Hernanz de Dueñas	Chief Operating Officer
Álvaro Conde Herranz	Head of GRC, Internal Audit and Sustainability

Number of women in senior management	0
Percentage over total number of senior managers	0%

Total remuneration of senior management (in thousands of euros)	3.533

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 to complete its needs analysis and/or its annual assessment of compliance with the selection policy.

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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 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 resign 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 because 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 s
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, in the last quarter of the financial year the Company carried out an internal evaluation of the functioning of the Board and its respective Committees, 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 evaluation of the Board were: 1. Referring both to the evaluations of the Directors and to the analysis of best practices and standards carried out, the Board of Directors of Neinor Homes has a structure in line with best practices, in terms of size and composition, notably with a high degree of diversity in terms of profile, experience, age, knowledge and nationality. In this regard, the international diversity of Neinor Homes' Board of Directors is above the average for the sector at a national level, even above benchmark IBEX 35 companies with a greater international presence. 2. Proper internal functioning of the Board of Directors with regard to the frequency of meetings, the notice period, the level of attendance by Directors and the correct and adequate quality and quantity of supporting documentation for informed decision-making. In this respect, several members of the Board of Directors have highlighted the good functioning of the Governing Body, all the more so considering the restrictions arising from COVID-19. 3. The decision-making process of the Board of Directors is highly participatory and open to discussion, resolving differences of opinion within the Board in a fluid and orderly manner. 4. Good level of interaction and dialogue between the Board of Directors and Senior Management, including

most notably the accessibility of the company's executives, the rigour in the preparation of their appearances and their high level of participation and discussion.

5. An analysis of the documentation provided, as well as the information available on the Neinor Homes website, highlights the very positive existence of a Policy regarding the communication of economic-financial, non-financial and corporate information, a Procedure for conflict of interest and related-party transactions, as well as a Model for the prevention of corporate criminal liability. In relation to the policies and procedures, and considering the results of the benchmark carried out, Neinor Homes is one of the pioneering listed companies in complying with recommendations 2, 4 and 22 of the CBGSC, having defined and communicated mechanisms or established rules to prevent possible negative actions or attitudes by Directors from affecting or potentially damaging the credit and reputation of the Company.

6. Compared to its peers, Neinor Homes is a top performer in terms of quality and quantity of public information on topics such as corporate governance, compliance, internal policies and procedures, as the company shows a strong commitment to transparency with its stakeholders and other third parties.

7. Very positive assessment by the Directors of the performance of the Committees of Neinor Homes Board of Directors.

8. The analysis of Neinor Homes' internal documentation and regulations shows a high degree of compliance with the CBGSC recommendations (55complies, 2partially complies and 7 are not applicable due to the company's structure).

9. Neinor Homes has been recognised as the best residential developer in the world in terms of ESG criteria by the prestigious analyst Sustainalytics, because of the company's efforts in recent years in ESG and environmental matters, including the recent development and approval of its Sustainability Plan and of the Sustainability Report that the company has been publishing and auditing for the last 5 years, in anticipation of legal requirements.

The improvement actions in the action plan are:

- Continue to work to promote gender diversity. It should be noted that the Board is deeply aware of this issue, but nevertheless it has not been possible to improve it over the last year because there have been no replacements or additions within the Board.
- Continue to work on improving the Director Succession Plan to ensure that the governance model evolves in line with the evolution of the business.
- Modify the Directors' Remuneration Policy and the Annual Remuneration Report by applying the recommendations detected in the internal analysis carried out, such as linking the variable remuneration of directors to non-financial aspects.
- Encourage and promote retail investor attendance at the General Shareholders' Meeting.

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 process has been carried out internally, for the following reasons:

- **Greater accessibility to confidential** internal **information**.
- **Greater depth of the review**, given that the scope of external evaluations is limited for Neinor Homes' purposes.
- **Flexibility** to **adapt** to the availability of **Directors**.
- Availability of **internal resources with extensive knowledge of the company and experience in Corporate Governance** to carry out the evaluation.
- **High level of satisfaction** with the two evaluations previously carried out internally.

Last year's evaluation was carried out with the support of an external consultant of recognised prestige (PWC) as it was the third year of this evaluation and the results of the current year (fourth evaluation of the company) have been very similar to those of the previous year.

The evaluation process was carried out following four working approaches in order to try to obtain greater visibility and objectivity; these four approaches were:

1. Diagnosis of the company's situation in terms of Good Corporate Governance, based on the best national and international practices and considering the following benchmark 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 2015and reviewed in June 2020.

- 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

2. Performance of self-evaluation: evaluation and opinion of the effectiveness of the performance and functioning of the Board and its Committees by the Directors themselves, through questionnaires and personal interviews, guaranteeing the anonymity of the answers.
3. Benchmarking: Comparative analysis of the Corporate Governance practices of Neinor Homes compared to the actions of comparable listed companies in the sector and benchmark companies in the area of corporate governance (7 companies), both nationally and internationally. The benchmark was based on public information from the financial year of2021 the selected companies (ACGR, policies, website content, etc.). The selection of the companies that have integrated the benchmarking is distributed among consolidated companies of the Ibex 35, listed companies in the sector in Spain and Peers in Europe.
4. Review and analysis by internal audit of documentation and internal functioning, as well as measurement of the level of dedication, commitment, involvement and knowledge of the directors and analysis of the fulfilment of responsibilities on the following specific fronts:
    - Verification of compliance with internal regulations (Board of Directors, Remuneration, etc.).
    - Verification that all the documentation related to the Board's obligations established in the regulations in force (LSC, Good Governance Code, CNMV Instructions) has been reported, analysed and reviewed by the various Boards of Directors.
    - Evaluation of the quality and quantity of the information published by the company on its website.
    - Verification of the company's ESG status.

- 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.

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 assessment performed in 2020, was assisted by an external expert, PriceWaterhouse Coopers Auditores S.L. In the current financial year 2021, it was performed internally by the Governance, Risk and Compliance (GRC), Internal Audit and Sustainability Management.

The business relationships maintained with the consultant or any company of its group in the previous financial year (2020) with said consultant or any company of its group, in addition to the 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
Article 17.4 of the Regulations of the Board of Directors states that: Except where the law or the Articles of Association specifically establish other voting rules, resolutions shall be adopted by absolute majority of the directors present at the meeting. In particular, the appointment, removal and agreements to terminate of CEOs, as well as the previous approval of contracts to be entered into between the Company and directors who are given executive functions will require the favorable vote of at least two thirds of the members of the Board, with the abstention, where applicable, of the affected director. In the event of a tie, the Chairman will not have a casting vote. The Capital Companies Law indicates that a majority is sufficient for the appointment or removal of the Chief Executive Officers.

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 regarding 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.

Number of board meetings	16
Number of board meetings not attended by the chairman	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.

Number of meetings	-

State the number of meetings held by the different board committees during the year:

Number of meetings of the executive or steering committee	- *
Number of meetings of the audit committee	11
Number of meetings of the appointments and remunerations committee	5
Number of meetings of the appointments committee	- *
Number of meetings of the remuneration committee	- *
Number of meetings of the Land Investment Committee (LIC)	5

* Not applicable, because this committee does not exist in the company.

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:

Number of meetings attended in person by at least 80% of directors	16
% attendance in person / total votes cast during the year	99,31%
Number of meetings attended by all directors either in person or by proxies issued with specific instructions	15
% of votes cast by directors in person or by proxies issued with specific instructions / total votes cost during the year	99,31%

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 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.

Regarding 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

	Company	Group companies	Total
Cost of other non-audit work (thousands of euros)	Neinor Homes S.A.		67
Amount of non-audit work / Total amount invoiced by the audit firm (in %)			11%

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 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:

	Individual	Consolidated
Number of consecutive years	8	8

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

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.

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.

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.

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.

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.

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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.

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 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 related to his or her performance in the company itself, which could damage the company's credit and reputation:

☐ Sí ☑ No

Director's name	Nature of observation	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 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.

Most 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 obligation's 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:

	Board of directors	General Meeting
Body authorizing clauses	X	

	YES	NO
Are these clauses reported to the General Shareholders Meeting?	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.1.9 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.

AUDIT COMMITTEE

Name	Office	Category
Anna M. Birulés Bertrán	President	Independent Director
Ricardo Martí Fluxá	Vocal	Independent Director
Alfonso Rodés Vilá	Vocal	Independent Director
Van J. Stults	Vocal	Proprietary Director
Felipe Morenés Botín-Sanz de Sautuola	Vocal	Independent Director

% executive directors	0%
% proprietary directors	20%
% independent directors	80%
% other external directors	0%

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. Most 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 reselected until at least one year has passed since his/her termination, notwithstanding his/her continuation or re-election 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 company's 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.

Name of directors with relevant expertise	Anna M. Birulés Bertran
Date of appointment as Committee Chair	08/03/2017

Remarks

APPOINTMENTS AND REMUNERATIONS COMMITTEE

Name	Office	Category
Ricardo Martí Fluxá	President	Independent Director
Felipe Morenés Botín-Sanz de Sautuola	Vocal	Independent 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	80%
% other external directors	0%

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, re-election 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 re-election 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 re-election 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.

<u>Among the Committee's actions during the year, we can highlight:</u>

(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

% proprietary directors	
% independiente 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.

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

% proprietary directors	
% independiente 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.

LAND INVESTMENT COMMITTEE

Name	Office	Category
Aref H. Lahham	President	Proprietary director
Borja García-Egotxeaga Vergara	Vocal	Executive director
Ricardo Martí Fluxá	Vocal	Independent director
Van J. Stults	Vocal	Proprietary director
Andreas Segal	Vocal	Independent director
Felipe Morenés Botín Sanz-de Sautuola	Vocal	Independent director
Jorge Pepa	Vocal	Executive director

% executive directors	28,6%
% proprietary directors	28,6%
% independent directors	42,8%
% other external directors	0%

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.

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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-1 Number %	Year t-2 Number %	Year t-3 Number %
Executive committee	-	-	-	-
Audit committee	1	1	1	1
Appointments and Remunerations Committee	1	1	1	1
Appointments committee	-	-	-	-
Remuneration committee	-	-	-	-
Land investment committee	0	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 these regulations are available on the Company's website (www.neinorhomes.com), section Responsible Business and Innovation, sub-section Corporate Governance.

The current Regulations were approved on 8 March 2017, prior to the Company's IPO, and have not been amended since that date.

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D RELATED-PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS

D.1. Explain, if applicable, the procedures and competent bodies for the approval of related-party and intragroup transactions, indicating the company's general internal rules and criteria governing the abstention obligations of the directors or shareholders affected, and provide details of the internal reporting and periodic control procedures established by the company in relation to those related-party transactions whose approval has been delegated by the Board of Directors.

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. Provide a detailed breakdown of those transactions that are significant due to their amount or relevant due to their subject matter that were carried out between the company or its subsidiaries and shareholders holding 10% or more of the voting rights or represented on the Company's Board of Directors, indicating the competent body for their approval and whether any shareholder or director affected abstained. If the competent body was the General Shareholders' Meeting, indicate whether the proposed resolution was approved by the Board without the majority of independent directors voting against:

Name or company name of the shareholder or of any of its subsidiaries	% Ownership interest	Name or corporate name of the company or dependent entity	Nature of the relationship	Type of operation and other information necessary for its evaluation	Amount (thousands of euros)	Approving body	Identification of any significant shareholders or directors who abstained	The proposal to the General Shareholder' Meeting , if any, was approved by the Board without the majority of independents voting against
ADAR CAPITAL PARTNERS LTD	19,34%	Global Hesperides S.L.	UBO equal to shareholder	Acquisition of assets	13.856	Audit and Control Committee	N/A	N/A

Remarks
Corresponding to the homes deeded and delivered in financial year 2021 corresponding to the sale in 2020 of 82 homes with their annexes analysed by the Internal Audit and Compliance area and analysed and approved by the Audit and Control Committee.

D.3. Provide a detailed breakdown of those transactions that are significant due to their amount or relevant due to their subject matter that were carried out by the company or its subsidiaries with the directors or executives of the company, including those transactions carried out with entities controlled or jointly controlled by the director or executive, indicating the competent body that approved them and whether any shareholder or director affected abstained. If the General Shareholders' Body was the competent body, indicate whether the proposed resolution was approved by the Board without the majority of independent directors voting against:

Name(s) or company name(s) of the director(s) or executive(s) or their controlled or jointly controlled entities	Name or company name of the company or subsidiary	Link	Nature of the operation and other information necessary for its evaluation	Amount (thousands of euros)	Approving body	Identification of any shareholders or directors who abstained	The proposal to the General Shareholder' Meeting, if any, was approved by the Board without most independents voting against.

Remarks

D.4. Provide a detailed breakdown of intragroup transactions that are significant due to their amount or relevant due to their subject matter that are carried out by the company with its parent company or with other entities belonging to the parent's group, including the listed company's own subsidiaries, unless no other related party of the listed company has an interest in such subsidiaries or the latter are wholly owned, directly or indirectly, by the listed company.

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 and other information necessary for its evaluation	Amount (thousands of euros)

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Remarks

D.5. Provide a detailed breakdown of those transactions that are significant due to their amount or relevant due to their subject matter that are carried out by the company or its subsidiaries with other related parties that are related in accordance with the International Accounting Standards adopted by the EU, which have not been reported under the preceding headings.

- **Related entity's name:**
  Banco Santander (Santander Group).

  Amount (thousands of euros): 507

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

  Amount (thousands of euros): 2.076

  Brief description of the transaction: Financial expenses.

  Amount (thousands of euros): 11.028

  Brief description of the transaction: credit balance/financial debt liabilities as at 31/12/2021 for financing transactions of developers and corporate debt.

  Amount (thousands of euros): 149.648

  Brief description of the transaction: debit balance/assets. Net cash position of this company in favour of the company as at 31/12/2021.

- **Related entity's name:**
  Aliseda, S.A.U (Santander Group).

  Amount (thousands of euros): 4.639

  Brief description of the transaction: Purchase / Acquisition of land / plot in the Amezola(Bilbao).

- **Related entity's name:**
  Grupo Rayet, S.A.

  Amount (thousands of euros): 6.474

  Brief description of the transaction: Purchase / Acquisition of 3 plots of land / plots in Alovera (Guadalajara).

- **Related entity's name:**
  UTE I-15 GRUPO RAYET, S.A.U. - RAYET MEDIO AMBIENTE, S.L.

  Amount (thousands of euros): 4.870

  Brief description of the transaction: Income from the subsidiary Quabit Construcción for the urbanisation works of sector I-15 in Alovera (Guadalajara).

  Amount (thousands of euros): 907

  Brief description of the transaction: Expenses incurred by the subsidiaries for the charges paid for the urbanisation works of sector I-15 in Alovera (Guadalajara).

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 or other related parties.

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 RISK MANAGEMENT AND CONTROL SYSTEMS

E.1. Explain the extent of the company's Risk Management and Control System, including those of a fiscal nature.

Neinor Homes has defined an Integrated Control System (ICS), which has been transferred to the entire organisation, in which the risks are associated with strategic objectives, processes and control activities and which also incorporates those responsible for the execution and supervision of these controls, as well as the evidence supporting the system.

The continuous monitoring of this model makes it possible to address daily operations and contingencies, as well as to facilitate the management of all areas of risk that may affect the achievement of the company's objectives (e.g. business, financial, tax, regulatory risks, etc.). In short, the Neinor Homes model integrates all regulatory compliance environments, with the entire control structure and business risks in a homogeneous manner, to obtain a transversal vision, which promotes synergies and eliminates duplication.

The main inputs to the ICS are as follows:

- ✓ Compliance risks and controls: encompasses internal control of financial reporting, money laundering, data protection, prevention of criminal liability, conflicts of interest, fraud and corruption, etc.
- ✓ Corporate risks and controls: covers external factors, competitive environment, cybersecurity, people, etc.
- ✓ Business risks and controls (value chain): includes land acquisition, product, contracting, commercial management and sales, among others.

On the other hand, the Risk Management methodology used by Neinor Homes is based on Enterprise Risk Management (also known as COSO II), which enables the contribution of added value through the identification, management and monitoring of business risk management.

In relation to the control of tax risks, Neinor Homes has adopted the necessary control mechanisms to ensure compliance with tax legislation as part of appropriate business management. It also dedicates adequate and sufficiently qualified human and material resources to this end.

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.

In 2020, following the outbreak of the pandemic, the company, as part of its Integrated Risk Control and Management System, defined a specific model for dealing with the risks that could materialise as a result of this situation (Scipio Project), which was transferred to the entire organisation and is associated with strategic objectives, processes and control activities, with regular monitoring and reporting of the results to senior management and the Audit Committee.

In this sense, this risk structure of the company, together with certain conservative and prudent measures taken prior to the declaration of the state of alarm by the respective general managements in the company's business, placed the company in an advantageous position to face the period of uncertainty that we continue to face.

One of the strengths that recurrently appears in the audit report of the ISO 9001 certification is the risk management system implemented by the company. Last year, the risk-based action plan prepared to respond to the consequences of the impact of the "Scipio" pandemic was 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, with the addition of periodic reviews conducted by the Governance, Risk and Compliance Department and ultimate validation from the Audit and Control Committee.

In the tax area 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 6 global categories:

- **Environmental risks:** related to the real estate sector and the cyclicality 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 raw materials 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. Business paralysis due to external factors (pandemics, conflicts).
- **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. Loss of Servicing contract.
- **Climate change risks.** Following the main risks and opportunities identified by the Task Force on Climate-related Financial Disclosures (TCFD) in its recommendations for disclosures on climate-related risks and opportunities for financial institutions and non-financial companies, recommendations that were published in 2017 and are widely recognised internationally as guidelines on the subject. Transition risks (Political/Legal, Technology, Market, Reputational risks) and acute and chronic physical risks.

  The nature of the real estate development activity means that Neinor Homes must assess and, where appropriate, mitigate both the risks inherent in the transition to a low-emission economy and those related to the physical impacts of climate change. See the note on Environmental Impact in the financial statements.

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 to update and approve the appropriate tax practices.

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

During 2021, some risks inherent in the real estate business of Neinor Homes and in the consequences of the Covid-19 pandemic materialised, although they did not have a material impact on the development and operation of the company.

The health emergency in the last year has entailed practically no risk of slowing down the progress of the works in progress, nor interruption of production caused by exceptional breaks in the supply chain due to collateral effects of Covid-19. There were no significant delays or stoppages in the works this year. In addition, an assessment and planning of supplies has been carried out, in anticipation of possible shortages and higher prices of materials and raw materials, and new framework agreements have been signed with manufacturers in order to ensure the supply of their materials in all our real estate developments where they are required.

In terms of commercial activity, the evolution of sales has been clearly positive, with 95% compliance with the company's business plan, since customers in a sound economic position consider this to be the ideal time to buy. In this regard, the company continues to focus on online sales, virtual visits with customers and digital signatures.

Within the risks that the situation created by the pandemic might entail, while maintaining great discipline and prudence with respect to internal liquidity, the company has developed a diversification strategy that has materialised in Neinor Homes being the only company in Spain that covers 100% of the entire value chain, from land purchase and urban development management to the management of third-party housing for rental, and it has completed the integration of the entire value chain with the incorporation of the construction company.

Regarding the risks and consequences materialised in the year because of Covid-19, we invite you to refer to the note that we have been including in our financial statements since 2020 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 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.

During the 2021 financial year, contentious-administrative appeals have been filed with the National Appellate Court in relation to the rejection of the Central Economic-Administrative Tribunal's resolutions regarding Corporate Income Tax, financial year 2015. The company and its advisors believe that the National Appellate Court may rule in favour of the company's interests.

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.

During the process of updating the company's Corporate Risk Map, not only the risks and risk events that affect the business and regulatory compliance objectives of Neinor Homes have been defined, but also the control activities that allow mitigating such 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 FIICS 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.

Regarding 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 company's 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, regarding the pandemic that has been adversely affecting 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 it 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 to face the period of uncertainty we are still tackling.

As of 31 December 2021, following the course of the last financial year, all the measures and decisions taken in view of the risks analysed and materialised have enabled the company to diversify and become, thanks to both inorganic and organic growth, a real estate platform incorporating the entire value chain (urban development, retail, property development, rental of owned and third-party properties, servicing, and construction).

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 off attend 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:

- 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.
- 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, 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.etico@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.

Reports identifying and not identifying the whistleblower are formally accepted, 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.

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 2021, 3 complaints were received in the Ethics Channel, which were investigated and resolved within an average of 5 working days, in compliance with the timeframe established by the Neinor Homes Complaints Management Procedure. No complaints relating to cases of discrimination were received. As a result of one of the complaints received, corrective measures have been applied, as it was a serious offence.

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 Manager.

- **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.
- ✓ Regulatory compliance and legal risks in the business environment.
- ✓ Whistleblowing channel.
- ✓ Oversight of Non-Financial Reporting.
- ✓ Prevention of money laundering.

Regarding 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 in regulations relating to the CNMV (Spanish Companies Law, Securities Market Law and Law on Auditing of Accounts).
- ✓ Risks in the real estate sector, the situation of the residential market and Directors' responsibilities and obligations.
- ✓ Developments, macroeconomic situation, demand/prices, forecasts for the real estate sector: rental and property development.
- ✓ Non-financial information.

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 establish 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 FIICS, 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 Legal Management or to the Financial Management, providing the deeds and documentation supporting the transaction.

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) 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 270 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 52 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 of 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.

During the 2021 fiscal year, Neinor Homes is certified by ISO 27001 for Information Security. Recently, in December 2021, it renewed this certification.

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 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 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, in as much 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 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, this year the internal audit function has continued to evaluate the design of controls and the possible modification/elimination or extension of some of them, continuing the work carried out by an external expert last year which helped to identify improvements in the design of controls and their effectiveness.

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 2021:

- The integrity and accuracy of the information reported in section F of the ACGR
- Alignment between the design of the controls included in the matrix and the risks which they are intended to mitigate or eliminate, 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 2021 financial year, a series of measures have been proposed to improve the Internal Financial Information Control System (SCIIF) 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 2021, the external auditors also held two meetings with the ACC or the GRC Management without the presence of senior management, and the internal audit function has maintained an ongoing flow of communication with the audit committee, reporting on various issues such as the requirements received from supervisory bodies, the risks identified and the audits performed, as well as analyses of new regulations and training carried out.

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.

In order to provide the greatest possible transparency in the preparation of its financial statements to all stakeholders, the Group's management has decided to submit the information relating to the ICFR included in this section F of the Annual Corporate Governance Report for financial year 2021 prepared by the Group's management for review by the external auditor. Attached to this Annual Corporate Governance Report is the auditor's report on the information relating to the internal control over financial reporting system (ICFR) of Neinor Homes S.A. for the year ended 31 December 2021.

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 ☐ Explíque

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 potential business relationships between the listed company or its subsidiaries, on the one hand, and the parent company or its subsidiaries, on the other.

b) The mechanisms you established to resolve any potential conflicts of interest that could arise.

☐ Cumple ☐ Cumple parcialmente ☐ Explíque ☑ 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 the following:

a) Changes occurring since the last annual general meeting.

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 ☐ Explíque

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 ☐ Explíque

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 ☐ Explíque

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 of the functioning of the audit and appointments and Remunerations Committees

c) Audit committee report on related-party transactions

☑ Cumple ☐ Cumple parcialmente ☐ Explíque

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 ☐ Explíque

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 ☑ Explíque

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 ☐ Explíque

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 ☐ Explíque ☐ 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 ☐ Explíque ☑ 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 always guided 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 ☐ Explíque

13. The Board of Directors should be of an appropriate size to ensure effective functioning and participation, which makes it advisable that it should have between five and fifteen members.

☑ Cumple ☐ Explíque

14. The board of directors should approve a policy for the selection of directors which:

a) Is concrete and verifiable.

b) Ensures that proposals for appointment or re-election of members are based on a prior analysis of the board's needs.

c) 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 needs of the board of directors should be included in the nomination committee's explanatory report published when convening the general meeting of shareholders at which the ratification, appointment or re-election of each director is to be submitted.

Compliance with the director selection policy shall be verified annually by the nomination committee and reported in the annual corporate governance report.

☑ **Cumple** ☐ **Cumple parcialmente** ☐ **Explíque**

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** ☑ **Explíque**

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 by the various evaluations of the functioning of the Board and its committees carried out by the appointments and remuneration committee assisted by external experts of recognised prestige, and internally by the Governance, Risk and Compliance area.

Regarding 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** ☑ **Explíque**

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** ☐ **Explíque**

18. Companies should publish the following information about directors on their corporate websites, keeping always said information up to date:

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** ☐ **Explíque**

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** ☐ **Explíque** ☑ **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** ☐ **Explíque** ☐ **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 because 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 ☐ Explíque

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 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 ☐ Explíque

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 ☐ Explíque

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 ☐ Explíque

31. The agenda for board meetings should clearly indicate 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 most of the board members present shall be required and shall be recorded in the minutes.

☑ Cumple ☐ Cumple parcialmente ☐ Explíque

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 ☐ Explíque

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 ☑ Explíque

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 ☐ Explíque ☑ 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 ☐ Explíque

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, paying special attention to the heads of the various 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 ☐ Explíque

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 ☐ Explíque ☑ No aplicable

38. The board of directors should always 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 ☐ Explíque ☑ No aplicable

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

☑ Cumple ☐ Cumple parcialmente ☐ Explíque

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 ☐ Explíque

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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 activities report to it at the end of each year.

☑ **Cumple** ☐ **Cumple parcialmente** ☐ **Explíque** ☐ **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 and 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 regarding 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.

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☑ Cumple ☐ Cumple parcialmente ☐ Explíque

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 ☐ Explíque

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 on the exchange ratio proposed, if any.

☑ Cumple ☐ Cumple parcialmente ☐ Explíque ☐ 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 level of risk that the company considers acceptable.

d) The measures established to mitigate the impact of the risks identified, in the event any should materialize.

e) The information and internal control systems used to control and manage risks, including contingent liabilities and off-balance sheet risks.

☑ Cumple ☐ Cumple parcialmente ☐ Explíque

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 ☐ Explíque

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 ☐ Explíque

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

☐ Cumple ☐ Explíque ☑ No aplicable

49. The appointments committee should consult with the chairman of the board and the company's chief executive officer, 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 ☐ Explíque

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 ☐ Explíque

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

☑ Cumple ☐ Cumple parcialmente ☐ Explíque

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 the directors.

☑ **Cumple** ☐ **Cumple parcialmente** ☐ **Explíque** ☐ **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** ☐ **Explíque** ☐ **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 consider, 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** ☐ **Explíque**

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

a) The principles, commitments, objectives and strategy regarding 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 ☐ Explíque

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 ☐ Explíque

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 ☐ Explíque

58. 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 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 ☐ Explíque ☐ 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 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** ☐ **Explíque** ☐ **No aplicable**

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

☑ **Cumple** ☐ **Cumple parcialmente** ☐ **Explíque** ☐ **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** ☐ **Explíque** ☐ **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 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** ☐ **Explíque** ☐ **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** ☐ **Explíque** ☐ **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 because 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** ☐ **Explíque** ☐ **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 and good tax practices
- 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.
- Diversity and non-discrimination policy.
- Corporate Governance policy.
- Sustainability policy.
- Communication and contact policy with shareholders, institutional investors and proxy advisors.
- Remuneration policy for the member of the Board of Directors.
- Quality, environment and innovation policy.
- Treasury shares policy.
- Internal code of conduct in security markets.

- General economic, financial and corporate communication policy.
- revention of corruption, fraud and bribery policy.
- Health and safety policy.
- Sustainable investment and financing 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 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 an in-depth analysis was carried out 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. **BREEAM Certification.** 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.

7. **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**. In September this year, the company approved its 2022-2025 Strategic Sustainability Plan, focused on creating value for the environment, society and people. To this end, 16 areas of action have been identified, for which 30 objectives have been established and broken down into 95 lines of action, all of which are based on the company's 3 strategic pillars: Environmental, Social and Governance. 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. For this reason and despite not having been required to comply in recent years with 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 February 23, 2022.

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

Deloitte.

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Ercilla, 24
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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 2021

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 January 13, 2022 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 2021, which summarizes the Company's internal control procedures regarding annual financial information.

The Directors are 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 2021 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 3/2021, of 28 September ("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 23, 2022

ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

NEINOR HOMES, S.A.

REPORTING PERIOD END 2021

Company Tax ID Code (C.I.F.) A-95786562

Company name: NEINOR HOMES, S.A.

Registered Office: C/ Ercilla 24, Bilbao

ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

A COMPANY'S REMUNERATION POLICY FOR THE CURRENT YEAR

A1. *Explain the current remuneration policy for directors applicable to the current year. To the extent that it is relevant, certain information may be included by reference to the remuneration policy approved by the General Shareholders' Meeting, provided that the inclusion is clear, specific and concrete.*

A description must be given of the specific decisions for the current year, both on the remuneration of directors due to their status as such, as well as for the performance of executive roles, which the board makes in accordance with the provisions of the contracts signed with the executive directors and with the remuneration policy approved by the general shareholders' meeting.

In any case, at least the following aspects must be reported:

- *Description of the company's procedures and bodies involved in determining and approving the remuneration policy and its terms.*
- *Indicate and, if applicable, explain whether comparable companies have been considered in establishing the company's remuneration policy.*
- *Information on whether any external advisors have been involved and, if so, who they are.*
- *Procedures contemplated in the current director compensation policy for applying temporary exceptions to the policy, conditions under which such exceptions may be used, and components that may be subject to exception under the policy.*

- The remuneration policy for members of the Board of Directors of Neinor Homes (the "Policy") was amended during the 2020 financial year. The amendments were approved by the Board of Directors at its meeting held on February 26, 2020, following a favourable report from the Appointments and Remuneration Committee. The amendments were also approved by the General Shareholders' Meeting held on April 1, 2020. This report presents the terms and conditions of said policy as it has been in force during the 2021 financial year, however we must note that the company has proceeded to review and update its remuneration policy for the members of the board of directors of Neinor Homes approved by its Board on February 23, 2022, following a favourable report from the Appointments and Remuneration Committee, and which will be presented for approval at the General Shareholders' Meeting to be held on April 13, 2022.

- The Policy is designed to provide a solid structure for good corporate governance. The general principles and criteria used are summarized as follows:

a) Ensuring independence of judgment

Remuneration is structured in such a way as not to compromise the independent judgment of non-executive directors, with special attention to that awarded to independent directors.

b) Attracting and retaining the best professionals

The remuneration policy aims to establish a competitive remuneration that allows to attract and retain talent that contributes to the creation of value for the Company.

c) Long-term sustainability

Remuneration shall be consistent with the long-term interests and strategy of the Company, as well as with its values and objectives, and includes provisions to avoid conflicts of interest.

d) Transparency

The remuneration policy and the specific rules for determining remuneration shall be clear and well-disseminated. In this regard, at the beginning of each year or at the General Shareholders' Meeting, the maximum total amount of remuneration that can be paid to directors shall be made public, as well as the conditions that must be met in order to obtain such remuneration.

e) Clarity and individualization

The rules for the management and determination of remuneration shall be drafted in a clear, simple and concise manner.

f) Fairness of remuneration

- Remuneration is set taking into consideration the dedication, qualifications and responsibility required by the position, as well as the experience, functions and tasks performed by each director. In addition, remuneration must maintain a balance between market competitiveness and internal equity.
- The maximum annual remuneration to be received by the members of the Board of Directors in their capacity as such is 900,000 €.
- Only independent directors and those in the "other external" category are entitled to receive remuneration for their status as such.

For the preparation of the Policy and the amendments introduced in 2020, the Company received legal advice from Uría Menéndez.

As part of the 2017 IPO, the Company received advice from Willis Towers Watson for the development of the Company's long-term variable remuneration plan. In performing its advisory functions, Willis Towers Watson (i) conducted a consultation process with several of the Company's senior executives; and (ii) analyzed the remuneration system of 12 European companies in the real estate sector and 14 comparable companies (by size) from different sectors.

- The Policy provides for the following compensation components:

  a) Fixed annual remuneration.

  b) Attendance fees for meetings of the Board and its Committees.

  c) Remuneration in shares or linked to their performance, without prejudice to the provisions of the Regulations of the Board of Directors.

  The remuneration mentioned in a) and b) above only applies to independent and "other external" directors.

  Notwithstanding the provision mentioned in section c) above, the Directors are currently not entitled to share-based or performance-linked remuneration, except for the two executive directors (the Chief Executive Officer, Mr Francisco de Borja García-Egocheaga and the Executive Vice Presidente, Mr Jorge Pepa).

  The specific decision on the amount corresponding to each of the directors for the above items shall be taken by the Board of Directors in accordance with the Remuneration Policy. To this end, it shall take into account the roles held by each director in the collegiate body itself and his or her membership and attendance at the various committees.

  Finally, the Company will pay the premium for the civil liability insurance of the directors, according to the usual market conditions and in proportion to the Company's circumstances.

- The remuneration of the Chief Executive Officer and the Executive Vice President is set out in their respective contracts signed with the Company on 8 April 2019. The Chief Executive Officer and the Executive Vice President do not receive any remuneration for their positions as members of the Board of Directors or the Committees, only for their executive positions and, unlike the external directors, they do have a variable remuneration system, which seeks to align the interests of the Chief Executive Officer and the Executive Vice President with the Company's shareholders by establishing specific objectives linked to the creation of value in the medium and long term. The remuneration structure is composed of the following elements:

  a) Fixed remuneration: 450,000 € each;

  b) Annual bonus to be established annually by the Board of Directors;

  c) Participation in the company's long-term incentive schemes payable in shares approved by the company. See section B.7 below;

  d) Directors and Officers ("D&O") insurance.

- *The relative importance of variable to fixed remuneration items (remuneration mix) and what criteria and objectives have been taken into account in their determination and to ensure an appropriate balance between fixed and variable components of remuneration. In particular, indicate the actions taken by the company in relation to the remuneration system to reduce exposure to excessive risks and align it with the long-term objectives, values and interests of the company, including, where appropriate, a reference to measures envisaged to ensure that the remuneration policy addresses the long-term performance of the company, measures taken in relation to those categories of staff whose professional activities have a material impact on the risk profile of the company and measures envisaged to avoid conflicts of interest.*

  Also indicate whether the company has established any vesting or consolidation period for certain variable remuneration items, in cash, shares or other financial instruments, a deferral period for the payment of amounts or delivery of financial instruments already accrued and consolidated, or whether any clause has been agreed to reduce deferred remuneration or oblige the director to return the remuneration received, when such remuneration has been based on data whose inaccuracy has subsequently been manifestly demonstrated.

Article 25.3 of the Board of Directors' Regulations establishes that directors' remuneration must be in reasonable proportion to the importance of the Company, its economic situation at any given time, the standards that are met on the market in companies of a similar size or activity and consider their dedication to the Company. The remuneration system established must be aimed at promoting the long-term profitability and sustainability of the Company and incorporate the necessary precautions to avoid the excessive assumption of risks and unfavourable results. In particular, the remuneration system should set the necessary limits and safeguards to ensure that variable remuneration is related to the professional performance of the beneficiaries and does not derive solely from the general evolution of the markets or the sector.

The directors' remuneration policy established by the Company does not establish variable remuneration for directors for their status as such, but only a fixed remuneration and per diems for attending meetings, with the aim of remunerating directors adequately and sufficiently for their dedication, qualifications and responsibilities, without compromising their independence of judgement or encouraging the Company to take excessive risks.

The remuneration system for the Chief Executive Officer and the Executive Vice President is aligned with the interests of the Company. The annual objectives set for the bonus are linked to performance. Specifically, the individual contracts with the Chief Executive Officer and the Executive Vice-Chairman provide for the possibility of receiving annual variable remuneration in cash, provided that the results significantly improve the business plan and that the Board of Directors of the Company so decides. In this respect, the weighted parameters taken into consideration to set the variable remuneration are as follows:

Margin Contribution Development (M€) 25% being the target of the Business Plan 112,620

Craners (#) 25% being the target of the Business Plan 1,819

OpEx (M€) 25% being the target of the Business Plan 96,313

EBITDA (M€) 25% being the target of the Business Plan 140,255

A long-term incentive scheme is currently in place, which is explained in detail in section B7:

1. **Long Term Incentive Plan 2020 ("2020 LTIP")**

In addition to certain members of the Company's senior management, the two executive directors, i.e. the Chief Executive Officer and the Executive Vice President, are beneficiaries of the 2020 LTIP.

The 2020 LTIP consists of a single three-year cycle. The achievement period starts on 1 January 2020 and ends on 31 December 2022. At the end of the achievement period, the number of shares of each beneficiary will be calculated considering the level of achievement of certain pre-approved metrics described in section B.7, together with the shares equivalent to the dividends paid, both in accordance with the following:

– 50% of the shares earned will be delivered at the end of the three-year vesting period (initial payment), plus a number of shares equal to the dividends that would theoretically have been paid on 50% of the shares earned from the start of the 2020 LTIP (1 January 2020) until the day of payment, divided by the average share price in the 6-month period prior to the end of the cycle.

– 25% of the shares obtained will be delivered one year after the initial payment, provided that the beneficiary remains in the Company and subject to malus provisions, plus a number of shares equal to the dividends that would theoretically have been paid on such 25% of the shares obtained since the beginning of the 2020 LTIP (1 January 2020) and until the day of payment, divided by the average share price in the 6-month period prior to the end of 2023.

– 25% of the shares earned will be delivered two years after the initial payment, provided that the beneficiary remains in the Company and subject to malus provisions, plus a number of shares which will be equivalent to the dividends that would theoretically have been paid on such 25% of the shares earned since the beginning of the 2020 LTIP (1 January 2020) and until the day of payment, divided by the average share price in the 6-month period prior to the end of 2024.

50% of the amount payable is determined based on the Company's EBITDA achievement, measured on a cumulative basis, the target being set at the beginning of the cycle.

The other 50% of the amount payable will be determined based on the total return to shareholders, which will be calculated as the evolution of the share price plus the value of dividends, if any, during the period assuming they are reinvested in Neinor Homes shares on the day they are received.

The Appointments and Remuneration Committee shall have the power to propose to the Board of Directors the cancellation of the payment of the 2020 LTIP to the executive directors, in whole or in part, in the event of certain supervening circumstances (reduction, or malus, and clawback clauses): (a) losses in the Neinor Homes Group (negative EBITDA / Profit after tax) in the year following the end date of the 2020 LTIP attributable to management decisions taken in the achievement period of each year; (b) material restatement of the Group's financial statements, where deemed by the external auditors, except where appropriate due to a change in accounting standards; (c) serious breach of the internal code of conduct by the executive director. The malus clause applies during the payment deferral period of the 2020 LTIP, while the clawback clause applies during the year following the delivery of the shares, in both cases only in respect of the shares to be delivered in each payment (after tax).

- *Amount and nature of the fixed components expected to accrue to directors in their capacity as directors during the financial year*

The remuneration established for directors qualifying as "independent" and "other external" is as follows:

a) Fixed remuneration:
   - Chairman of the Board: 100,000 € per year;
   - Other independent and other external directors: 75,000 € per year each;
b) Per diems for attendance at meetings of the Board and its Committees:
   - Council meetings: 3,000 € per meeting;
   - Committte meetings: 1,500 € per committee meeting.

The Chief Executive Officer and the Executive Vice President of the Company only receive remuneration for the performance of senior management functions. Therefore, they do not receive any remuneration for the performance of their duties as members of the Board of Directors and as members of the Investment Property Committee.

- *Amount and nature of the fixed components that will be accrued in the year for the performance of senior management functions by executive directors.*

The fixed salary of the Chief Executive Officer and the Executive Vice-President for the performance of senior management duties is four hundred and fifty-four thousand five hundred Euros (454,500 €) each.

- *Amount and nature of any component of remuneration in kind that will accrue in the year including, but not limited to, insurance premiums paid on behalf of the director.*

The contract entered with the Chief Executive Officer provides for entitlement to the social welfare benefits set out below:

- Medical assistance insurance.
- Life insurance, total permanent disability, absolute disability or major disability covering (i) a gross capital benefit of 1,000,000 euros in the event of total permanent disability, absolute disability or major disability and (ii) a gross capital benefit of 1,000,000 euros in the event of death.
- Directors and Officers (D&O) insurance.
- Any other social welfare benefits generally recognised by the Company for the group of directors or executives, established by the Board of Directors, subject to a report from the Appointments and Remuneration Committee.

The contract signed with the Executive Vice-President establishes the right to have family medical assistance insurance.

- *Amount and nature of the variable components, distinguishing between short- and long-term components. Financial and non-financial parameters, including social, environmental and climate change parameters, selected to determine variable remuneration in the current year, explaining the extent to which such parameters are related to the performance of the director, the company and its risk profile, and the methodology, time frame and techniques used to determine them, at the end of the year, the degree of compliance with the parameters used in the design of variable remuneration, explaining the criteria and factors applied in terms of the time required and methods for verifying that the performance or other conditions to which the accrual and vesting of each component of variable remuneration was linked have been effectively met.*

  Indicate the range in monetary terms of the different variable components according to the degree of compliance with the established objectives and parameters, and if there is any maximum monetary amount in absolute terms.

There are no variable components in the remuneration of the members of the Board of Directors in their capacity as such (except for attendance fees, the amount of which depends on the number of annual meetings of the Board and its Committees).

For their part, the Chief Executive Officer and the Executive Vice President receive the following variable remuneration indicated below, for their senior management functions:

1. **<u>Annual bonus</u>**

The contracts signed by the Company with the Chief Executive Officer and the Executive Vice-President establish the right to receive a variable remuneration (bonus) to be set by the Board of Directors and to be received exclusively if the objectives established in the business plan and approved at the beginning of the year are exceeded.

The contracts entered with executive directors shall establish clawback clauses obliging the director to repay the Company and empowering the Company to claim repayment of all or part of the variable remuneration in the event of the occurrence of any event or circumstance that results in the alteration or negative variation with definitive character, of the financial statements, results, economic, performance or other data on which the accrual and payment to the Executive Director of any amount as variable remuneration was based.

The annual variable remuneration that, if applicable, is approved by the Company may be paid in cash and/or include the delivery of shares or share-based instruments, provided that the corresponding threshold of the indicators established with respect to what is foreseen in the business plan is reached. In this regard, the parameters to be taken into consideration by the Board of Directors to set the amount of variable remuneration must be specific, predetermined, quantifiable and measurable and be in line with the Company's strategy, promote its sustainability and the Group's profitability in the long term.

Within the new remuneration policy for board members approved by the Board on February 23, 2022 and to be submitted for approval by the General Shareholders' Meeting on April 13, 2022, both financial performance parameters and non-financial performance parameters are included.

2. **<u>Long Term Incentive Plan (LTIP)</u>**. Details of the Plan can be found in section B7 below.

- *Main characteristics of the long-term savings systems. Among other information, the contingencies covered by the system, whether it is a defined contribution or defined benefit system, the annual contribution to be made to the defined contribution systems, the benefit to which the beneficiaries are entitled in the case of defined benefit systems, the conditions for consolidation of the economic rights in favour of the directors and their compatibility with any type of payment or indemnity for early termination or severance, or derived from the termination of the contractual relationship, under the terms provided, between the company and the director, shall be indicated.*

  Indicate whether the vesting or vesting of any of the long-term savings' plans is linked to the achievement of certain objectives or benchmarks related to the short- and long-term performance of the director.

The Company has no long-term savings system in place.

- *Any type of payment or indemnity for early termination or severance or derived from the termination of the contractual relationship under the terms established between the company and the director, whether the termination is at the will of the company or of the director, as well as any type of agreed covenants, such as exclusivity, post-contractual non-competition and permanence or loyalty, which entitle the director to any type of payment.*

The contracts signed by the Company with the Chief Executive Officer and the Executive Vice President establish compensation for an amount equivalent to two years of their respective fixed remuneration in the event of termination of the contract by the Company, unless said termination was due to a serious and guilty breach on their part of the obligations that legally or contractually incumbent upon them.

In the event of termination of the respective contracts due to withdrawal of the Chief Executive Officer or the Executive Vice President, they must notify the Company in writing at least 3 months in advance, and must compensate the Company with an amount equivalent to the fixed remuneration applicable in the moment of termination of the Contract corresponding to the period of notice that has not been complied with.

- *Indicate the conditions to be respected in the contracts of those who perform senior management functions as executive directors. Among others, information should be provided on the duration, limits on the amounts of compensation, tenure clauses, notice periods, as well as payment in lieu of the notice period, and any other clauses relating to hiring bonuses, as well as compensation or golden parachute clauses in the event of early termination or termination of the contractual relationship between the company and the executive director. Include, among others, non-competition, exclusivity, permanence or loyalty and post-contractual non-competition covenants or agreements, unless explained in the preceding section.*

The main terms and conditions of the service contract entered by the Company with the Chief Executive Officer and the Executive Vice President are as follows:

- Duration: the contracts entered into force on 8 April 2019 and will remain in force for as long as Mr Francisco de Borja García-Egocheaga Vergara and Mr Jorge Pepa remain as Chief Executive Officer and Executive Vice-President of the Company, respectively.

- Exclusivity: The Chief Executive Officer and the Executive Vice President of the Company shall perform their duties exclusively for the Company on a full-time basis and may not work directly or indirectly or provide services for third parties or on their own account, even if such activities do not compete with those of the Company.

- Post-contractual non-competition: once the respective contracts have ended for any reason, the Chief Executive Officer and the Executive Vice-President may not carry out, for a period of one year, any activity that is concurrent with those of the Company or any company of the Neinor group, either on their own account or on behalf of a competing employer.

As compensation for the post-contractual non-compete obligation, they shall be entitled to receive a gross amount equal to 70% of the annual fixed remuneration in force at that time.

- *The nature and estimated amount of any other additional remuneration to be earned by directors in the current financial year in consideration for services rendered other than those inherent in their office*

The Company has not established any supplementary remuneration for directors.

- *Other items of remuneration such as those derived, if applicable, from the granting by the company to the director of advances, loans and guarantees and other remuneration.*

There are no other remuneration items.

- *The nature and estimated amount of any other expected additional remuneration not included in the preceding paragraphs, whether paid by the entity or another group entity, that will accrue to directors in the current financial year.*

There are no other supplementary remunerations.

A.2 *Explain any relevant changes to the remuneration policy applicable in the current financial year arising from:*

- *A new policy or a modification of the policy already approved by the Board.*

- *Relevant changes in the specific determinations established by the board for the current financial year in the current remuneration policy compared to those applied in the previous financial year.*

- *Proposals that the board of directors would have resolved to submit to the general meeting of shareholders to which this annual report will be submitted and which are proposed to be applicable to the current financial year.*

In the financial year 2021, there was no significant change in the remuneration policy of the Board of Directors.

On 23 February 2022, the Board of Directors of Neinor Homes, following a favourable report from the Appointments and Remuneration Committee, proceeded to update and modify its remuneration policy for the Board of Directors in accordance with current regulations and best Corporate Governance practices. This policy, together with all the documentation to be submitted to the General Shareholders' Meeting for the 2022 financial year, scheduled for April 13, 2022, will be published on the company's website 30 days prior to the General Shareholders' Meeting and, if applicable, will be approved by said Meeting.

A.3 *Identify the direct link to the document containing the company's current remuneration policy, which should be available on the company's website.*

https://www.neinorhomes.com/uploads/documentos_contenidos/330/documento/Remuneration_policy.pdf

A.4 *Explain, considering the data provided in section B.4, how the vote of the shareholders at the general meeting at which the annual remuneration report for the previous year was put to a consultative vote was considered.*

As stated in the notarial minutes of the General Shareholders' Meeting held on March 30, 2021, authorized by the Bilbao Notary Ms. Raquel Ruiz Torres under protocol number 622, the annual directors' remuneration report for the year ended December 31, 2020 was approved in a consultative vote by 87.612% of votes in favour.

The Board of Directors of Neinor Homes, although the result is positive, with a view to greater transparency and continuous improvement in the company's Governance, has requested the Governance, Risk and Compliance area an analysis of the best practices in the preparation of the Annual Remuneration Report and the Directors' Remuneration Policy. In this regard, the Board has already implemented various measures, since the Board meeting held on January 26, 2022, in relation to bonus limitations, variable remuneration linked to sustainability and a greater breakdown of objectives, among others, which have been incorporated into the policy approved on February 23, 2022, and which will be reflected in the annual remuneration report for the 2022 financial year.

B. OVERALL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED DURING THE YEAR ENDED

B.1.1 *Explain the process followed to implement the remuneration policy and determine the individual remuneration reflected in section C of this report. This information shall include the role played by the remuneration committee, the decisions taken by the board of directors and, if applicable, the identity and role of external advisors whose services were used in the process of implementing the remuneration policy in the financial year ended.*

As regards the remuneration of directors in their capacity as such, insofar as the remuneration provided for in the remuneration policy is fixed, the Company has limited itself to applying it on its own terms.

The amount accrued by the directors in their capacity as such during the financial year 2021 is as follows:

- Ricardo Martí Fluxá: received a fixed annual remuneration of 100,000 €, as well as 52,500 € in attendance fees.
- Anna M. Birulés Bertran: received a fixed remuneration of 75,000 €, as well as 45,000 € in attendance fees.
- Alfonso Rodés Vilà: received a fixed remuneration of 75,000 €, as well as 43,500 € in attendance fees.
- Andreas Segal: received a fixed remuneration of 75,000 €, as well as 34,500 € in attendance fees.
- Felipe Morenés Botín-Sanz de Sautuola: received 75,000 € in fixed remuneration and 48,000 € in attendance fees.

Regarding the variable remuneration of the Chief Executive Officer and the Executive Director, the Appointments and Remuneration Committee, at the meeting held on January 26, 2022, analyzed compliance with the objectives set for the collection of the variable remuneration corresponding to the 2021 financial year.

Regarding variable remuneration, it was established as a vesting requirement for all company employees that at least 80% of the EBITDA target had been achieved. The distribution of the objectives set was: 20% of the company objectives, 20% of the corporate departmental objectives or territorial objectives and 60% of individual objectives. The percentage of compliance with the company's objectives was 100%, that of the departments and regions ranged from 67% to 115% and the average compliance with the individual objectives was 97%.

Therefore, the Committee proposed, and the Board approved, a bonus of 450,000 € for the Chief Executive Officer and 350,000 € euros for the Executive Director.

Additionally, as a result of the successful completion of the merger by absorption of Quabit during fiscal year 2021 and its approval by the General Shareholders' Meeting of both companies, the Chief Executive Officer and the Executive Director received an extraordinary bonus of 420,000 euros and 350,000 euros, respectively, proposed by the Appointments and Remuneration Committee and approved by the Board.

B.1.2 *Explain any deviations from the established procedure for the application of the remuneration policy that occurred during the financial year.*

There has been no deviation from the established procedure for the application of the remuneration policy.

B.1.3 *Indicate whether any temporary exceptions to the remuneration policy have been applied and, if so, explain the exceptional circumstances that have led to the application of these exceptions, the specific components of the remuneration policy affected and the reasons why the company considers that these exceptions have been necessary to serve the long-term interests and sustainability of the company as a whole or to ensure its viability. Also quantify the impact that the application of these exceptions has had on the remuneration of each director during the year.*

There have been no exceptions to the remuneration policy.

B.2 *Explain the different actions taken by the company in relation to the remuneration system and how they have contributed to reducing exposure to excessive risks and aligning it with the company's objectives, values and long-term interests, including a reference to the measures that have* *been taken to ensure that accrued remuneration has taken into account the long-term performance of the company and achieved an appropriate balance between fixed and variable components of remuneration, what measures have been taken in relation to those categories of staff whose professional activities have a material impact on the entity's risk profile, and what measures have been taken to avoid conflicts of interest, if any.*

See section A.1

B.3 *Explain how the remuneration accrued and consolidated in the year complies with the provisions of the current remuneration policy and how it contributes to the long-term and sustainable performance of the company.*

Also report on the relationship between the remuneration obtained by the directors and the results or other short- and long-term performance measures of the company, explaining, where applicable, how variations in the company's performance may have influenced the variation in directors' remuneration, including accrued remuneration for which payment has been deferred, and how these contribute to the company's short- and long-term results.

The remuneration accrued in the year complies with the provisions of the current remuneration policy.

Regarding the remuneration of the Chief Executive Officer and the executive Vice President, the only directors for whom the payment of variable remuneration is provided, their variable remuneration targets, due to their executive positions, the planned remuneration system is in line with the interests of the Company. The annual targets set for the bonus are linked to results. In particular, the individual contracts entered into with them provide for the possibility of receiving annual variable remuneration in cash, provided that the results significantly improve the business plan and that the Company's Board of Directors so decides.

The weighted parameters taken into consideration to set the variable remuneration are as follows:

	Weight
1. Margin Contribution Development (M€)	25%
2. Cranes (#)	25%
3. OpEx (M€)	25%
4. EBITDA (net MIP) (M€)	25%

The Appointments and Remuneration Committee, at its meeting held on January 26, 2022, analysed both compliance with the objectives set and the milestones achieved in terms of sustainability for the payment of the variable remuneration corresponding to financial year 2021.

Regarding variable remuneration, it was established as an accrual requirement for all company employees that at least 80% of the EBITDA target had been achieved. The distribution of the objectives set was: 20% of the company objectives, 20% of the corporate departmental objectives or territorial objectives and 60% of individual objectives. The percentage of compliance with the company's objectives was 100%, that of the departments and regions ranged from 67% to 115% and the average compliance with the individual objectives was 97%.

Accordingly, the Committee approved a bonus of 450,000 € for the Director General and 350,000 € for the Executive Director.

Additionally, as a result of the successful completion of the merger by absorption of Quabit during fiscal year 2021 and its approval by the General Shareholders' Meeting of both companies, the Chief Executive Officer and the Executive Director received an extraordinary bonus of 420,000 euros and 350,000 euros, respectively, approved by the Appointments and Remuneration Committee.

B.4 *Report on the result of the advisory vote of the general meeting on the annual report on remuneration for the previous financial year, indicating the number of abstentions and negative, blank and affirmative votes cast:*

	Number	**% of issued**
Votes cast	62,438,863	79.03%

	Number	% of issued
Votes against	7,166,878	12.39%
Votes for	50,686,515	87.61%
Blank votes	-	-
Abstentions	-	-

Observations

B.5 *Explain how the fixed components accrued and consolidated during the year by the directors in their capacity as such have been determined, their relative proportion for each director and how they have varied from the previous year:*

The fixed components of the remuneration of directors who qualify as "independent" and "other external" consist of a fixed annual salary and allowances for attendance at meetings of the Board and its committees. The amounts paid are those that have corresponded in application of the Remuneration Policy and have not changed with respect to 2020.

The allowances have been paid based on attendance at meetings of the board and its committees.
The proportion represented by the annual fixed remuneration compared to the total fixed components accrued and consolidated (fixed remuneration + attendance fees) for the directors Ricardo Martí Fluxá, Anna M. Birulés Bertran, Alfonso Rodés Vilà, Andreas Segal and Felipe Morenés Botín-Sanz de Sautuola, are respectively 66%, 63%, 63%, 69% and 61%, not having produced significant differences with respect to

the proportion that occurred in the previous year.

B.6 *Explain how the salaries accrued and consolidated during the year ended for each of the executive directors for the performance of management duties have been determined, and how they have varied with respect to the previous year.*

The salary earned by each of the executive directors for the performance of management dueties consists of a fixed salary and a variable remuneration ("bonus"). The fixed salary is established in their respective contracts and the variation with respect to the previous year corresponds to an increase of 1% (minimum percentage increase that the entire company staff had in the past year). The variable salary has been determined as indicated in section B.3 above.

B.7 *Explain the nature and main features of the variable components of the remuneration systems accrued and vested in the financial year ended. In particular:*

- *Identify each of the remuneration plans that have determined the different variable remuneration accrued by each of the directors during the year ended, including information on their scope, date of approval, date of implementation, vesting conditions, if any, vesting periods and term, criteria used to assess performance and how this has impacted on the setting of the variable amount accrued, as well as the measurement criteria used and the time required to be in a position to adequately measure all stipulated conditions and criteria, detailing the criteria and factors applied in terms of the time required and methods to verify that the performance or other conditions to which the vesting and vesting of each component of variable remuneration was linked have been effectively met.*

- *In the case of stock option plans or other financial instruments, the general features of each plan shall include information on the conditions both for unconditional vesting and for the exercise of such options or financial instruments, including the exercise price and exercise period.*

- *Each of the directors, and their category (executive directors, external proprietary directors, external independent directors or other external directors), who are beneficiaries of remuneration systems or plans that incorporate variable remuneration.*

- *Where applicable, information shall be provided on vesting, vesting or deferral periods for payment of consolidated amounts that have been applied and/or holding/non-disposal periods for shares or other financial instruments, if any.*

As explained in section A.1 above, only executive directors can receive variable remuneration. Variable remuneration consists of the following:

1. **Annual bonus**, which is approved each year by the company's Board of Directors and the details of which can be found in section A.1 above;

2. **Long Term Incentives Plan 2020 ("2020 LTIP").**

The 2020 LTIP was approved by the Board of Directors of the Company on February 28, 2020 with the favourable report of the Appointments and Remuneration Committee. The LTIP was included in the Board Remuneration Regulations that were approved by the General Shareholders' Meeting held on April 1, 2020.

In addition to certain Company employees, the two executive directors, i.e. the Chief Executive Officer (CEO) and the Executive Vice President (EVP) are beneficiaries of the 2020 LTIP.

This is a remuneration system consisting entirely of Company shares.

The 2020 LTIP consists of a single three-year cycle. The achievement period starts on January 1, 2020 and ends on December 31, 2022. At the end of the achievement period, the number of shares of each beneficiary will be calculated taking into account the level of achievement of certain pre-approved metrics, which are detailed below, together with the shares equivalent to the dividends paid, both in accordance with the following:

- 50% of the shares earned will be delivered at the end of the three-year vesting period (initial payment), plus a number of shares equal to the dividends that would theoretically have been paid on the 50% of the shares earned from the start of the 2020 LTIP (1 January 2020) until the day of payment, divided by the average share price in the 6-month period prior to the end of the cycle.

- 25% of the shares obtained will be delivered one year after the initial payment, provided that the beneficiary remains in the Company and subject to malus provisions, plus a number of shares equal to the dividends that would theoretically have been paid on such 25% of the shares obtained since the beginning of the 2020 LTIP (1 January 2020) and until the day of payment, divided by the average share price in the 6-month period prior to the end of 2023.

- 25% of the shares obtained will be delivered two years after the initial payment, provided that the beneficiary remains in the Company and subject to malus provisions, plus a number of shares which will be equivalent to the dividends that would theoretically have been paid on such 25% of the shares obtained from the beginning of the 2020 LTIP (1 January 2020) until the day of payment, divided by the average share price in the 6-month period prior to the end of 2024.

50% of the amount payable is determined on the basis of the Company's EBITDA achievement, measured on a cumulative basis, the target being set at the beginning of the cycle.
The other 50% of the amount payable will be determined on the basis of total shareholder return, which will be calculated as the performance of the share price plus the value of dividends, if any, during the period assuming they are reinvested in Neinor Homes shares on the date they are received.

The maximum amount that the CEO and the executive director can potentially receive is 2,700,000 € in the case of the CEO and 2,475,000 € in the case of the EVP, being the basis of 100% achievement of the targets of 1,800,000 euros and 1,650,000 euros, respectively.

The Plan's metrics are as follows:

50% EBITDA + 50% Total Shareholder Return ("TSR")

EBITDA is measured cumulatively, with the target being set at the beginning of the cycle. It is defined as the sum of the EBITDA targets for the 3 years of the cycle and the achievement is based on the sum of the actual EBITDA for the same period.

TSR is calculated as the share price performance plus the value of dividends, if any, during the period, assuming they are reinvested in the Company's shares on the day they are received.

The initial share price is 11 €. The closing price will be the average of closing prices in the market sessions of the 6 months prior to the end of the cycle (1 July to 31 December 2022 inclusive).

The targets are as follows:

Target		Incentive achieved (% of target shares)
Level	**EBITDA**	
≥ MAXIMUM	≥ 410 M€	150%
TARGET	370 M€	100%
MINIMUM	330 M€	50%
< MINIMUM	< 330 M€	0%

Target		Incentive achieved (% of target shares)
Level	**TSR**	
≥ MAXIMUM	≥ 48.2 %	150%
TARGET	36.80 %	100%
MINIMUM	26 %	50%
< MINIMUM	< 26 %	0%

The Appointments and Remuneration Committee will have the power to propose to the Board of Directors the cancellation of the payment of the 2020 LTIP to the executive directors, in full or in part, in the event of certain supervening circumstances (reduction, or malus, and clawback clauses): (a) losses in the Neinor Homes Group (negative EBITDA / Profit after tax) in the year following the end date of the 2020 LTIP attributable to management decisions made in the achievement period of each year; (b) material restatement of the Group's financial statements, when so deemed by the external auditors, except where appropriate due to a change in accounting standards; (c) serious breach of the internal code of conduct by the executive director. The malus clause applies during the payment deferral period of the 2020 LTIP, while the clawback clause applies during the year following the delivery of the shares, in both cases only with respect to the shares to be delivered in each payment (after tax).

B.8 *Indicate whether certain accrued variable components have been reduced or clawbacked when, in the first case, the payment of unconsolidated amounts has been deferred or, in the second case, consolidated and paid, based on data that have subsequently proved to be manifestly inaccurate. Describe the amounts reduced or refunded by the application of the malus or clawback clauses, why they have been applied and the financial years to which they relate.*

As of the date of this report, the Company is not aware of any event that determines the application of clawback clauses for the reduction or refund of the variable components of remuneration.

B.9 *Explain the main characteristics of the long-term savings systems whose amount or equivalent annual cost is shown in the tables in Section C, including retirement and any other survivor's benefits, which are partially or fully funded by the company, whether internally or externally endowed, indicating the type of plan, whether it is a defined contribution or defined benefit plan, the contingencies it covers, the conditions of consolidation of the economic rights in favour of directors and its compatibility with any type of compensation for early termination or termination of the contractual relationship between the company and the director.*

The Company has not established any long-term savings system.

B.10 *Explain, if applicable, the indemnities or any other type of payment derived from early termination, whether the termination is at the will of the company or of the director, or from the termination of the contract, in the terms provided therein, accrued and/or received by the directors during the financial year ended.*

The Company has not paid any indemnities or other payments arising from the early termination of directors.

B.11 *Indicate whether there have been any significant changes in the contracts of those exercising senior management functions as executive directors and, if so, explain them. Also explain the main terms and conditions of the new contracts signed with executive directors during the year unless they have already been explained in section A.1.*

During the 2021 financial year, there were no changes to the contracts of those who perform senior management functions as executive directors.

The main conditions of the contracts signed with Mr. Francisco de Borja García-Egocheaga and Mr. Jorge Pepa are detailed in section A.1.

B.12 *Explain any additional remuneration accrued to directors in consideration for services rendered other than those inherent to their position.*

The Company has not paid any additional remuneration to directors in consideration for services rendered other than those inherent to their position.

B.13 *Explain any remuneration derived from the granting of advances, loans and guarantees, with an indication of the interest rate, their essential characteristics and any amounts repaid, as well as the obligations assumed on their behalf by way of guarantee.*

The Company has not granted any advances, loans or guarantees to directors.

B.14 *Give details of the remuneration in kind earned by directors during the year, briefly explaining the nature of the different salary components.*

The directors in their capacity as such have not accrued remuneration in kind. Regarding the Chief Executive Officer and the Executive Vice President, see section B.7.

B.15 *Explain the remuneration accrued by the director by virtue of payments made by the listed company to a third-party entity in which the director provides services when such payments are intended to remunerate the director's services in the company.*

No such remuneration has been paid.

B.16 *Explain and detail the amounts accrued during the year in respect of any other remuneration item other than those listed above, regardless of its nature or the group entity paying it, including all benefits in any form, such as when it is considered a related-party transaction or, in particular, when it significantly affects the true and fair view of the total remuneration accrued by the director, explaining the amount granted or pending payment, the nature of the consideration for the performance of his executive duties, and whether or not it has been considered appropriate to include it among the amounts accrued under "other items" in section C.*

There are no remuneration items other than those indicated above.

C. DETAILS OF THE INDIVIDUAL REMUNERATION CORRESPONDING TO EACH OF THE DIRECTORS

Name	Type	2021 accrual period
Ricardo Martí Fluxá	Independent	01/01/2021 to 31/12/2021
Anna M. Birulés Bertran	Independent	01/01/2021 to 31/12/2021
Alfonso Rodés Vilá	Independent	01/01/2021 to 31/12/2021
Andreas Segal	Independent	01/01/2021 to 31/12/2021
Felipe Morenés Botín-Sanz de Sautuola	Independent	01/01/2021 to 31/12/2021
Jorge Pepa	Executive	01/01/2021 to 31/12/2021
Francisco de Borja García-Egocheaga	Executive	01/01/2021 to 31/12/2021
Van J. Stults	Proprietary	01/01/2021 to 31/12/2021
Aref H. Lahham	Proprietary	01/01/2021 to 31/12/2021

C.1 *Complete the following tables with respect to the individual remuneration of each of the directors (including remuneration for the exercise of executive functions) accrued during the financial year.*

a) Remuneration of the company that is the subject of this report:

i) Remuneration accrued in cash (in thousands of €)

Name	Fixed remuneration	Allowances	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Compensation	Other items	Total year 2021	Total year 2020
Ricardo Martí Fluxá	100	52.5							152.5	149.5

Anna M. Birulés Bertran	75	45							120	117
Alfonso Rodés Vilá	75	43.5							118.5	114
Andreas Segal	75	34.5							109.5	106.5
Felipe Morenés Botín-Sanz de Sautuola	75	48							123	121.5
Francisco de Borja García-Egocheaga	0			454	450			420*	1,324	805
Jorge Pepa	0			454	350			350*	1,154	790
Van J. Stults	0									0
Aref H. Lahham	0									0

*Extraordinary bonus approved by the Appointments and Remuneration Committee for the execution of the corporate merger transaction with Quabit.

ii) Movement table of share-based remuneration schemes and gross profit from consolidated shares or financial instruments

Name	**Name of the Plan**	**Financial instruments at the beginning of the 2021 financial year**		**Financial instruments granted during the 2021 financial year**		**Financial instruments consolidated in the financial year**				**Expired and unexercised instruments**	**Financial instruments at the end of 2021**	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of consolidated equivalent shares	Consolidated share price	Gross profit from consolidated shares or financial instruments (thousands €)	No. of instruments	No. of instruments	No. of equivalent shares
Ricardo Martí Fluxá												
Anna M. Birulés Bertran												
Alfonso Rodés Vilá												
Andreas Segal												
Felipe Morenés Botín-Sanz de Sautuola												
Jorge Pepa												
Francisco de Borja García-Egocheaga												
Van J. Stults												
Aref H. Lahham												

iii) Long-term savings schemes

	Remuneration for consolidation of rights to savings schemes
Ricardo Martí Fluxá	

Anna M. Birulés Bertran	
Alfonso Rodés Vilá	
Andreas Segal	
Felipe Morenés Botín-Sanz de Sautuola	
Jorge Pepa	
Francisco de Borja García-Egocheaga	
Van J. Stults	
Aref H. Lahham	

	Company's contribution for the year (thousands of euros)				**Amount of accumulated funds (thousands of euros)**			
Name	**Savings systems with consolidated economic rights**		**Savings systems with unconsolidated economic rights**		**Financial Year 2021**		**Financial Year 2020**	
	Financial Year 2021	**Financial Year 2020**	**Financial Year 2021**	**Financial Year 2020**	**Systems with consolidated economic rights**	**Systems with unconsolidated economic rights**	**Systems with consolidated economic rights**	**Systems with unconsolidated economic rights**
Ricardo Martí Fluxá								
Anna M. Birulés Bertran								
Alfonso Rodés Vilá								
Andreas Segal								
Felipe Morenés Botín-Sanz de Sautuola								
Jorge Pepa								
Francisco de Borja García-Egocheaga								
Van J. Stults								
Aref H. Lahham								

iv) Details of other items:

Name	Item	Amount of remuneration
Ricardo Martí Fluxá		
Anna M. Birulés Bertran		
Alfonso Rodés Vilá		
Felipe Morenés Botín-Sanz de Sautuola		
Jorge Pepa		
Francisco de Borja García-Egocheaga		
Van J. Stults		
Aref H. Lahham		

b) Remuneration paid to company directors for their membership of the boards of other group companies:

i) Remuneration accrued in cash (in thousands of €)

Name	**Fixed remuneration**	**Allowances**	**Remuneration for membership on board committees**	**Salary**	**Short-term variable remuneration**	**Long-term variable remuneration**	**Compensation**	**Other items**	**Total financial year 2021**	**Total financial year 2020**
Ricardo Martí Fluxá										
Anna M. Birulés Bertran										
Alfonso Rodés Vilá										
Andreas Segal										
Felipe Morenés Botín-Sanz de Sautuola										

Jorge Pepa										
Francisco de Borja García-Egocheaga										
Van J. Stults										
Aref H. Lahham										

ii) Movement table of share-based remuneration schemes and gross profit from consolidated shares or financial instruments

Name	**Name of the Plan**	**Financial instruments at the beginning of the 2021 financial year**		**Financial instruments granted during the 2021 financial year**		**Consolidated financial instruments in the year**				**Expired and unexercised instruments**	**Financial instruments at end of 2021**	
		No. of instruments	**No. of equivalent shares**	**No. of instruments**	**No. of equivalent shares**	**No. of instruments**	**No. of equivalent/ consolidated shares**	**Consolidated share price**	**Gross profit of consolidated shares or instruments (thousands €)**	**No. of instruments**	**No. of instruments**	**No. of equivalent shares**
Ricardo Martí Fluxá												
Anna M. Birulés Bertran												
Alfonso Rodés Vilá												
Andreas Segal												
Felipe Morenés Botín-Sanz de Sautuola												
Francisco de Borja García-Egocheaga												
Jorge Pepa												
Van J. Stults												
Aref H. Lahham												

iii) Long-term savings schemes

	Remuneration for consolidation of rights to savings schemes
Ricardo Martí Fluxá	
Anna M. Birulés Bertran	
Alfonso Rodés Vilá	
Andreas Segal	
Felipe Morenés Botín-Sanz de Sautuola	
Jorge Pepa	
Francisco de Borja García-Egocheaga	
Van J. Stults	
Aref H. Lahham	

	Company's contribution for the financial year (thousands €)				**Amount of accumulated funds (thousands €)**			
Name	**Savings schemes with consolidated economic rights**		**Savings schemes with non-consolidated economic rights**		**Financial Year 2021**		**Financial Year 2020**	
	Financial Year 2021	**Financial Year 2020**	**Financial Year 2021**	**Financial Year 2020**	**Savings schemes with consolidated economic rights**	**Savings schemes with non-consolidated economic rights**	**Savings schemes with consolidated economic rights**	**Savings schemes with non-consolidated economic rights**
Ricardo Martí Fluxá								
Anna M. Birulés Bertran								
Alfonso Rodés Vilá								
Andreas Segal								
Felipe Morenés Botín-Sanz de Sautuola								
Jorge Pepa								
Francisco de Borja García-Egocheaga								
Van J. Stults								

Aref H. Lahham				

iv) Detail of other items

	Item	Amount of remuneration
Ricardo Martí Fluxá		
Anna M. Birulés Bertran		
Alfonso Rodés Vilá		
Andreas Segal		
Felipe Morenés Botín-Sanz de Sautuola		
Jorge Pepa		
Francisco de Borja García-Egocheaga		
Van J. Stults		
Aref H. Lahham		

c) *Summary of remuneration (in thousands of €):*

The summary should include the amounts corresponding to all the remuneration items included in this report that have been accrued by the director, in thousands of euros.

	Remuneration accrued in the Company					Remuneration earned in group companies					
Name	Total cash remuneration	Gross profit on consolidated shares or financial instruments	Remuneration for savings schemes	Remuneration for other concepts	Total year 2021 company	Total cash remuneration	Gross profit on consolidated shares or financial instruments	Remuneration for savings schemes	Remuneration for other concepts	Total year 2021 group	Total year 2021 company + group
Ricardo Martí Fluxá	152.5	0	0	0	152.5	0	0	0	0	0	152.5
Anna M. Birulés Bertran	120	0	0	0	120	0	0	0	0	0	120
Alfonso Rodés Vilá	118.5	0	0	0	118.5	0	0	0	0	0	118.5
Andreas Segal	109.5	0	0	0	109.5	0	0	0	0	0	109.5
Felipe Morenés Botín-Sanz de Sautuola	123	0	0	0	123	0	0	0	0	0	123
Francisco de Borja García-Egocheaga	1,324*	0	0	0	0	0	0	0	0	0	1,324
Jorge Pepa	1,154*	0	0	0	0	0	0	0	0	0	1,154
Van J. Stults	0	0	0	0	0	0	0	0	0	0	0
Aref H. Lahham	0	0	0	0	0	0	0	0	0	0	0

*Included an extraordinary bonus approved by the Appointments and Remuneration Committee for the execution of the corporate merger transaction with Quabit.

C.2 *Indicate the changes over the last five years in the amount and percentage change in the remuneration earned by each of the listed company's directors during the year, in the consolidated results of the company and in the average remuneration on a full-time equivalent basis of the employees of the company and its subsidiaries who are not directors of the listed company*.

Total amounts accrued and % annual change

	Year 2021	**% change 2021/2020**	**Year 2020**	**% variation 2020/2019**	**Year 2019**	**% variation 2019/2018**	**Year 2018**	**% variation 2018/2017**	**Year 2017**
Executive Directors									
Francisco de Borja García-Egocheaga	1,324	64%	805	145%**	328.7	-	-	-	-

Jorge Pepa*	1,154	46%	790	170%**	292.2	-	-	-	-
External Directors									
Felipe Morenés Botín-Sanz de Sautuola	123	1%	121.5	0%	121.5	79%	68	-	0
Anna M. Birulés Bertran	120	3%	117	-12%	133.5	37%	97.5	41%	69
Ricardo Martí Fluxà	152.5	2%	149.5	-8%	163	23%	133	37%	97
Alfonso Rodés Vila	118.5	4%	114	-10%	126	27%	99	46%	68
Jorge Pepa*	-	-	-	-	-	-	0	-	-
Andreas Segal	109.5	3%	106.5	6%	100.4	-	-	-	-
Van J. Stults	0		0	-	0	-	-	-	-
Aref H. Lahham	0		0	-	0	-	-	-	-
Consolidated results of the company	102,855	47%	70,116	10%	63,748	39%	45,991	277%	(25,934)
Average employee remuneration	57,268	-10%***	63,632	-2%	64,641	-6%	68,727	-50%	136,102***

* Proprietary Director in 2018 and appointment as Executive Director in 2019.
** The increase is because they held this position for a few months in 2019 and not for the entire financial year as they have done in 2020 and 2021.
*** The amount for 2017 includes €10 million received by the CEO as a bonus in the company's IPO. The main reason for the decrease in the average compensation of employees between 2020 and 2021 is mainly due to the incorporation in the last year into the group of a significant number of employees from absorbed or consolidating companies (about 200 employees out of a total of 480 employees in the group at 31.12.2021) and who had a lower average compensation.

D. OTHER INFORMATION OF INTEREST

If there is any relevant aspect regarding directors' remuneration that has not been included in the other sections of this report, but which it is necessary to include in order to provide more complete and reasoned information on the company's remuneration structure and practices in relation to its directors, briefly describe them.

This annual remuneration report was approved by the board of directors of the company at its meeting held on February 23, 2022.

Indicate whether any directors voted against or abstained from voting on the approval of this report.

Yes ☐ No ☒

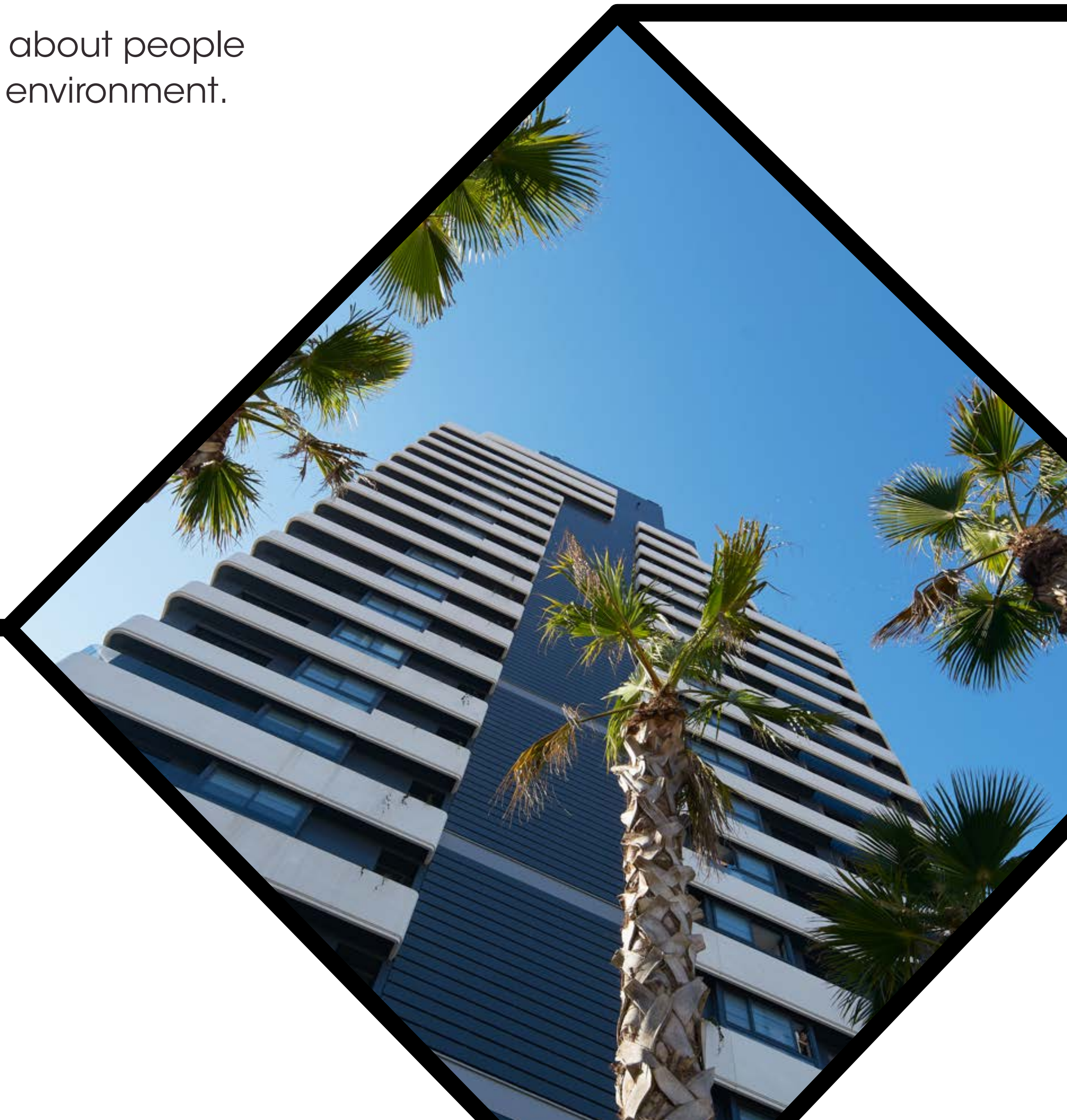
Name or company name of the member of the Board of Directors who did not vote in favour of the approval of this report	Reasons (vote against, abstention, non-attendance)	Explain the reasons

STATEMENT OF NON-FINANCIAL INFORMATION

SUSTAINABILITY REPORT

2021

Thinking about people and our environment.



CONTENTS

01

EXECUTIVE **SUMMARY**

WHO ARE WE?

Neinor Homes, the real estate platform with the ambition to transform the sector.

STRATEGIC PILLARS

Environmental	Social	Governance
We build homes for tomorrow	**Our people and communities**	**Our own way of doing things**
We want to provide society with **residential solutions that respect the environment**, whose consumption of resources is only what is necessary and that are energy efficient in their development.	**We build the city**, committing ourselves to our social environment and to the safety, health and well-being of people. Our aim is to **provide a quality residential offer to all segments of the population.**	We operate under **ethical standards of integrity and transparency,** both for ourselves and for our entire supply chain. We are committed to **innovation, digital culture and sustainable financing.**

VISION

To be the **benchmark for real estate platforms**

MISSION

Generating **sustainable value** for stakeholders

VALUES

Products designed for **our customers**

Multidisciplinary talent

Strategy of **permanent innovation**

Sustainability, the key to our DNA

Accountability to the sector

Good **Governance**

HOW DO WE CREATE VALUE?

We create value through a responsible business model.

ECONOMIC VALUE GENERATED
917
million euros

EBITDA
158
million euros

EMPLOYMENT GENERATION

328
direct jobs

8,580
indirect jobs[1]

[1] According to the Association of Real Estate Developers of Madrid (ASPRIMA), 2.4indirect jobs are generated for each dwelling.

INDUSTRIALISED MODEL

Promotion of first and second homes, construction, rental management of own and third-party homes, management of servicing.

Systematisation | Standardisation | Rigour | Environment | Innovation | Technology

Management of **all phases of the value chain** of the residential development process.

2.4 million m2
land bank

325 developments and 13,300 homes for sale and **35 developments and 3,500** homes for rent

2,880 homes delivered in 2021, 146 of which we retain ownership of **for rental**

QUALITY AND ENVIRONMENTAL MANAGEMENT

Environment, Quality and Innovation Policy

ISO Certificate **14001** of Environmental Management

ISO Certificate **9001** of Quality Management

305,913 **KWh** consumed

1,500 **kg** **of paper** consumed

20% **reduction** in paper consumption

1,689 **m³** **of water**

CORPORATE SOCIAL RESPONSIBILITY AS AN INTERNAL POLICY FRAMEWORK

SUSTAINABILITY POLICY

Objectives	
	Lead the **transformation of the sector**
	Define **the commitment to good governance, environment and society**
	Provide a basis for **integrating sustainability into business strategy**
	Deliver a quality product
	Care for employees

2022 - 2025 Sustainability Plan

Environmental **(A)**	Social **(S)**	Governance **(G)**
· Sustainability and eco-efficiency of housing · Consideration of climate change · Protection and improvement of the environment · Circular economy	· Access to housing · People's safety, health and well-being · Customer relations and protection · Commitment to the team and to society	· Ethics, integrity and transparency · Good corporate governance practices · Responsible supply chain · Sustainable financing · Innovation

WHAT IS OUR GOVERNANCE MODEL BASED ON?

Our business is based on a model of responsible governance

GENERAL SHAREHOLDERS' MEETING OF

- In 2021: **quorum 79.03%** of share capital

BOARD OF DIRECTORS

- **16 meetings** in 2021
- **9 directors** in total
  - 2 executive
  - 2 proprietary
  - 5 independent
- **1 woman** on the board (**11%**)

Audit and Control Committee

- **11 meetings**
- **5 members**
- **20%** proprietary directors
- **80%** independent directors

Appointments and Remuneration Committee

- **5 meetings**
- **5 members**
- **20%** proprietary directors
- **80%** independent directors

Land Investment Committee

- **5 meetings**
- **7 members**
- **28.6%** executive directors
- **28.6%** proprietary directors
- **42.8%** independent directors

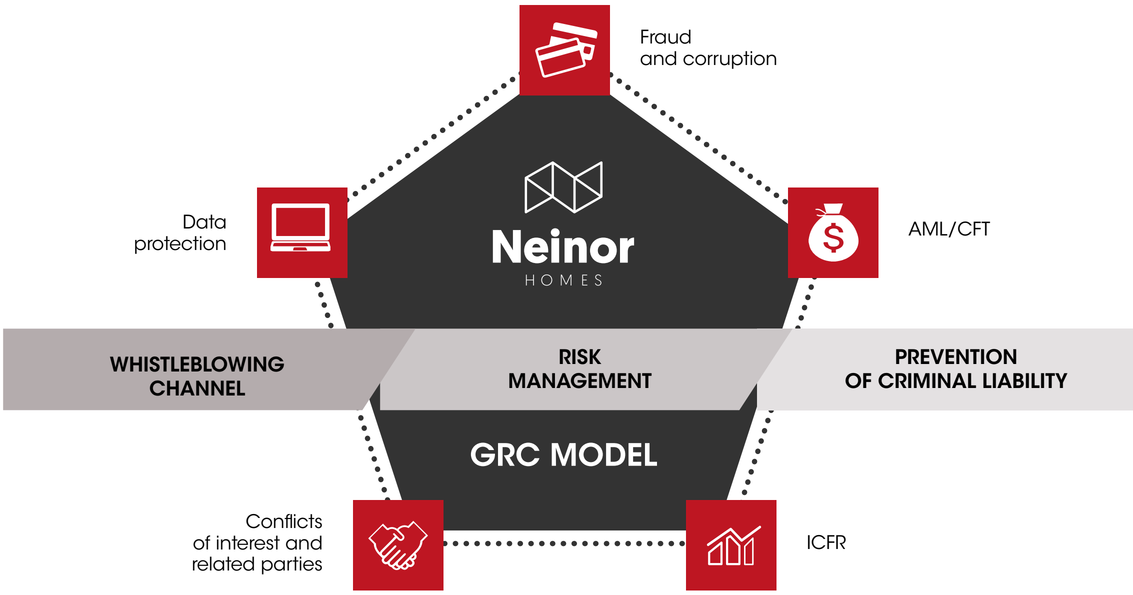
A COMPREHENSIVE MODEL OF CONTROL, COMPLIANCE AND ASSURANCE

GOVERNANCE, RISK AND COMPLIANCE MODEL (GRC)

Based on best practices of companies in the industry and other sectors

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE GOVERNANCE



Whistleblowing Channel

- Code of Ethics
- Whistleblowing Channel
- Complaints handling procedure
- Code of Conduct for third parties
- Code of Good Practice of real estate brokerage

Risk Management Model

- Integrated Internal Control System
- Corporate Risk Map
- Risk Plan (Covid 19)

Prevention of criminal liability

- Criminal Risk Policy
- Criminal Risk Prevention Manual
- Internal rules of conduct
- Economic-financial and corporate communication policy

Zero tolerance for corruption

- Anti-Corruption, Fraud and Bribery Policy
- Instructions on gifts, invitations and donations
- Controls in place

Conflict of Interest Management

Policy on Management of Conflicts of Interest and Related Party Transactions

Data protection, confidentiality and information security

- Privacy Policy on Personal Data Protection
- Procedure for the enforcement of the rights of data subjects

System of internal control over financial and non-financial reporting

Internal control and risk management systems in relation to the financial reporting process (ICFR) and non-financial reporting (SICNFR)

ISO 27001
Information Security
Certification

ISO 9001
Quality Management
Certification

ISO 14001
Environmental Management
Certification

UNE 166002
R&D&I Management
Certification

WHAT ADDED VALUE DO WE OFFER OUR CUSTOMERS?

We offer a personalised service tailored to customer needs

BETTER KNOWLEDGE OF OUR CUSTOMERS

CRM and Customer Centric tools implemented

NEINOR EXPERIENCE

Exclusive **customer service Neinor Experience Manager** in each development
Neinor Responds Channel

15,198 customers

54,865 sessions on the web

2,592 APP downloads Neinor Experience

19,908 contacts

22,323 incidents through all its channels

14.20 hours average response time

WE BUILD HOMES WITH ADDED VALUE

FAMILY HOMES PROTECTION INSURANCE

GOOGLE MINI

NEINOR MOBILITY PACK

QUALITY HOUSING

- **Research + Listening + Development** Process
- Standardisation **White Book**
- **Personalisation** alternatives
- Sustainability: **BREEAM® certified**

INNOVATION AS A DRIVER OF TRANSFORMATION

NEINOR TEXT

- Collaboration with start-ups to test their products/services and see if they generate added value for Neinor Homess

PROCESS INNOVATION

- Analysis of the integration and optimisation of the construction white book in the adaptation to the technical code

COOPERATIVE INNOVATION

- Participation in forums and working groups: Basque Construction Cluster, Building Cluster, PTEC (Spanish Construction Technology Platform) and Cemex

DIGITAL TRANSFORMATION

- Digital Transformation Plan
- Digital initiatives that add value

€469,500 paid out to help our customers pay for their future homes

70.79% developments delivered since 2015 with BREEAM® certification

Cooperation with start-ups to test their products/services

Participation in **forums and working groups** in the real estate and construction sector

WHO ARE WE
AT NEINOR HOMES?

We have a committed **team**

Neinor
HOMES

People management

Strategic Human Resources Plan
Loyalty plan
Specific measures Covid 19

Professional and personal development

Internal Promotion
Welcome Pack
Attractive and flexible remuneration

Well-being and work-life balance

Work-life Balance Plan
Decalogue of measures

Equality and diversity

Diversity and non-discrimination policy
Code of Conduct
Code of Ethics
Code of Conduct for third parties

Training

Training platform
30.94 h. of training per employee and 11 training courses given to employees

Health and safety

Occupational Risk Prevention (ORP) audits
Life insurance
Work site safety
Health and safety policy

Communication, satisfaction and initiatives to engage employees

Social initiatives
Work climate survey
Regular communications from Management
Team building activities

328
employees
43.2
average age

48%
women
52%
men

2.9%
absenteeism rate

34
hirings
1
promoted employee

HOW DO WE WORK WITH OUR SUPPLIERS?

We are strategic partners of our suppliers

Responsible purchasing management

- Purchasing management procedure
- Mandatory clauses
- Tendering procedure for construction companies

Safety and awareness requirements

- Good practice manual
- Safety coordinator
- Health and safety audits

FRAMEWORK AGREEMENTS

with manufacturers to achieve a mutually beneficial relationship and to be strategic partners

Selection of supplier approval

- Demanding accreditation and selection process
- 100% of contracts with ESG clauses
- Sustainability and environmental impact requirements

Communication, satisfaction and cooperation

- Bilateral communication
- App. to evaluate the perception of Neinor Homes
- Cooperative initiatives

226 suppliers in 2021

448 subcontractor evaluations

76% local suppliers in 2021

75 health and safety audits

240 million euros of expenditure on purchases

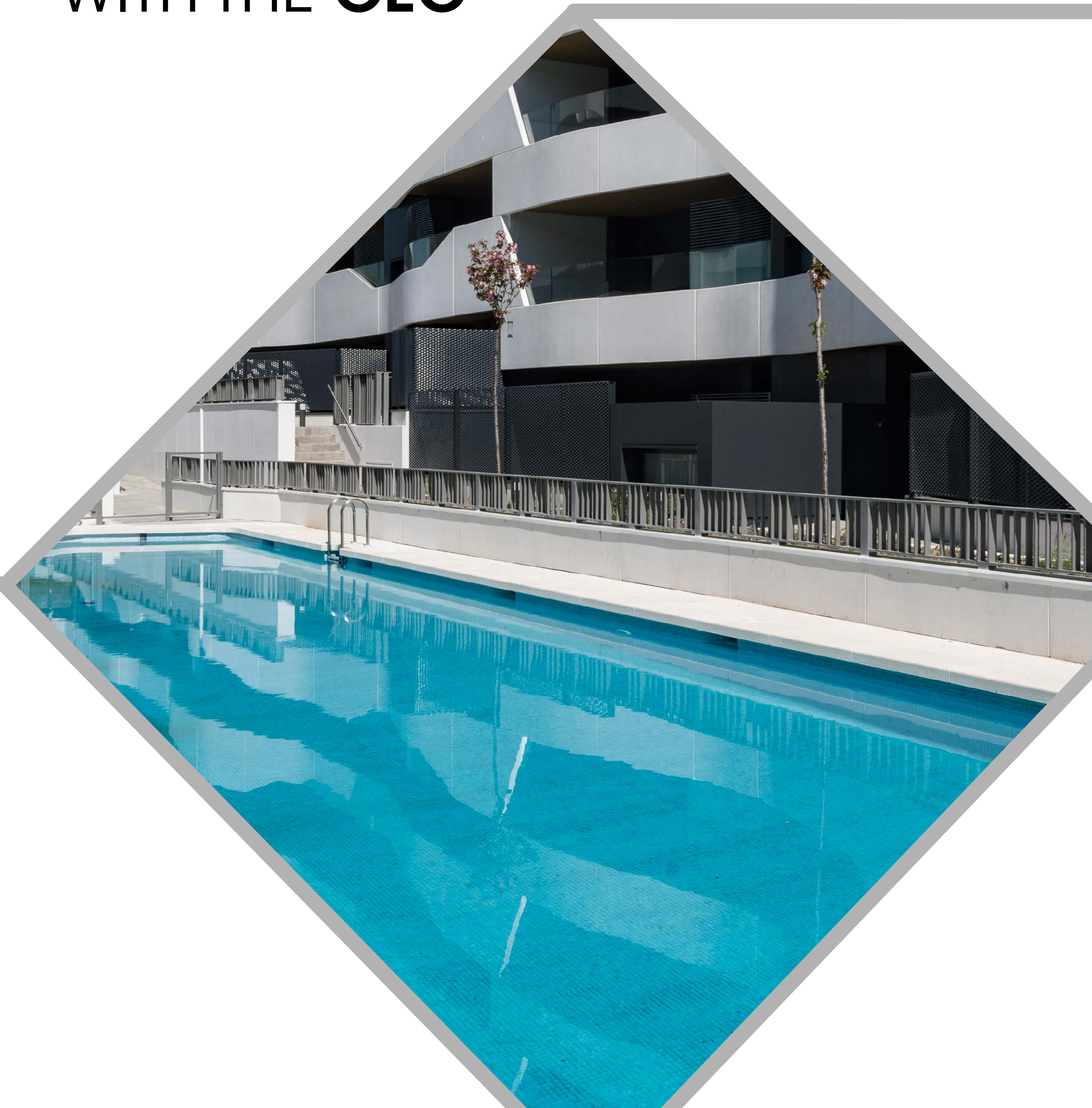
90.11% comply with the **Good Practice Manual**

51 approved suppliers, **14 Architecture** and **5 Engineering Studios** in 2021

24.78 accident frequency rate

02

INTERVIEW WITH THE **CEO**



We are a company that has been **able to achieve its financial targets** without compromising its **sustainability**.

What are **Neinor's main** sustainability challenges?

For Neinor Homes, sustainability is not an option. It is part of our DNA, our corporate culture and our line of business. We are convinced that no company will be viable in the medium and long term if its strategy does not take into account the social and environmental impact it has on its surroundings.

Aware of these challenges, Neinor's Board of Directors approved the 2022-2025 Sustainability Plan, which includes an analysis of the various measures, business lines, corporate transactions, public-private agreements and other courses of action that we have implemented through rental initiatives, agreements with institutions for the development of social rental, new servicing business, the integration of part of the construction sector in the value chain and a line of business - Neinor Essential - that offers quality housing at affordable prices to a large segment of the population that currently has difficulty accessing housing.

BORJA GARCÍA-EGOTXEAGA
CEO

How is **Neinor perceived** in terms of sustainability??

We closed a historic year for Neinor, with record figures in EBITDA, results, off-plan sales and deliveries. A year marked once again by the pandemic, in which we were able to rise to the occasion, not only from an economic but also from a social point of view.

Aware of this permanent debt that Neinor has with society, we have set ourselves the unpostponable goal of developing a sustainable and profitable housing model that allows us to fulfil our economic and social commitments. This path, which we have been promoting for years, has resulted in one of the most important acknowledgments in the world. **Neinor has obtained the highest international rating in environmental criteria according to Sustainalytics,** a company of the Morningstar group that provides institutional investors and companies with high quality environmental, social and governance (ESG) research, ratings and analytical data. Sustainalytics has also awarded us the Top ESG Performer 2021 badges in the Regional and Industry categories, recognising our sustainable efforts.

We greatly appreciate this distinction, especially considering that housing production faces major challenges, both from the environmental and the social standpoints. This recognition demonstrates that Neinor Homes has been able to achieve its financial targets without compromising its sustainability.

What **tools is Neinor developing** to contribute to the challenge of sustainability?

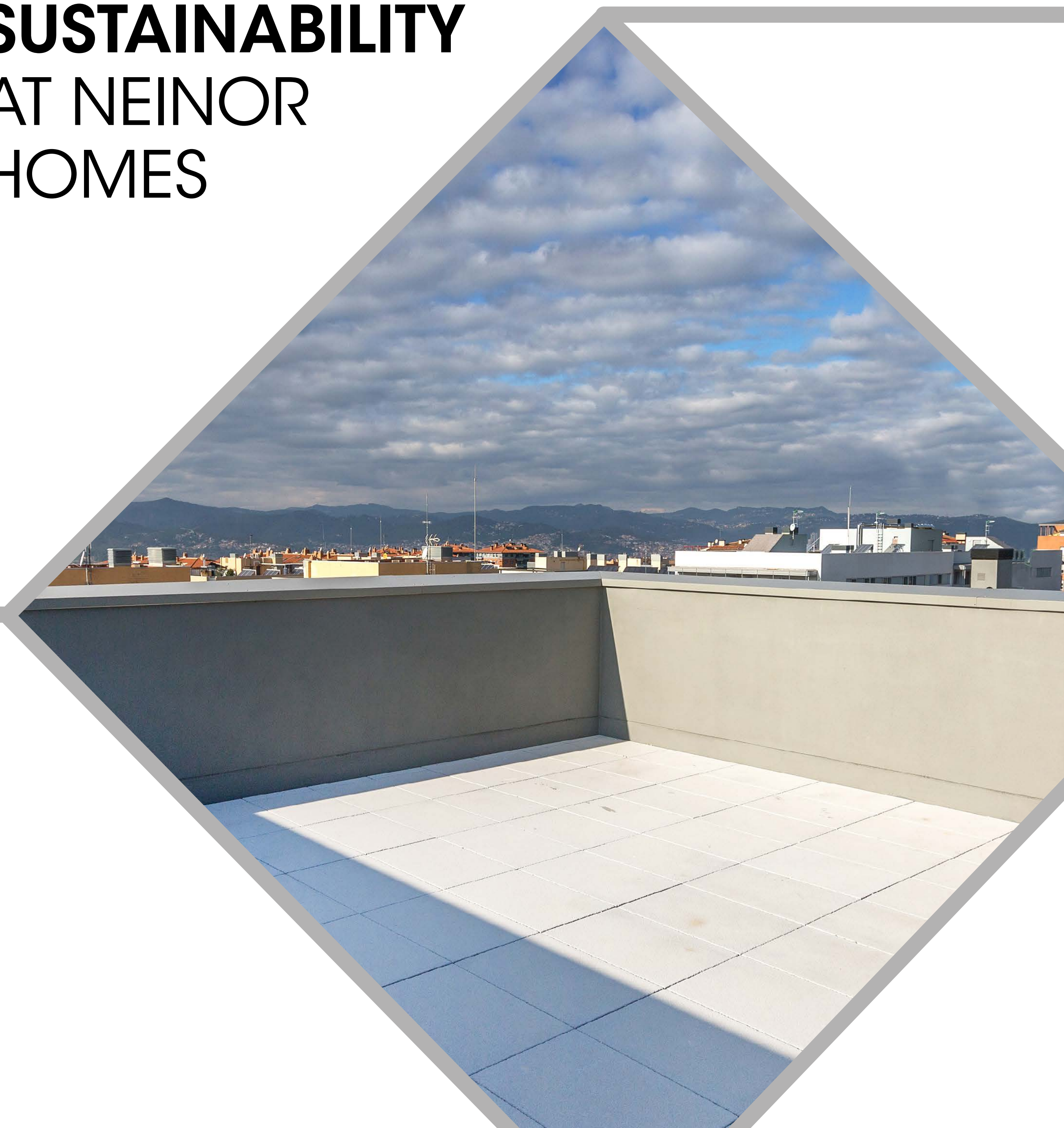
Neinor Homes has the best tools to address the most important structural challenges that involve its business and society. Challenges such as climate change, which we facing up to with a firm commitment to sustainable and eco-efficient building. In the coming years we will see a boom in industrialisation, the use of new materials, the digitalisation of processes, and new energy efficiency standards that will reduce CO2 emissions. In this scenario, Neinor has created a business model in which social and environmental benefits are part of our corporate success, giving us social legitimacy and financial stability.

From a social point of view, the main challenge is to reduce the housing shortage. Housing shortage is one of the biggest problems faced by young people and a large part of the most disadvantaged in society. We are convinced that this is one of the most important socio-economic problems we are facing because of the harsh consequences it brings with it: delay in the age of leaving home, reduction of birth rate, decrease in consumption and domestic demand and, in short, delay in economic recovery.

Neinor Homes has created a **business model** in which **social and environmental benefits** are part of our **corporate success**.

03

THE SHIFT FROM CSR TO SUSTAINABILITY AT NEINOR HOMES



2021 has been a decisive year in the transformation of Neinor Homes' Corporate Social Responsibility, as the company's 2017 Corporate Social Responsibility Master Plan has evolved, giving rise to the 2022-2025 Sustainability Plan, which was approved in September by the Board of Directors.

The Sustainability Plan has been developed with the aim of transforming the real estate development model towards a more sustainable one, and has focused on creating value for the environment, society and people: minimising the impact of our activity on the environment, contributing to the development of the social and business fabric, as well as reducing the difficulties of access to housing for many groups.

For this reason, the Sustainability Plan has been articulated around our three **strategic pillars**: Environmental, Social and Governance (ESG).

Environmental

We build homes for tomorrow

Because the housing of todaywill determine our home of tomorrow, we want to provide society with **residential solutions that respect the environment,** that use only the resources necessary, and that are energy-efficient in their development.

Homes, in short, **that our children and future generations will be proud of**.

Social

Our people and communities

In Neinor homes we don't just build homes. We **build cities**, committing ourselves to our social environment and to people's health, safety and wellbeing.

The aim is also to **provide quality residential homes to all segments of the population.**

Governance

Our way of doing things

We firmly believe that **how we do things determines who we are and who we want to be.** That's why we hold ourselves and our entire supply chain to **ethical standards of integrity and transparency.**

A way of doing things that we complement with our commitment to i**nnovation, digital culture and sustainable financing.**

Our Sustainability Plan is made up of 16 areas of activity, within which 30 objectives and their corresponding 95 courses of action have been established, assigning specific deadlines and departments responsible for their development and fulfilment.

AFurthermore, as a sign of our commitment to the United Nations 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDGs), we have used these as a **reference** to define the courses of action of our **Sustainability Plan.**

- The **Environmental (E)** pillar focuses on building sustainable and resilient homes that are certified as such by a third party and whose consumption of energy resources is very low, on reducing and offsetting the company's emissions, on promoting sustainable mobility in our developments, on protecting the biodiversity of the area, on supporting urban regeneration and on reducing and recovering construction waste.
- The **Social (S)** pillar focuses on improving access to housing, improving the safety, health and well-being of employees, suppliers/contractors and customers, actively listening to customers to offer them personalised service and products that bring them well-being, attracting and retaining talented employees, placing great importance on issues such as equality, diversity and non-discrimination, and developing and promoting social action and community engagement and human rights initiatives.
- The **Governance (G)** pillar focuses on aligning with best governance standards, maintaining and strengthening the ESG responsibilities of governance bodies, ensuring the company's ethics and integrity, engaging with stakeholders and communicating detailed ESG progress to stakeholders, and incorporating ESG criteria into supplier contracts and evaluations.

We build homes for tomorrow

E

ENVIRONMENTAL

- **E.1.** Resilient and Sustainable Homes
- **E.2.** Taking into account climate change. LCA/Carbon footprint
- **E.3.** Ecoefficient homes/resource use
- **E.4.** Protection and improvement of the environment
- **E.5.** Circular Economy

Our People and Communities

S

SOCIAL

- **S.1.** Homes for everyone
- **S.2.** People's health, safety and wellbeing
- **S.3.** Customer attention and care
- **S.4.** Commitment to the team
- **S.5.** Commitment to Society, the Community and the City

Our way of doing things

G

GOVERNANCE

- **G.1.** Best practice in Corporate Governance
- **G.2.** Ethics and Integrity
- **G.3.** Transparency and Relations
- **G.4.** Responsible sourcing chain
- **G.5.** Digital Culture/Innovation
- **G.6.** Sustainable Financing

In this way, the Sustainability Plan covers all the points reflected in the previous Master Plan, but goes a step further, as it is a Plan that has evolved and broadened its scope, making its objectives more global and giving them a message and meaning, such as the commitment to sustainability at a global level and the company's involvement with an organisation such as the United Nations.

Validation of the ESG of the Neinor Homes Group

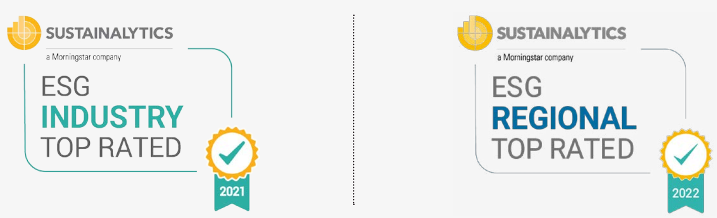
In order to find out where the company's ESG stands, this year we have taken the step of starting to evaluate it with various analysts, because we believe that this is the best way to objectively communicate what we are doing in this area and to obtain feedback that will allow us to continue improving.

This year we have assessed our ESG with the prestigious analyst Sustainalytics, which has awarded us the ranking of **the world's best residential developer on ESG criteria**, giving us a score of 10.5 (low risk) and has said of us that "The risk of ESG factors having a material financial impact for the company is low, due to its low exposure and strong management of material ESG issues. The company stands out for its good corporate governance, which reduces its overall risk. In addition, the company has not experienced significant controversies."

YOUR ESG RISK RATING **10.5** **LOW RISK**

Negligible	Low	Medium	High	Severe
0 - 10	10 - 20	20 - 30	30 - 40	40 +

In addition, Neinor Homes has been recognised as one of the best ESG companies among the more than 4,000 companies covered by Sustainalytics in its global universe. For this reason, it has awarded us the Top ESG Performer 2021 badges in the Industry and Regional categories.



04

TRANSFORMATION OF THE SECTOR

We are a **real estate platform** in which, through the application of best practices in the various areas of our activity, we seek to **accompany our customers** in a **close and responsible way** in one of the most important decisions of their lives, the **choice and purchase/rental of their home**.

4.1. OUR IDENTITY

Neinor Homes is a listed company dedicated to r**esidential development,** first and second homes, **and the rental** of its own and third-party homes in Spain, whose offer is aimed at customers of all segments. One of our pillars is the social pillar, given our profound conviction that **people should be at the centre** of each and every decision.

Neinor Homes is guided by a **culture of good governance**, both internally and throughout its supply chain. It also has a vision oriented towards a **new, more sustainable business model**, based on the consideration of climate change, sustainability, eco-efficiency and resilience of housing, the protection and improvement of the environment and the circular economy.

The company’s raison d’être is based on **three strategic pillars:**

ENVIRONMENTAL

We build homes for tomorrow

Because the housing of today will determine our home of tomorrow, we want to provide society with **residential solutions that respect the environment**, that use only the resources necessary, and which are energy efficient in their development.

Homes, in short, that our childrenand future generations will be proud of.

SOCIAL

Our people and communities

At Neinor Homes we don’t just build homes. We **build cities**, committing ourselves to our social environment and to people’s safety, health and wellbeing.

The aim is also to **provide quality residential homes to all segments of the population**.

GOVERNANCE

Our way of doing things

We firmly believe that **how we do things determines who we are and who we want to be**. That’s why we hold ourselves and our entire supply chain to **ethical** standards of **integrity and transparency**.

A way of doing thingsi that we complement with our commitment to **innovation, digital culture and sustainable financing**.

4.2. A NEW TRAJECTORY, A LONG JOURNEY

Neinor Homes S.A. started business in **May 2015** with the clear objective of leading the **transformation of the real estate sector** and becoming a **benchmark in quality and customer service**. In addition, the firm can count on the almost 30 years of experience of its predecessor, a real estate subsidiary of Kutxabank, from which Neinor Homes split off to become an i**ndependent real estate development firm**. Currently, it maintains a strategic collaboration with the financial entity, as Neinor Homes acts as a Servicer.

Neinor Homes entered a new dimension on 29 March 2017 with its **listing on the Spanish Stock Market**, being admitted for trading on the secondary markets of Madrid, Barcelona, Bilbao and Valencia. This was the first listing of a residential developer in Europe in the last decade.

The company's **achievements** to date and the **rapid growth** it has experienced since its creation (2880homes delivered in the last year) are due to a firm strategy, strong investment in innovation and technology and the talent of its professionals, making it **a benchmark company in the sector**. In this way it has managed to increase its workforce by a factor of 4.1, from 80 to 328 employees.

Neinor has become the benchmark for real estate platforms.

The figures achieved in terms of deliveries, turnover and profit have made us the leading national residential developer. And the inclusion of services of land purchase and urban development management, design, construction, consultancy and rental management of homes (our own and those of third parties) make us the only real estate platform in Spain that covers 100% of the real estate value chain.

4.3. OUR PURPOSE AND VALUES

Neinor Homes carries out its activity in a highly competitive environment based on a proposition that highlights its **aspirations** and **objectives**, which are based on **values** closely linked to the 3 strategic pillars: we build homes for tomorrow (environmental), our people and communities (social) and with our own way of doing things (governance).

Our purpose is to contribute, from the real estate activity, to the improvement of society. We are looking to the future, adapting to new consumption models and the current social reality.

Moving house has become more than just an option; it is a necessity, a symbol and a driver of social change. That is why at Neinor Homes we are moving forward with people towards the future they want, both personally and globally.

HUMAN CENTRIC

We evolve with people and their new needs in mind. **We change with society, we work with empathy**.

SUSTAINABILITY

The only way of working that we believe in is one that **respects the planet.** And makes it possible for people to exercise their responsibility at home.

TALENT

We believe in the development of society through the promotion of talent and the **creation of suitable environments for its development.**

INNOVATION

We embrace our role as industry innovators by **investing in innovation** that improves the lives of our customers and society at large.

RESPONSIBILITY

We engage with society to put housing at the heart **of fair and sustainable social growth**. Leading the transformation of the sector.

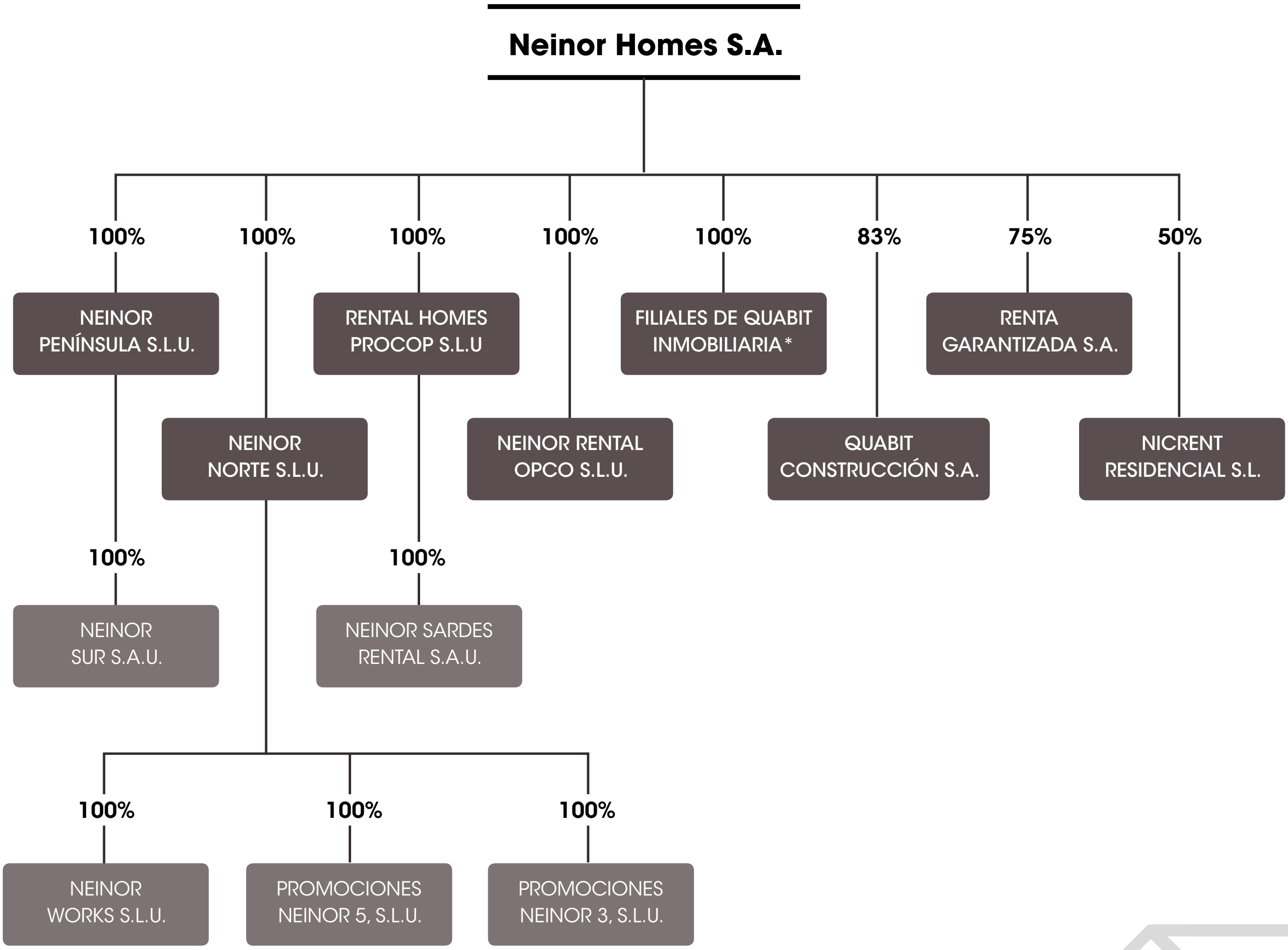
PRINCIPLES

The ethical principles of **transparency and commitment** are basic to our credibility.

4.4. OWNERSHIP STRUCTURE

Neinor Homes has its main base in the **Basque Country**, from where it has extended its activity throughout the **rest of the Spanish Peninsula**, concentrating on the markets with the highest demand and lowest stock, with a special presence in Madrid, the Basque Country, Catalonia, Castile-La Mancha, Andalusia, Valencia and the Balearic Islands. It has **offices** in Bilbao, Barcelona, Madrid, Guadalajara, Cordoba, Malaga and Valencia.

Below is an outline of the Neinor Homes **Group's corporate structure**.



* 65 subsidiaries from the now-defunct Quabit Inmobiliaria S.A. and integrated in the Neinor Group as a result of its merger by absorption with Neinor Homes, S.A.

05

WE CREATE VALUE THROUGH A **RESPONSIBLE BUSINESS MODEL**

The priority of our **business model** is to satisfy the needs of our customers based on responsibility in the **exercise of our activities** and the **commitments** we have made to our stakeholders.

5.1. ECONOMIC AND SOCIAL ENVIRONMENT

At Neinor Homes we are focused on meeting the needs, changing appetites and aspirations of our customers. We have a superior first home product, the best locations in Spain and a land bank acquired for the best prices.

In an environment of uncertainty, Neinor Homes is prepared to face the changes of the post-Covid world. We have never been better positioned financially, operationally and technologically to face this challenge, as we are able to cover the entire cycle of our business. Last year, in addition to our development business, we incorporated the Rental line, dedicated to rental management and with new build developments for rent, and construction, creating our construction company Neinor Works, which was reinforced with the acquisition of Quabit and its construction company Quabit Construcción. In a new departure, in 2021 we have created Neinor Essential, in which we are developing affordable housing for more segments of the population with the company's usual qualities. In addition, we have also committed to a public-private partnership to build 4,500 social rental homes in Barcelona.

On the other hand, **interest rates have remained at low levels**, increasing Spaniards' accessibility to home ownership. Moreover, financial institutions continue to offer **easier access to mortgages**. All of this has meant that the fundamental data on home sales and purchases remain solid in the current situation.

In this **context of a degree of economic stability** and bearing in mind that residential development is a sector with a complex value chain in which numerous agents are involved, Neinor Homes is tackling all these factors through a critical analysis based mainly on **new technologies, innovation** and **sustainability**. Improved **continuous listening** to current and potential **customers**, virtual visits, on-line pre-reservations and digital signatures are other factors that allow us to better understand the direction the market is taking.

We have never been better positioned financially, operationally and technologically to tackle the post-Covid challenge.

5.2. DEVELOPMENTS ON THE STOCK EXCHANGE

Neinor Homes was floated on the stock exchange on 29 March 2017 **with a value of 16.46 euros per share**. The first years of listing were marked by political and economic uncertainty for Spain. Subsequently, 2020 saw the COVID-19 health emergency have a social and economic impact that was reflected in the financial markets. Since the lows of March 2020, Neinor's stock has recovered as investor confidence has increased, driven by the roll-out of vaccines. The first half of 2021 continued to be based on optimism in the economic recovery. In contrast, during the second half of the year, fears of a more restrained economic policy by central banks, coupled with the advance of new variants of the virus, have caused the markets to reduce some of the gains made during the first months.

SHARE VALUE OVER TIME

Neinor's performance during 2021 has been similar to that of the Ibex 35 Index, ending the year at the same levels as at the beginning of the year. Both saw a notable recovery over the previous year which therefore left a lower potential for revaluation in the current context of uncertainty about the Spanish market.

The sector's discounts to the value of its assets have increased slightly as asset values have risen while sector share prices have remained stable compared to the beginning of the year. In the case of Neinor, the discount has increased by 9 percentage points over the last 12 months to 39%.

Following the announcement of the creation of the new rental business in 2020 and a record year of both financial and operating results, Neinor announced in early 2021 the first consolidation transaction in the Spanish real estate sector: the merger by acquisition of Quabit Inmobiliaria. This merger added a total of 7,000 units to Neinor's land bank - 1,600 of them under construction or already completed.The valuation of the transaction together with its capital structure will allow for strong shareholder value creation in the coming years. As at the end of 2021, Quabit was fully integrated into Neinor and was already generating operating profits for the company.

The number of analysts covering the company has remained at 13. The average price target stands today at 13.72 euros per share, 26% higher than at the beginning of the year. In total, the Neinor share has 7 "Buy", 5"Hold" and 1"Sell" recommendations.

The distribution of the shareholding is estimated as follows:

MAIN SHAREHOLDERS AS AT DECEMBER 2021

Name or company name of the shareholder	Total % of voting rights
Orion European Real Estate Fund IV, SLP	**28.01%**
Adar Capital Partners LTD	**19.34%**
Cohen & Steers Inc.	**4.98%**
BMO Asset Management Limited	**4.79%**

5.3. NDUSTRIALISED BUSINESS MODEL WITH THE CUSTOMER IN MIND

Neinor Homes is a real estate platform that covers the entire value chain of its business activity: urban development management, design, construction, sale and rental.

Neinor Homes' main activity is the **residential development of first and second homes in Spain**. Unlike other companies in the sector, it **buys development-ready land at market value and strategic land with a high degree of urban development,** without running financial risks in the event that it does not reach development-ready status, obtaining a profit margin from the transformation of this land into homes. In addition, Neinor Homes **manages all phases of the value chain of the residential development process**, including land acquisition and urban development management, design, construction and marketing of the product and after-sales service. Its business model is based on the industrialisation and systematisation of processes, involving the entire company in the business objectives and strategy. Thus, **all employees are involved in the aim of creating a stand-out developer.**

Neinor Homes applies an **industrialised model based on 6 main pillars:**

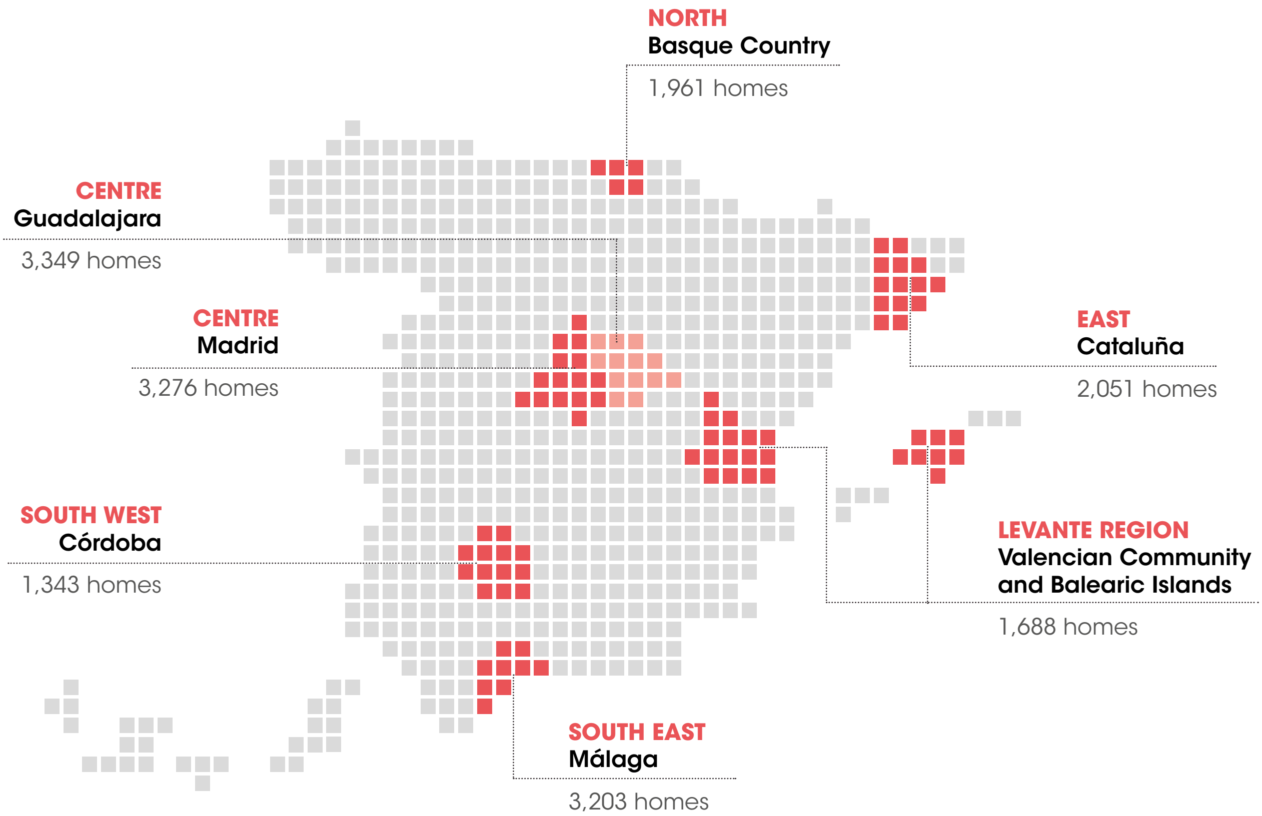
Neinor Homes manages all the phases of the value chain residential development process.

SYSTEMATISATION The systematisation of the company's processes makes it possible to **work with defined rules** in all developments.	**STANDARDISATION** Neinor Homes has developed the **construction White Book**, in which it establishes the design criteria and company-specific product attributes that are adapted and applied to all products.	**RIGOUR** Rigour in **meeting development deadlines** and focus on the margins are clear principles of the company's industrial model, which enables it to meet its commitment to customers and shareholders.
ENVIRONMENT The Neinor Homes team is part of the same **production chain**, made up of different roles and processes.	**INNOVATION** Through **innovation**, Neinor Homes **optimises** the development of the different processes, incorporating new services, construction systems, technologies and materials.	**TECHNOLOGY** Integration of the entire value chain in a **digital environment**, with the objective of increasing productivity, fostering collaborative work and decision-making.

Moreover, Neinor Homes is an **environmentally responsible** company with a strong commitment to **sustainable building**, with all its homes being **eco-efficient** and thus offering its customers maximum energy efficiency and user comfort.

› THE MAIN FIGURES FOR NEINOR HOMES

Neinor Homes currently has **one of the largest banks of quality development-ready land in Spain**, with an area of **2.4 million m²**.



Within its pre-eminent position in the real estate sector, the fundamental component of Neinor Homes' business model and its value chain is the **launch of residential developments**. The year 2021 has continued to be a year of profound institutional development with the consolidation of Neinor Homes as a benchmark developer thanks to the **delivery of 2,880 homes and having, by the end of 2021, more than 7,000 homes in various stages of production (3,629 homes in the launch phase and 3,575 homes under construction)**.

With regard to the Neinor Rental platform, the developer has a land bank of almost 3,500 units, of which 542 are already operating and there are a further 871 units under construction. In 2022, there will be 755 units in operation. Given the number of developments that will be dedicated to Rental, these figures will increase significantly.

Renta Garantizada, a company which was acquired in the last quarter of last year, has 2,700 assets under management, after extending its activities to new geographic locations such as Barcelona, Malaga and Valencia.

Lastly, in addition to the sale of land or non-strategic properties in the portfolio (Sale-as-is and Retail), of note was the activity as a banking servicer managing a portfolio of €1,152 million.

VALUE CREATION FOR OUR STAKEHOLDERS

ECONOMIC VALUE

Neinor Homes is an engine of economic progress in the Spanish real estate sector. In 2021 it purchased land worth €285/650 million (if we include the Quabit takeover), returning to the dynamic of acquiring land at prices in accordance with the company's business plan, in line with the containment policy implemented in 2020 which advised waiting for the right time to buy. Total revenues for the year were €917 million, with a net profit of €103 million euros and EBITDA of €158 million. In addition, €20 million income tax was paid and no subsidies were recorded. Moreover, the net book value of Neinor Homes' stock at 31 December 2021was €1,323 million, in line with 2020*.

In the 2021 financial year, the economic value generated was **€917 million** and the economic value distributed was **€793 million**, with a retained economic value of **€124 million.**

*For further information please see Annual Accounts.

ECONOMIC VALUE GENERATED

€917 million

(ordinary income + other income + gain or loss on disposal of fixed assets)

DISTRIBUTED ECONOMIC VALUE

€793 million

(costes de existencias + costes operativos + costes financieros + costes de personal)

ECONOMIC VALUE RETAINED

€124 million

SOCIAL VALUE

Neinor Homes seeks to sell homes that meet the **needs of its customers** and contribute to the **social and economic development** of the places where they are located.

Since its origins, Neinor Homes has maintained a strong commitment to outsourcing. Its **328 employees** work side by side with the **best external professionals in the sector,** from architects to project managers, from construction companies to quality control, geologists, etc. Therefore, Neinor Homes acts as a driving force in the sector, with a strong national presence and which this year has generated indirect employment for **8,580 professionals**, a figure that has remained stable over the last few years.

[1]According to the Association of Real Estate Developers of Madrid (ASPRIMA), 2.4 indirect jobs are generated per individual home.

328
DIRECT JOBS

8,580
INDIRECT JOBS[1]

ENVIRONMENTAL VALUE

Neinor Homes is a company committed to the environment that surrounds it and promotes the **preservation of and respect for the environment,** setting itself demanding challenges to work in a more sustainable way and to find solutions that allow it to reduce the environmental impact of all its corporate activity. This commitment is reflected in the fact that most of its homes meet the requirements of the prestigious **BREEAM® sustainability certification**. Of the 134 developments that have obtained the final BREEAM® certification in Spain, one third (34%) are from Neinor Homes.

Currently, 67% of our developments have BA/BB Energy Certification and 24% have AA Energy Certification, and Neinor Homes has committed to carry out a life cycle analysis of all its projects started from 2022. It has also started to measure the corporate carbon footprint, having measured and offset Scope 1 and 2.

Neinor Homes has an **Environmental, Quality and Innovation Policy** and is ISO 14001 certified for promoting the use of sustainable techniques in the design of energy efficient buildings*.

*For more information please see pages 32 and 33.

QUALITY, ENVIRONMENT AND INNOVATION POLICY

ISO 14001
CERTIFIED

5.4. SUSTAINABILITY AS AN INTERNAL ACTION FRAMEWORK

SUSTAINABILITY GOVERNANCE

Sustainability management at Neinor Homes is carried out by the Sustainability Committee, chaired by the CEO of the company and headed by GRC, Internal Audit and Sustainability management, which reports hierarchically to the Audit and Control Committee, which is the supervisory body in this area, in line with the principles established in the **Sustainability Policy.**

Neinor Homes has a Sustainability Policy that establishes the **general principles and the internal action framework** for the integration and management of social responsibility with respect to people, operations and the environment, based on the company's strategic pillars: environment, society and governance.

SUSTAINABILITY PLAN 2022-2025

In October 2016, Neinor Homes defined its sustainability strategy to 2030 through the **Corporate Social Responsibility Master Plan.** The aim of the Plan was to create a **single cross-cutting framework** that would allow for the **integrated management of all** social, environmental and good governance initiatives, identify specific objectives and design specific actions in the short, medium and long term. For each of the company's strategic pillars, a **set of courses of action and operational monitoring indicators** were established.

In the 2021 financial year, the company worked to improve and update this Plan, on the understanding that its premises and objectives were still valid but that they needed to evolve, thus giving rise to the **2022-2025 Sustainability Plan**, which was approved by the Board of Directors in September 2021.

The Sustainability Plan is articulated around our three strategic pillars: Environmental, Social and Governance, which are clearly an evolution of the three strategic pillars of the Sustainability Master Plan: Product, Customer and Institutionalisation.

All departments of the company are involved in the fulfilment of the Plan, deadlines for compliance are set and each of the 30 targets is linked to a Sustainable Development Goal.

STRATEGIC PILLAR	AREAS OF ACTION	OBJETIVES
SOCIAL Our people and communities	• Housing for all • People's safety, health and well-being • Customer relations and protection • Commitment to the team • Social, community and city engagement	• Affordable social housing • Safety, health and well-being of employees, suppliers/contractors and customers • Community well-being and cohesion • Personalised attention and active listening to customers • Attracting and retaining talent • Diversity and equality • Social action • Relations with local communities and human rights
ENVIRONMENTAL Building homes for tomorrow	• Sustainable and resilient housing • Consideration of climate change. LCA / Carbon footprint • Eco-efficient housing / resource consumption • Protection and improvement of the environment • Circular economy	• Sustainable building certifications • Environmental management system • Resilient housing • Operational emissions and energy • Energy efficiency • Water management • Sustainable mobility • Biodiversity • Urban planning and community transformation • Reduction of consumption and waste
GOVERNANCE Our way of doing things	• Best practices in corporate governance • Ethics and integrity • Transparency and relations • Responsible supply chain • Digital culture / innovation • Sustainable financing	• Alignment with government standards • Maintaining and strengthening ESG responsibilities in governance bodies • Ethics and integrity • Engagement with stakeholders and external initiatives • Positioning in ESG ratings and indices • Sustainable discourse • Quantification of impact • Responsible supply chain • Sustainable innovation • Promoting digital literacy • Alignment with the European taxonomy of sustainable finance • Definition of theoretical frameworks for ESG fundraising

Neinor Homes, as a real estate developer, is a member of several associations linked to the construction sector within the scope of activity thereof. Likewise, aware of the importance of sustainability and the environment, it is a member of the BREEAM® Advisory Board, as well as forming part of the BREEAM® programme reserved for companies that share the philosophy and objective of transforming the building sector, promoting more sustainable construction. It is also a member of several associations, following its Corporate Governance, Ethics and Compliance policy.

It has also participated in the Green Building Council Spain sustainable building taxonomy working group and is currently in the European working group of the CPEA (Climate Positive Europe Alliance) to improve the sustainability of buildings.

SECTORAL ALLIANCES AND MEMBERSHIP OF ASSOCIATIONS

Association of Builders and Developers of **Bizkaia** (ASCOBI)
Association of Real Estate Developers of **Madrid** (ASPRIMA)
Construction Cluster of the **Basque Country** (ERAIKUNE)
Provincial Association of Real Estate Developers and Agents of Building and Rehabilitation of **Valencia**
Provincial Association of Constructors and Developers of **Málaga**
Association of Construction Entrepreneurs of **Córdoba**
Association of Developers and Building Constructors of **Barcelona**
ASCOM
Association of **Auditores Internos**
Institute of Compliance Officers **(IOC)**
BREEAM® Advisory Board members
Green Building Council Spain
Global Compact (Sustainable Development Goals)
ASVAL (Association of Rental Property Owners)
CPEA (Climate Positive Europe Alliance)

QUALITY AND ENVIRONMENTAL MANAGEMENT

The application of the principles established in the area of CSR, together with its commitment to offer its stakeholders the maximum excellence in quality in its products and actions, lead Neinor Homes to carry out efficient management of quality and the environment in its daily activities. The Environment, Quality and Innovation Policy is focused on achieving excellence in management in order to meet these expectations.

Neinor Homes has a **Quality Committee** which, since 2016, has been responsible for setting the annual Quality and Environment objectives, to advance towards excellence, and to monitor these objectives, meeting as needed, and the presentation and approval of the company's procedures, monitoring of the Quality department and management review, keeping them up to date and in a process of continuous improvement. The Committee is made up of the general management, regional managers and the company's CEO.

In 2021 the Quality department became part of Corporate General Management, prioritising the updating of procedures and their accessibility. Among the tasks carried out, priority was given to updating and improving the company's processes and the procedures that support them, in pursuit of continuous improvement and improving the efficiency of all areas. The integrated Quality, Environment and Innovation Management System was successfully recertified in accordance with the ISO 9001:2015, ISO 14001:2015 and UNE 166002 standards.

Neinor's activity involves a large number of suppliers and contractors who work together in the development of projects. To ensure the **highest quality standards,** all of them are obliged to comply with what the provisions of the signed contracts and with the indications included in the White Book. Of the developments currently under construction, 25% include the requirements to obtain **BREEAM® sustainability certification.** Currently, 67% of our developments have BA/BB Energy Certification. 24% of our developments have the AA Energy Certification.

CERTIFICATIONS

Management Quality
(ISO 9001)

Environmental Management
(ISO 14001)

R&D&I management
(UNE 166002)

Security Management Information
(ISO 27001)

Reducing the **environmental impact in all its offices** is another of the key points for Neinor Homes, which is why significant efforts are made to minimise energy consumption and the usage of materials such as paper and toner. In addition, 100% of the company's facilities are certified according to widely accepted quality standards.

SIGNED UP TO GREEN ENERGY

The **offices** in **Bilbao, Barcelona, Cordoba, Valencia and Malaga** are currently supplied with green energy. With its commitment to green energy, it has tried to standardise the supply of green energy to all possible branches.

DUAL-SCREEN WORKSTATIONS

The addition of more dual-screen workstations **avoids unnecessary printing.**

MEASURES TO REDUCE ENERGY CONSUMPTION

The replacement of lighting takes into account the installation of **new lighting with LED technology.** In addition, **motion sensors** have been installed in the Bilbao office.

During 2021 and due to the pandemic, we have been updating the Covid protocols in line with the evolution of the pandemic. The company is firmly committed to prioritising the health of its employees and implementing all necessary measures to prevent the spread of the virus in our facilities. It is therefore necessary to bear in mind that measures such as the continuous renewal of outside air have led to greater energy consumption in order to maintain adequate conditions in the workplace.

PAPERLESS POLICY

A company-wide paperless policy was established in 2017, with recommendations to **reduce paper consumption**

Dual screen at each workstation

Sharing documents in digital format

Possibility of submitting Board documentation via tablets, avoiding the need to print out all the documentation

Default option on computers for double-sided printing

Using recycled paper for certain documents

The application of all these measures has resulted in a continuous improvement in **environmental indicators and greater environmental awareness** in Neinor Homes' offices. **Energy consumption** in 2021 was directly linked to the implementation of the new "open windows" protocol to encourage the renewal of outside air, a key measure to prevent the spread of the virus in the offices, thus increasing the use of heating in winter and air conditioning in summer.

Consumption in **2021 was 305,913 KWh in total, only 10% more than in 2020.** It should be remembered that during this financial year, in addition to the measures described above, the workforce has increased by 13%.

On the other hand, **paper use has been reduced by more than 51% in the last three years; we have gone from paper use per employee of 4.65to 2.1 in 2021**. Total use at company level has been 1500 KG, 625 packs (775 packs in 2020).

Neinor Homes is very conscious of the environment and sustainability and has therefore adapted all its work centres to be able to recycle all types of waste. In addition, Neinor Homes applies the legislation applicable to the collection and treatment of confidential paper, fluorescent bulbs, toner, batteries and sanitary hygienic products, with an external treatment company collecting each type of waste from the offices. In 2021 **2,145kg of confidential paper, 53kg of toner, 21kg of metal from keys, 40kg of batteries and 136.68kg of sanitary products**. This year, despite the fact that the number of people in the office has increased compared to last year and the number of employees has also increased due to the merger with Quabit, the amount of confidential paper, toner and key metal waste generated has been reduced.

Neinor Homes employees have travelled **565,813 km** in their vehicles for work, which has meant a spending of **€168,176,04** in fuel. The use of videoconferencing has enabled us to reduce fuel consumption, both for journeys with personal vehicles and for journeys by different means of transport.

Finally, the **water consumption** of our seven territories was around **1,689 m^3***.

*The water consumption for 2021 associated with the offices whose rent includes the payment of utilities has been estimated on the basis of the actual consumption of the remaining offices and the number of employees in these offices.

COMPARISON OF CONSUMPTION OVER THE LAST THREE YEARS

	YEAR 2019	YEAR 2020	YEAR 2021
Nª of employees	273	288	328
kwh consumed	285,501	278,501	305,913
Kg paper used	3,046	1,860	1,500
Paper use per employee	4.65	2.80	2.10

5.5. THE IMPORTANCE OF COMMUNICATION WITH OUR STAKEHOLDERS

Communication at Neinor Homes is the visible face of the work carried out by the company, both at a business as well as corporate and professional level. In this sense, communication takes on a leading role, focusing especially on the company's contribution to the improvement and professionalization of the sector. Neinor Homes focuses its efforts on **effective communication that extols its brand attributes** with the ultimate goal of **contributing to a change in the sector and generating trust and closeness to customers**.

To this end, we have a **360° communication strategy promoted and supervised by Senior Management**, with the **involvement of various corporate areas**, to promote open and bilateral communication with the main stakeholders:

INTEREST GROUP	WHY IS IT RELEVANT?	COMMUNICATION CHANNELS
INVESTORS AND SHAREHOLDERS	Shareholders are an **excellent thermometer** of a company's **confidence** and financial health.	• Shareholders' Day • General Shareholders'Meeting • Investor Relations website • Email communications • Press releases • Corporate and product presentations
CUSTOMERS	Customers are **the raison d'être of Neinor Homes**, which strives to offer them the best service and the highest possible quality in order to achieve maximum satisfaction.	• Neinor Experience website • Neinor Experience app • Development mailbox with personalised attention by NEXT manager • Points of sale • Newsletters • Satisfaction surveys • Direct care from Neinor Experience manager
EMPLOYEES	Employees are **what make Neinor Homes what it is**, so achieving their satisfaction and pride in belonging to the Company is the key to achieving maximum efficiency and being competitive in the market.	• Meetings with the CEO • Work climate survey • Whistleblowing Channel • Corporate Newsletter • 360° performance appraisals • Inefficiency Channel

SUPPLIERS	Neinor Homes works with a large number of suppliers and they are in charge of carrying out the construction of the housing and a **key element in maintaining high quality standards.**	• Ongoing dialogue • Regular meetings • App to evaluate Neinor Homes • Building committees • Supplier evaluation • Third party code of conduct
SOCIETY	Neinor Homes' activity has a significant impact on society, creating **direct and indirect jobs, and contributing to the social and economic development** of the places where the developments are located.	• Corporate website • Participation in sectoral forums and associations • Work with universities and associations • Social media

In addition, communication continues to be boosted through **social networks**, generating higher quality content on a fixed and regular basis, as well as through the internal communication channel with employees. Finally, the company continues to increase the presence of various company spokespersons at **events and forums in the sector,** thus reinforcing Neinor Homes' leading position in the market.

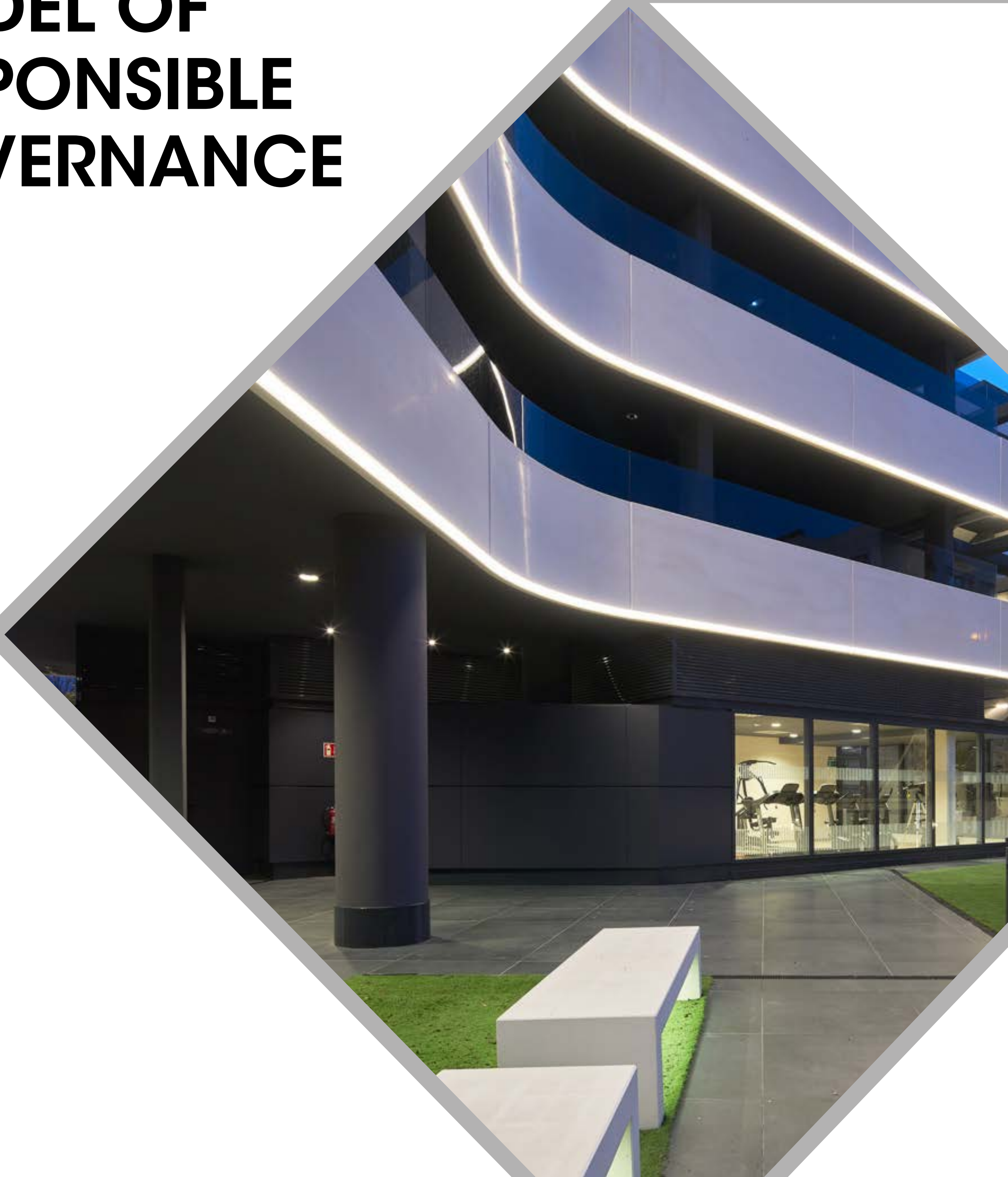
Neinor
HOMES

IN SOCIAL NETWORKS

LINKEDIN	FACEBOOK	INSTAGRAM	TWITTER
39,038 followers	**9,714** followers	**8,385** followers	**3,465** followers

06

OUR BUSINESS IS BASED ON A **MODEL OF RESPONSIBLE GOVERNANCE**



At Neinor Homes when we talk about **Corporate Governance we are talking about people and decisions**, with the understanding that these people are the right people and that they take the right decisions. We firmly believe that it is not only important to do the right things, but also to do them correctly and to be consistent with one's words, as these must be aligned with one's actions and deeds.

6.1. PRINCIPLES OF CORPORATE GOVERNANCE

The company understands corporate governance to be the set of mechanisms at the service of generating value in a simultaneous and sustained manner for all of the organisation's stakeholders. Therefore, Neinor Homes carries out its activity in a **transparent and responsible** manner, with **good corporate governance** as one of the objectives of its Sustainability Policy.

The aim is to provide an efficient response to one of the aspects that arouses most interest among investors, shareholders and other companies in the sector. Good corporate governance is a key trend nowadays, and **stakeholders** are increasingly **demanding more information** on various related aspects, to which Neinor Homes **responds in different ways:**

Neinor Homes is the benchmark in the real estate sector in terms of good governance and management.

- Measures implemented in the **fight** against **fraud** and **corruption**
- Evaluations carried out to **measure** the **functioning** and **management** of the bodies of **government**
- **Financial transparency** on the business model
- **Feasibility** of the company and its **long-term** purpose
- **Sustainability and** responsible **impact** on people and the environment

In addition, Neinor Homes monitors all good governance recommendations and trends, orienting its practices to achieve the highest standards of compliance and competitiveness. A regular **corporate governance diagnosis** is also carried out, analysing, among other aspects, compliance with the CNMV's **Unified Code of Good Governance**.

GOOD GOVERNANCE REGULATIONS AND POLICIES

- Articles of Association
- Internal Audit Function Articles
- Code of Ethics
- Third Party Code of Conduct
- Code of Good Practice in Real Estate Brokerage
- Anti-Corruption, Fraud and Bribery Policy
- Diversity and non-discrimination policy
- Book of good practices in Health and Safety on construction sites.
- Occupational Health and Safety Policy
- Regulations of the General Shareholders' Meeting
- Internal Code of Conduct for Securities Markets
- Rules of Procedure of the Compliance Function
- Rules of operation of the Electronic Shareholders' Forum
- Corporate Governance Policy
- Sustainability Policy
- Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors
- General economic-financial and corporate communication policy
- Tax Risk Control and Management Policy. Adherence to the Tax Agency's Code of Good Practices.
- Director Selection Policy
- Remuneration policy for members of the Board of Directors
- Sustainable Investment and Financing Policy
- Treasury Stock Policy
- Tax and good tax practices policy
- Conflict of interest and related party policy
- Policy on non-audit services to be provided by the auditor
- Employment policy for former auditors

6.2. GENERAL SHAREHOLDERS' MEETING

The General Shareholders' Meeting is the **highest decision-making and control body** of Neinor Homes in the matters within its competence, through which the shareholder has the right to intervene in decision-making.

The convening, preparation and conduct of the General Shareholders' Meeting is governed by the **Regulations of the General Shareholders' Meeting.** All of this in turn is subject to the provisions of current legislation and the **Articles of Association.** All shareholders have the **right to attend** the General Shareholders' Meeting irrespective of the number of shares held and all have the **right to vote.**

On 31 March 2021 the **fourth General Shareholders' Meeting of Neinor Homes** was held with a **quorum of 79.03 % of the share capital** (6.16% present and 72.87% represented). All the items on the agenda were approved with a percentage of votes in favour of more than 99%, except for one item which was approved with a percentage of 87.61% votes in favour.

The Shareholders' Meeting was broadcast live on the corporate website and could be followed later in streaming on a delayed basis. In addition, all the documents generated from it have been posted publicly on the website.

Neinor Homes also has an **Electronic Shareholders' Forum** where **proposals** for inclusion on the agenda or **offers or requests for voluntary proxies can be posted.**

POWERS OF THE GENERAL SHAREHOLDERS' MEETING

Approval of company management

Approval of the annual accounts, both individual and consolidated

Appointment and dismissal of the members of the Board of Directors and ratification or their appointments

Appointment and removal of the company's auditors

Agreement on the increase and the reduction of share capital

6.3. BOARD OF DIRECTORS

The Board of Directors is the highest governing body within the company and has **the broadest powers and authority to manage, direct, administer and represent** Neinor Homes. It therefore approves the company's strategy and general policies. Its functioning is governed by the **Regulations of the Board of Directors and byte Articles of Association.** The Board of Directors **meets as often as is convenient** for the proper performance of its functions, at least every three months. In 2021 the Board of Directors met on 16 occasions, and on 6 of these, ESG issues were dealt with.

At the 2021 close of business the composition of the Board was as follows:

56%
INDEPENDENT DIRECTORS

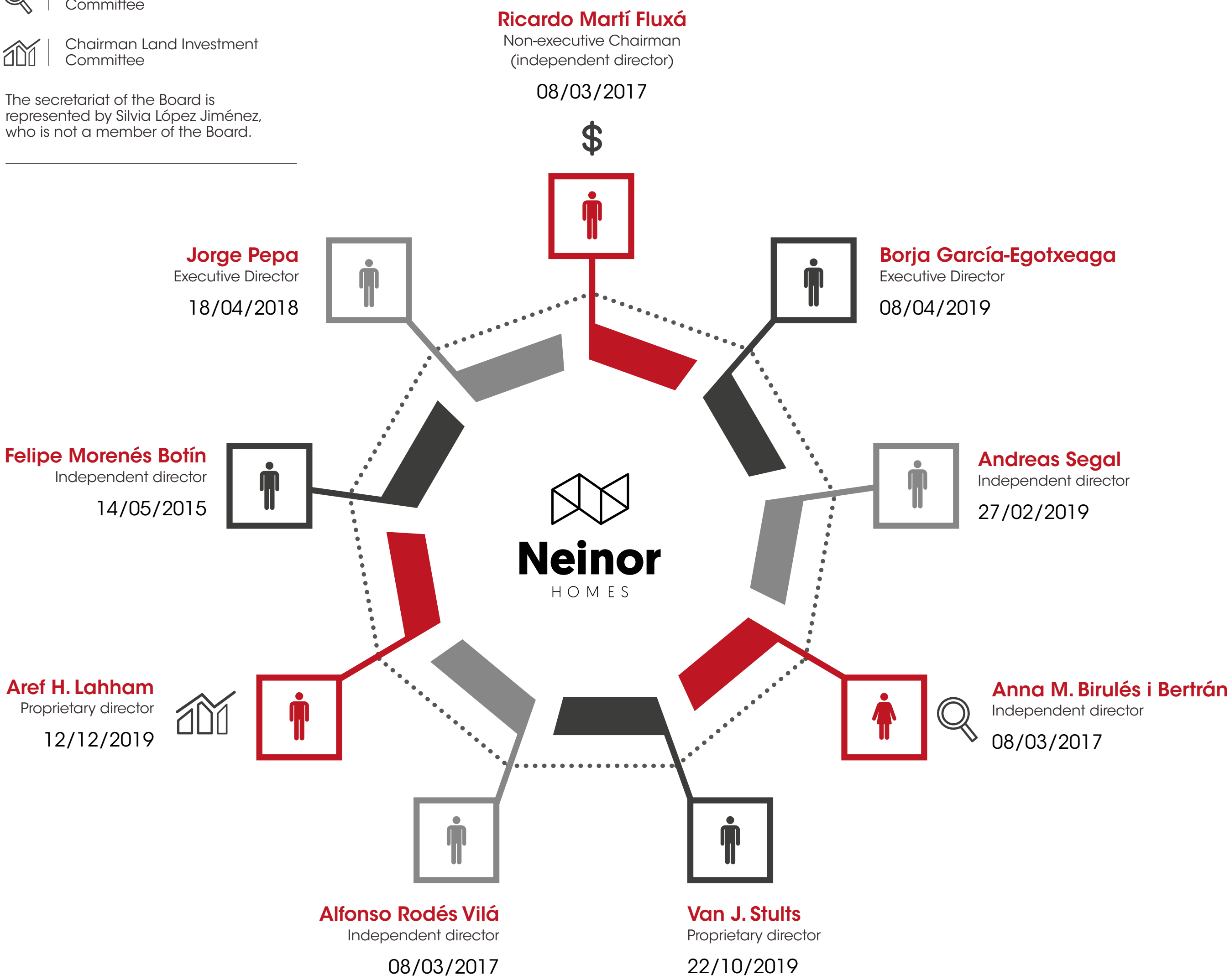
11%
WOMEN

$ | Chairman Appointments and Remuneration Committee

Chairman Audit and Control Committee

Chairman Land Investment Committee

The secretariat of the Board is represented by Silvia López Jiménez, who is not a member of the Board.



Neinor Homes **evaluates the quality and efficiency in the functioning and performance of its Board of Directors and its respective Committees** on an annual basis, following the best national and international market practices. Once every 3 years, the Appointments and Remuneration Committee is assisted by an external expert in carrying out this evaluation, as was the case last year.

In 2021 this assessment process was carried out internally. The results of the assessments carried out both internally and externally have been similar in terms of conclusions, recommendations and on common lines, placing Neinor Homes in a position of a high degree of compliance with standards and best practices, positioning it above its competitors and other companies in the international real estate sector. These evaluations are public and can be consulted on the corporate website.

This year, as in previous years, four working approaches have been followed in an attempt to achieve greater visibility and objectivity:

1. Review by internal audit of documentation and **internal functioning**, as well as measurement of the level of dedication, commitment, involvement and knowledge of the directors and analysis of the fulfilment of responsibilities.

2. Conducting a **self-assessment**: Assessment and insight into the effectiveness of performance and functioning by the Directors themselves, through questionnaires of questions and personal interviews which will be processed while respectingthe anonymity of the answers.

3. **Comparison with companies in the sector** (Benchmarking): Comparative analysis of the Corporate Governance practices of Neinor Homes compared to the performance of comparable listed companies in the sector and benchmark companies in the field of corporate governance, both nationally and internationally.

4. **Diagnosis of the company's situation in terms of Good Corporate Governance** based on national and international best practices and taking into account benchmark standards such as CNMV, IC-A, EBA, KING IV, etc.

The areas of review taken into account were:

Compliance with good practice

Analysis of the tone at the top, awareness of and interest in, on the part of the Board and its Committees, 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.

Liaison 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 board members

Analysis of the number of absences of directors from meetings of the Board and its Committees, also considering the analysis of non-executive directors in accordance with Art. 11a) of the Regulations of the Appointments and Remuneration Committee.

Remuneration of directors

Analysis of the use of comparative market studies carried out by external experts on directors' remuneration.

The Strengths identified in this evaluation were as follows:

1 Referring both to the Directors' assessments and to the analysis of best practices and standards carried out, the Board of Directors of Neinor Homes has a structure in line with best practices, in terms of size and composition, with a high degree of diversity in terms of profile, experience, age, knowledge and nationalities. In this regard, the international diversity of Neinor Homes' Board of Directors is above the average for the sector at a national level, even above benchmark Ibex 35 companies with a greater international presence.

2 Correct internal functioning of the Board of Directors with regard to the frequency of meetings, the notice period, the level of attendance by directors and the correct and adequate quality and quantity of supporting documentation for informed decision-making. In this respect, several members of the Board of Directors have highlighted the good functioning of the Governing Body, even more so considering the restrictions arising from COVID-19.

3 Highly participatory nature and openness to discussion in the decision-making process of the Board of Directors, differences of opinion being resolved within the Board in a fluid and orderly manner.

4 Good level of interaction and dialogue between the Board of Directors and Senior Management, with the accessibility of the company's executives, the rigour in the preparation of their appearances and their high level of participation and discussion standing out in a positive way.

5 An analysis of the documentation provided, as well as the information available on the Neinor Homes website, highlights very positively the existence of a Policy regarding the communication of economic-financial, non-financial and corporate information, a Procedure for conflict of interest and related-party transactions, as well as a Model for the prevention of corporate criminal liability. In relation to the aforementioned policies and procedures and considering the results of the benchmarking carried out, Neinor Homes is one of the pioneering listed companies in complying with recommendations 2, 4 and 22 of the CBGSC, having defined and communicated mechanisms or established rules to prevent possible negative actions or attitudes by directors from affecting or potentially damaging the credit and reputation of the Company.

6 Compared to its peers, Neinor Homes is a top performer in terms of quality and quantity of public information on topics such as corporate governance, compliance, internal policies and procedures, as the company shows a strong commitment to transparency with its stakeholders and other third parties.

7 Very positive assessment by the Directors of the performance of the Neinor Homes Board of Directors' Committees.

8 The analysis of Neinor Homes' internal documentation and regulations shows a high degree of compliance with the CBGSC recommendations (55 compliant, 2partially compliant and 7 not applicable due to the company's structure).

9 Neinor Homes has been acknowledged as the best real estate company in the world in terms of ESG criteria by the prestigious analyst Sustainalytics, as a result of the company's efforts in recent years in ESG and environmental matters, including the recent development and approval of its Sustainability Plan and the Sustainability Report that the company has been publishing and auditing for the last 5 years, in anticipation of legal requirements.

In addition, as a result of this review, **opportunities for improvement** have been detected in aspects such as:

- Continuing to work towards gender diversity. It should be noted that the Board is aware of this issue, but that during the last year it has not been possible to improve it because there have been no replacements or additions within the Board.
- Continuing to work on improving the Director Succession Plan to ensure that the governance model evolves in line with the evolution of the business.
- Amendment of the Directors' Remuneration Policy and the Annual Remuneration Report by applying the recommendations detected in the internal analysis carried out, such as linking the variable remuneration of directors to non-financial aspects.
- Encouraging and promoting minority investor attendance at the AGM.

BOARD TRAINING

Neinor Homes has a defined **training plan for its Board of Directors and its Committees,** in which it offers a programme to update the knowledge of its directors. During the year 2021, the directors received training on the following subjects:

- Corporate Governance: changes in CNMV regulations (Spanish Companies Law, Securities Market Law and Accounts Audit Law).
- Risks in the real estate sector, the situation of the residential market and Directors' responsibilities and obligations.
- Developments, macroeconomic situation, demand/prices, forecasts for the real estate sector: rental and development.
- Non-financial information.

DELEGATED COMMITTEES OF THE BOARD OF DIRECTORS

For **greater efficiency in the exercise of its functions**, the Board has the following delegated committees, the functioning of which is governed by the Regulations of the Board:

BOARD OF DIRECTORS [1]

STEERING COMMITTEE

Composed of the CEO, all directorates general, the territorial directorates and the head of the legal division

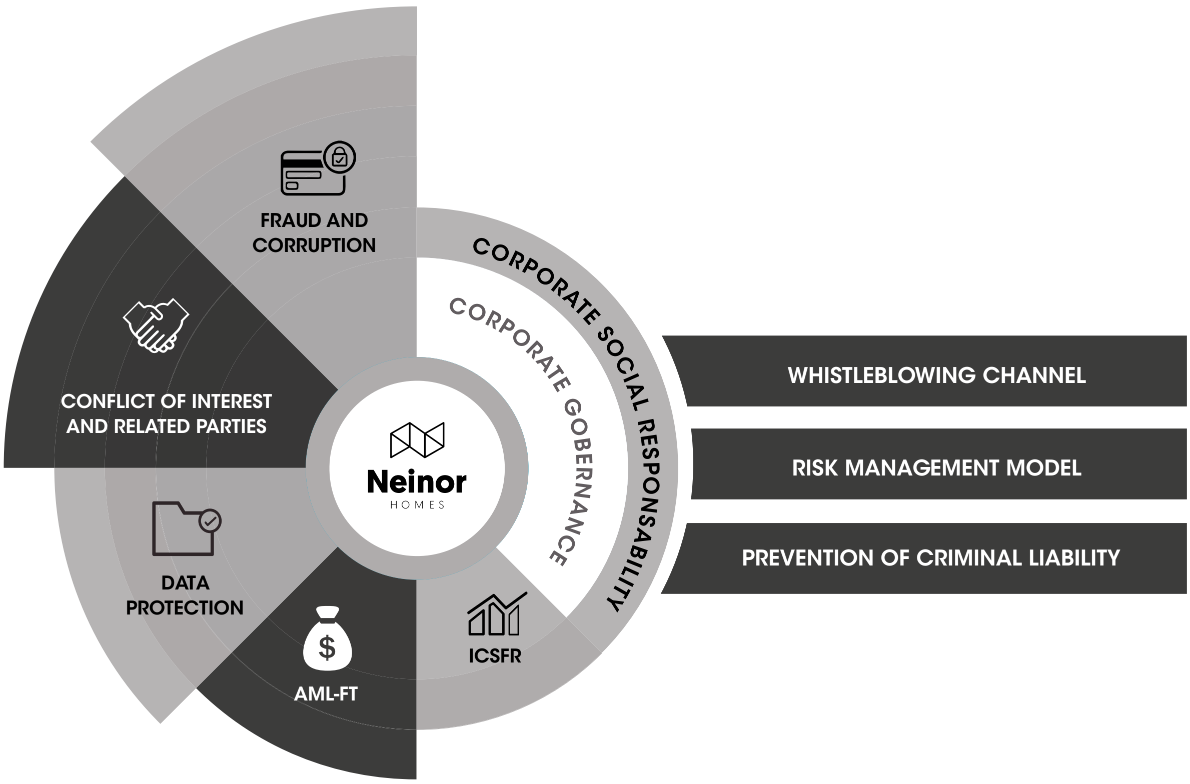
Audit and Control Committee [1]	**Appointments and Remuneration** Committee [1]	**Land Investment** Committee [2]
• Monitor financial and non-financial reporting. • Monitor and evaluate compliance with the Sustainability strategy and practices. • Monitor the effectiveness of internal control. • Propose to the Board of Directors the appointment of the auditors. • Review the adequacy and effectiveness of the Company's arrangements for its employees and contractors to report any possible irregularities. • Oversight of the crime prevention model.	• Assess the skills, knowledge and experience required on the Board of Directors. • Establish a representation target for the under-represented gender on the Board and develop guidance on how to achieve this target. • Propose to the Board of Directors the remuneration policy for directors.	• Define overall investment policies and strategies, investment objectives. • Evaluate and take the final decision on the possible acquisition of real estate assets, property developments and the financing thereof. • Analyse and monitor the company's investment performance results in relation to investment strategies, objectives, policies, standards and constraints.

[1] Bodies in which the majority of its members are Independent Directors.

[2] Body in which the highest percentage of representation is that of Independent Director.

6.4. A COMPREHENSIVE CONTROL, COMPLIANCE AND ASSURANCE MODEL

Neinor Homes has developed a **comprehensive Control, Compliance and Assurance model**, also called **Combined Assurance**, based on best practices in the sector and other sectors, which is a system that allows the **integration and alignment of assurance processes** so that senior management and the audit and supervisory committees obtain a **comprehensive and holistic view of the effectiveness of the governance, risks and controls** of their organisation. At the same time, it allows for **prioritisation and identification of necessary actions.**



With this system, a new integrated organisation chart was developed for the Audit, Risk and Compliance functions. With this, everything is subject to the same Governance, Risk and Compliance Management (GRC) and the main priority is the **integration of the Corporate Social Responsibility strategy** in the business, thus achieving an increase in its exposure and dissemination. With all this system, it is possible to **respond to the expectations of stakeholders,** to the requirements of legislation in terms of good governance policies and to the need to be based on an effective and dynamic risk management system.

In addition, Neinor Homes has an **advisory model** aligned with national and international internal control and compliance standards, which has been implemented and transferred throughout the organisation.

The Advisory Model is a **dynamic and constantly updated model** based on **two cross-sectional axes, Corporate Governance** and **Corporate Social Responsibility,** and **three fundamental pillars**: the **whistleblowing channel,** the **risk management model** and the **prevention of criminal liability. Five key elements or management themes** converge around it, from which a series of policies and responsibilities emerge:

MODEL	POLICIES/RESPONSIBILITIES	
FRAUD AND CORRUPTION PREVENTION MODEL	• Spending and reporting policy • Supplier Selection, Approval and Evaluation Policy • Code of good practice for real estate brokerage	• Code of Ethics • Code of Conduct for Third Parties • Complaints channel and log • Gift policy and log • Monitoring and Control Committee
ANTI-MONEY LAUNDERING MODEL	• AML/CFT Manual • Internal Control Body • Specific AML Unit • Practical guide to AML • KYC files: natural and legal person • Trade Compliance Form and Questionnaire	• AML procedure for management of unique assets and retail • AML procedure for management of new builds • External audit
INTERNAL CONTROL SYSTEM FOR FINANCIAL REPORTING	Adaptation of the information to the contents required by the CNMV (matrix of risks and controls of the processes in operation and responsibilities assigned, accounting policies manual, evidence repository, among others).	
CONFLICT OF INTEREST AND RELATED PARTIES MODEL	• Conflict of Interest and Related Party transactions log • Review and approval of related-party transactions • Reporting to the Board and the Audit and Ratification Committee	• Conflict of interest and related parties policy • Communication channel for transactions
DATA PROTECTION AND INFORMATION PRIVACY MODEL	• Privacy Policy • Incident Management Procedure • Stakeholder Rights Procedure • ISMS Procedure • Personal Data System Management Procedure Committee • Personal Data Privacy and Regulation	• Procedure for personal data processing life cycle • Regulator consultation procedure • PIAC procedure • Information Security • Communication Channel Policy

CODE OF ETHICS

One of the commitments and essential values for Neinor Homes in the area of good corporate governance is to **act in accordance with the strictest corporate standards in relation to ethics and transparency,** ensuring and demanding that all staff, members of the governing bodies and related entities act in accordance with the company's ethical principles and moral criteria.

In 2015, Neinor Homes approved the **Code of Ethics,** which establishes the ethical principles, values and rules of conduct that should guide the actions of all companies and individuals that form part of the company and its third-party collaborators. For this reason, all employees receive regular in-person and online training on the Code, as do some suppliers.

In addition, in 2017 the **Code of Conduct for third parties** was approved, which defines the highest ethical standards that must be met by all **third parties that provide any type of service to Neinor Homes,** and the company undertakes to publicise this Code. The **principles and values** contained therein are based on **best** market **practices** and the **principles of the United Nations Global Compact.**

Neinor Homes ensures compliance with human rights in all areas related to our business. To mitigate the risk of human rights vulnerability we have published on our website a code of conduct for third parties that our suppliers or subcontractors must accept and comply with, our Code of Ethics, which includes the principle of managing human rights vulnerability and the complaints management procedure which describes how to manage complaints or claims received through the company's whistleblowing channel.

In addition, we regularly review our ethical values and related policies and codes, as well as our other compliance and corporate governance policies, to ensure that they are always up to date.

WHISTLEBLOWING CHANNEL AND MANAGEMENT PROCEDURE

Since 2015, Neinor Homes has had on its corporate website a Whistleblowing Channel *(canal.etico@neinorhomes.com),* accessible and available to any interested party who wishes to report any event that may constitute a breach of legal obligations, the Code of Ethics or the Code of Conduct for third parties.

The Whistleblowing Channel is managed in-house and is available 24/7 from anywhere in the world and in all languages spoken in the Group. The anonymity and confidentiality of all communications received is guaranteed, to ensure that there is no reprisal of any kind against the whistleblower for having made the communication. In June 2017the Monitoring and Control Committee approved the Complaints Management Procedure: when the complaint is received, its management begins and if it derives from illegal behaviour or behaviour contrary to the Code of Ethics, the Monitoring and Control Committee will meet to establish the appropriate protocols for its analysis, investigation and resolution.

The **GRC, Internal Audit and Sustainability Department** is responsible for ensuring strict compliance with the Code of Ethics and is in charge of promoting and disseminating it, as well as handling complaints received. It also reports regularly to the Board on the handling of complaints.

On the other hand, the **Monitoring and Control Committee** is the body in charge of studying, processing and resolving the complaints received, made up of the Internal Audit, Compliance, Legal and Human Resources Departments. In **2021, 3 complaints** were received through the Whistleblowing Channel, which were investigated and resolved within an average of 5 working days, in compliance with the timeframe established by the Complaints Management Procedure.

As a result of one of the complaints received, corrective measures were implemented, as this was a case of serious misconduct. No complaints related to discrimination, human rights violations, corruption or bribery, or breaches of the Code of Ethics, were received. All complaints were reported to the Audit Committee as part of the Annual Compliance Activity Report.

Neinor Homes refrains from working with third parties who do not comply with the provisions of the Code of Conduct, reserving the right to terminate the business relationship with those who fail to comply with any of the stipulated points.

Training is provided annually to ensure **knowledge** of and encourage the **application** of all internal regulations and tools in force in the area of ethics and transparency. In 2021, 327employees received training on corporate governance, business risks, ethics, compliance, ESG, data protection and prevention of money laundering and terrorist financing, among others. In addition, 16back office employees, 45 Neinor Homes sales representatives and 222 external sales representatives have received training in this last subject.

The annual mandatory training for Neinor Homes staff on Ethics and Compliance this year was given by the CEO and the Head of GRC, Internal Audit & ESG, and dealt with ethics, the compliance system and the basic compliance documents of the Group: codes, policies, diversity, AML/CFT, internal rules of conduct, etc. In addition, some examples of non-compliance were included to make it easier for employees to identify them.

RISK MANAGEMENT MODEL

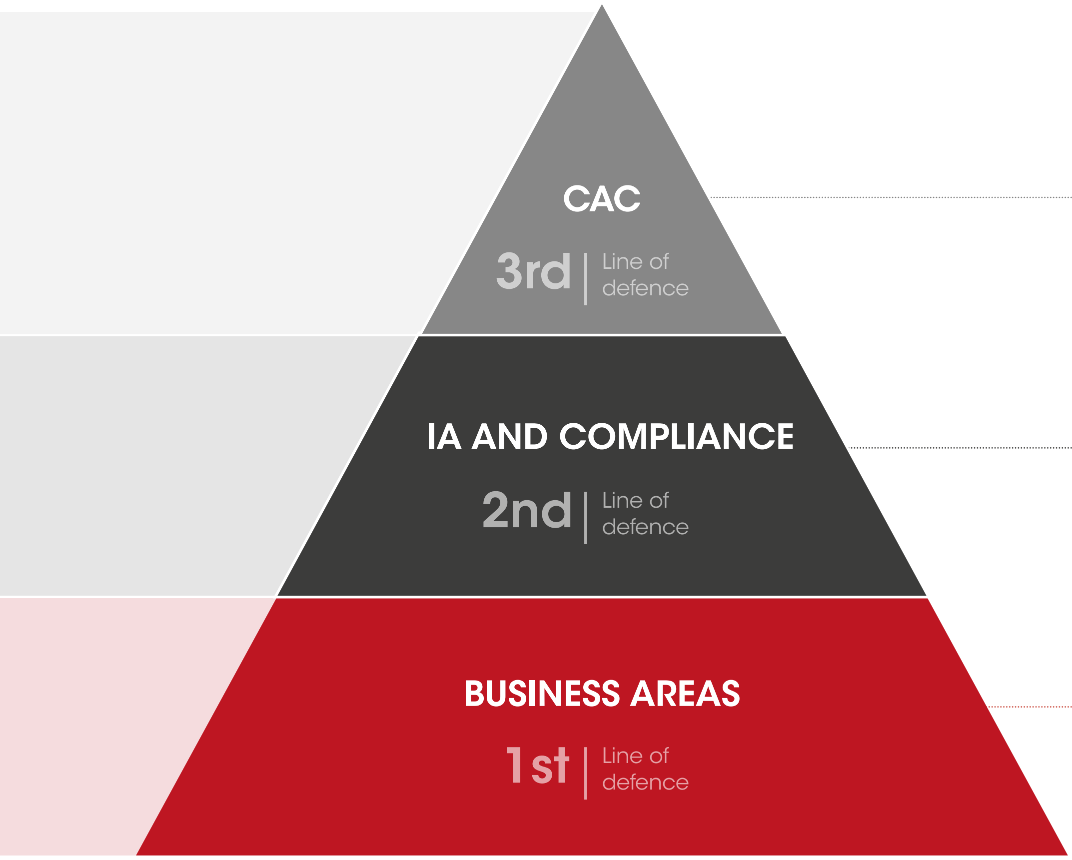
Neinor Homes continuously manages its risks under an **Integrated Internal Control System (ICS).** This **comprehensive scorecard** associates **risks** with **strategic objectives, processes** and **control activities** in which those responsible for their execution and supervision are incorporated, as well as the evidence that supports the system. The **objectives** of the ICS are:

- To have a **risk management control and supervision model** inplace to address day-to-day operations and contingencies.
- To **manage risks** in line with the mission, vision and values, focusing action on control and mitigation of those that are most likely to hinder the achievement of the objectives.
- To integrate all compliance, control and business risk environments seamlessly, to **obtain a cross-sectional vision,** which fosters synergies and eliminates duplication of effort.
- **To provide security for the Audit and Control Committee,** streamlining reporting and covering its growing responsibilities.
- **To generate confidence** in the company, the directors and CEO and third parties.

In order for the ICS to have **ongoing updates,** it is essential to have internal and external communication channels and to be able to count on the commitment of all those who make up Neinor Homes. **External updates** are mainly provided by legal experts, advisors, forums, networks and suppliers.

The model monitoring can be summarised in t**hree lines of defence**:

Neinor Homes has a management model for ongoing and dynamic risks.



The **Audit and Control Committee (ACC)** oversees that the 1st and 2nd lines of defence fulfil their implementation and oversight functions and perform the final validation.

The **Compliance Directorate** and the **Internal Audit Directorate** regularly monitor that the 1st line of defence fulfils its implementation and oversight functions.

The key controls embedded in the ICS are reviewed by the **oversight manager in the various areas of business** to verify that the controller has carried out the assigned activity with the specified frequency.

The **main inputs** to the ICS are **compliance, corporate and business risks and controls.**

Neinor Homes has **identified its corporate risks through** an analysis of the company and the real estate sector, taking into account the experiences of Neinor Homes' executives and other external experts in the sector.

The Internal Audit Department participates in the risk identification phase, together with the Compliance Department and all the persons responsible for risks and controls in the various areas of the company. Neinor Homes has thus classified the various risks to which it is exposed into **6 categories**:

1

ENVIRONMENTAL RISKS

Related to the real estate sector and the cyclicality of the business. Correlation of our sector closely linked to the economic cycle. Business structure/resources not aligned to changes in the cycle / diversification of Servicing / Property / Rental activity. Administrative impact on the sector. New tax and regulatory policies in the sector, land, management and licensing periodspolicies. Increase in construction and land acquisition costs, as demand and supply are not homogeneous in the market and competitive environment: associated with the competitiveness of the various agents involved in the real estate sector. Increased competition. Non-homogeneous competition. Environmental impact as a consequence of climate change.

2

OPERATIONAL RISKS

Management of customer expectations and satisfaction. Excessive dependence on suppliers and sometimes limited capacity of suppliers to provide in due time and form. Loss of business knowledge due to outsourcing of essential services in the value chain. Retention and succession of key persons. Inadequate adaptation to the industrial model. Being alienated from the transformation and digitalisation of the sector. Business stoppages due to external agents.

3

COMPLIANCE AND ETHICS RISKS

Failure to comply with deadlines and quality of homes delivered. Illegal acts / criminal offences established by regulations carried out by the company or its employees. Non-compliance with the rules and regulations to which the company is subject.

4

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 the margins and profit expected by investors and the market.

5

STRATEGIC RISKS

Failure to meet deadlines or cost targets for strategic (non-development-ready) land development / and in land acquisition. Asset valuation and lack of discipline, consistency and reasonableness in land acquisition. Non-compliance with sales forecasted in the business plan. Conflicts of interest in the strategic development and viability of the company in the long term versus expectations of investors and the market with a more short-term vision. Non-compliance or poor performance in the management of the Servicing contract.

6

CLIMATE CHANGE RISKS

Following the main risks and opportunities identified by the TCFD (Task Force on Climate-related Financial Disclosures) in its recommendations for disclosures on climate-related risks and opportunities for financial institutions and non-financial companies, recommendations that were published in 2017 and are widely recognised internationally as guidelines on the subject. Transition risks (Political/Legal, Technology, Market, Reputation) and acute and chronic physical risks.

The nature of the development activity means that Neinor Homes must assess and, where appropriate, mitigate both the risks inherent in the transition to a low-emission economy and those related to the physical impacts of climate change. See note on Environmental Impact in the financial statements.

Given that the Integrated Control System (ICS) implemented is a dynamic tool, which aims to provide updated and continuous information on the possible risks faced by the company, Neinor Homes periodically compiles, from the various risk detection sources defined, the events that could become a risk, in order to facilitate their analysis and continuous monitoring and to take measures to remedy them, as well as if appropriate, the incorporation of a control mitigation activity, or the analysis of the effectiveness and efficiency of one already existing within the ICS.

The **Corporate Risk Map** is reviewed on a regular basis and is therefore a fully dynamic model that is continuously monitored.

Neinor Homes, following its periodic analysis, has classified the various risks to which it is exposed into 6 global categories, which are set out in Section E.3 of the ACGR.

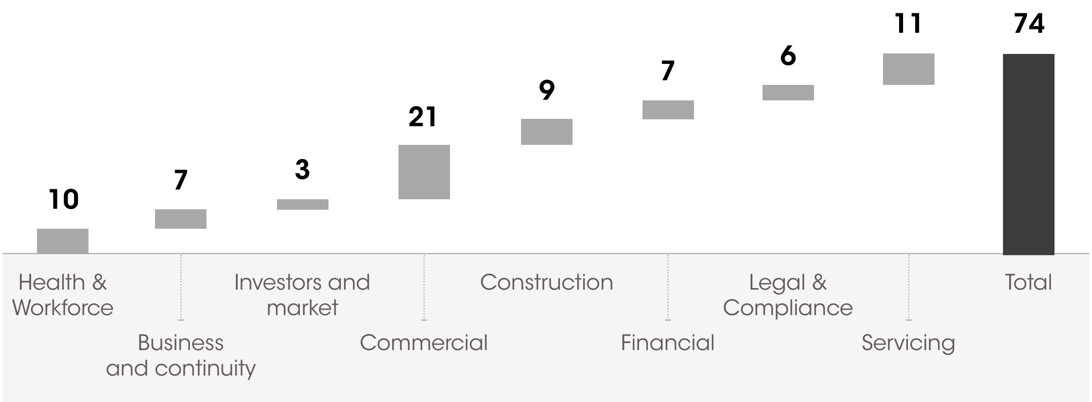
The Risk Management methodology used by Neinor Homes is based on the latest version of ***"Enterprise Risk Management"*** (also known as COSO III), which enables the contribution of added value through the identification, management and monitoring of business risk management.

Given that as of the date of this Non-Financial Information Statement we are still suffering from the consequences of the current pandemic, we consider it relevant to mention how the company's risk management system adapted to this new reality.

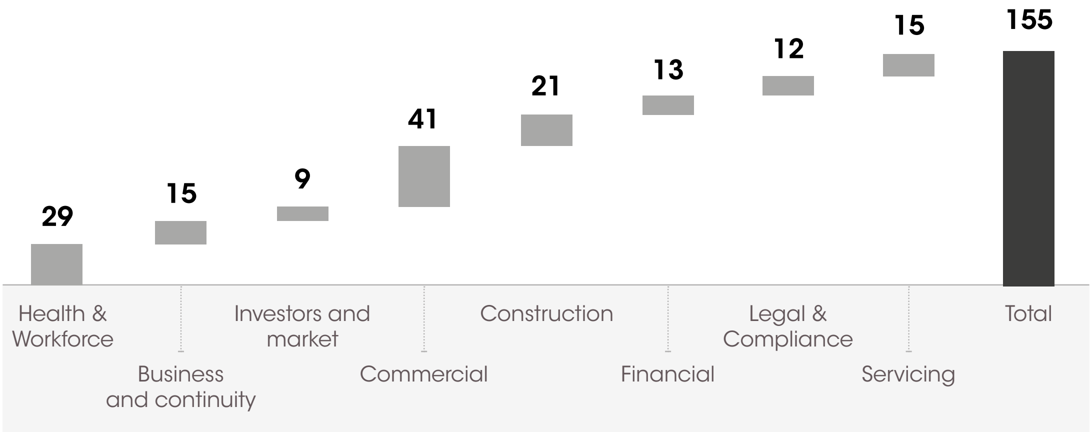
In 2020, following the outbreak of the pandemic caused by Covid-19, the company, as part of its Integrated Risk Control and Management System, defined a specific model for dealing with the risks that could arise from this situation (Project Scipio), which was applied throughout the organisation, associated with strategic objectives, processes and control activities, and which was monitored periodically, with periodic reporting of results to senior management and the Audit Committee.

In this regard, 9 major risks, 25 risk materialisation scenarios, 74 causes that could lead to these risk scenarios, 75 direct consequences and 155 actions to be taken to avoid and mitigate the consequences of risk materialisation were identified.

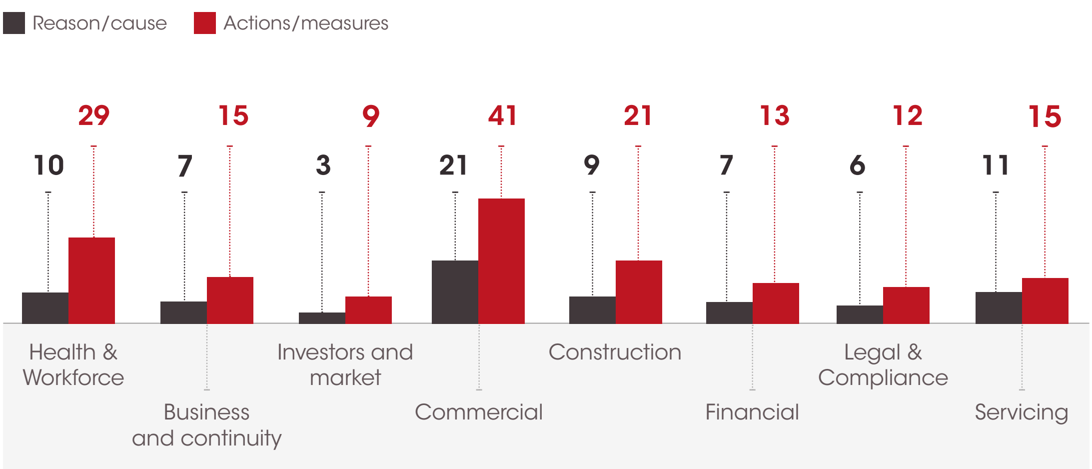
REASONS/CAUSE SUMMARY



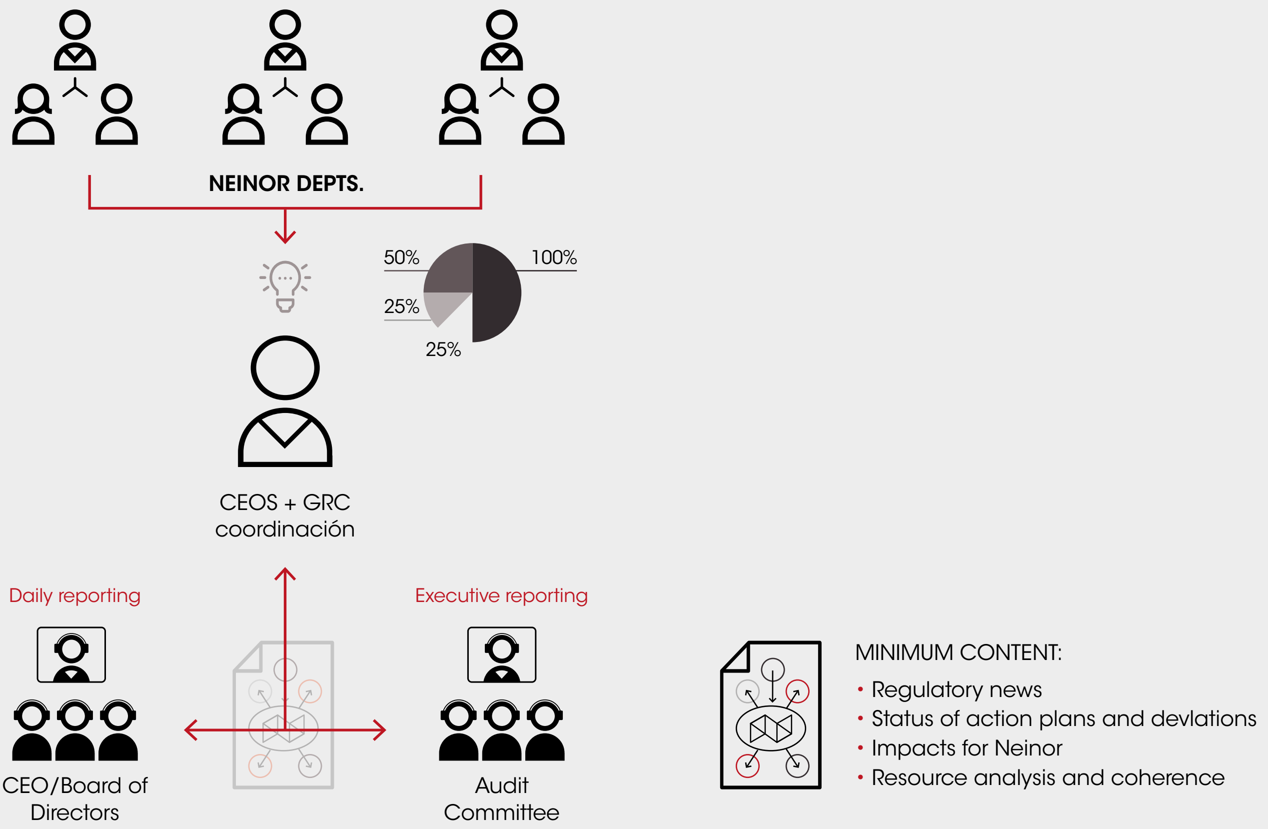
ACTIONS SUMMARY



REASONS & ACTIONS BY AREA



The operational model for monitoring the evolution and compliance of the proposed measures was centralised in the CEOs and GRC, who monitored, received and issued reports with updates on each measure proposed and adopted.



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 alarm by the respective General Directorates of the company's business, have placed the company in an advantageous position to deal with the period of uncertainty we are facing.

One of the strengths that recurrently appears 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 pandemic, "Scipio", has been highlighted by the auditors as one of the two most significant strengths of the company.

PREVENTION OF CRIMINAL LIABILITY

All the people who form part of Neinor Homes must maintain strict observance of the legal regulations in force. In this regard, the company develops the necessary internal policies and procedures to comply with this principle and makes every effort to **prevent the commission of criminal offences** to which it is exposed in the course of its activities. In the event that any of these crimes take place, Neinor Homes investigates the perpetrators, cooperates in repairing the damage caused and denounces the perpetrators, co-conspirators or accessories.

The **Criminal Risk Prevention Manual** is the framework in which the principles of management and crime prevention within Neinor Homes are detailed and its main objective is to define the rules of action and behaviour that regulate the company's activity, as well as the control systems it has in place in order to prevent the commission of crimes defined in the Spanish Criminal Code.

If it is detected that a crime is being committed by any of Neinor Homes' managers, employees or those under its auspices, there is a **protocol that sets out the guidelines for action.**

The **Manual** and its principles are **disseminated** via the website and by e-mail to all staff. Likewise, new recruits receive it together with the Code of Ethics in the welcome pack. Finally, Neinor Homes has a **specific training plan** for the Prevention of Criminal Risks, ensuring knowledge and dissemination of the rules of conduct with regular training and an aptitude test on their content.

ZERO TOLERANCE FOR CORRUPTION

Neinor Homes applies the principle of "zero tolerance" towards corruption. The company's commitment against corruption and bribery is materialised through the provisions of the Code of Ethics and through the **Anti-Corruption, Fraud and Bribery Policy,** both documents published on the website.

ANTI-CORRUPTION, FRAUD AND BRIBERY POLICY

This governs and prohibits the following cases:

- Making and offering gifts, favours and services on advantageous terms.
- Receiving and soliciting gifts, favours or services on advantageous terms.
- Donations, sponsorships and other non-profit contributions: Donations made must have a social purpose and must be earmarked for entities with an acknowledged track record. All donations must be reported to the Compliance Department.
- Professional meetings, congresses, conventions, seminars and other events: attendance at these must be authorised by the Compliance Department, which keeps a record of the expenses incurred.
- Trading in influence: it is prohibited to exert any kind of influence on a public official for the purpose of taking advantage of the exercise of the powers of his or her office.
- Recruitment of advisors, agents, intermediaries and suppliers: this must be subject to a verification and valuation procedure and their remuneration must be in line with the market.

Employees and members of the governing body have received and confirmed the commitment to comply with the Code of Ethics and the group's policies, and specific training has been provided in 2021 to employees and Directors.

CONFLICT OF INTEREST MANAGEMENT

At Neinor Homes there is a **Policy for Managing Conflicts of Interest and Related Party Transactions** that is applicable to all parties concerned and that establishes the criteria and procedures for approving transactions involving related parties, which is defined as when one of the parties has significant influence in the financial or operational decision-making of the other.

GRC management shall keep a **log of related-party transactions and conflicts of interest** and shall report annually to the Audit and Compliance Committee and the Board on transactions carried out under the established terms, the directors requesting explanations should they deem it necessary.

In addition to all the analyses carried out for conflicts of interest and related parties, two full investigation reports on two conflict of interest transactions were carried out this year.

Finally, internally, transactions between companies related to directors and senior management with the company are checked by the Internal Audit Department and these persons additionally confirm these transactions in a declaration.

ANTI MONEY LAUNDERING AND COMBATTING TERRORIST FINANCING

Neinor Homes maintains a firm commitment to anti money laundering and combating terrorist financing (AML/CFT), with an **AML/CFT Manual** that establishes rules that all members of Neinor Homes and its external sales agents must be cognizant of and strictly comply with, as failure to comply with it could result in the corresponding **disciplinary or employment sanctions.** It is the responsibility of each member to be familiar with it, and the company also provides face-to-face and online training for both employees and sales agents, in which attendance must be duly accredited and a test of the knowledge acquired must be passed.

The Prevention of Money Laundering and Terrorist Financing model has been audited.

The **Anti Money Laundering and Combating Financing of Terrorism Model** is monitored by an in-house internal Control and Communication Body, with the **Board of Directors** being the most senior body responsible. In addition, during the year 2021 it has been supervised by an independent expert who has stated that the model is effective and efficient and has not revealed any relevant incidents.

DATA PROTECTION, CONFIDENTIALITY AND INFORMATION SECURITY

Neinor Homes is aware of the importance of the **confidentiality of the information** that it handles on its customers and those working with it, which is why the Code of Ethics establishes the obligation of all professionals not to disclose, cede or distribute confidential and sensitive information.

In addition, Neinor Homes has a **Privacy Policy on Personal Data Protection** which sets out the different uses of personal data and the purposes for which the company uses them. There is also a **Procedure for the fulfilment of the rights of data subjects** approved in March, 2018, which provides the minimum guidelines necessary to ensure that data subjects are provided with the necessary mechanisms to exercise their rights with respect to the processing of their personal data.

In 2021 Neinor Homes received **14 requests** related to the rights of customers to **unsubscribe their data.**

Neinor Homes has a **Data Protection Officer (DPO)**, responsible for supervising, coordinating and disseminating the data protection policy both inside and outside the company. In this regard, training on cybersecurity and data protection has been provided to employees and users of the Neinor Homes network.

Neinor Homes considers **cybersecurity** to be a key part of its digital strategy. As a result of this concern, it has signed up to a third party service, Redes Limpias, which provides firewall protection for the most common threats.

Neinor Homes has the ISO 27001 certification.

The **Regulatory Framework** of the Neinor Homes Information **Security Management System** aims to achieve adequate protection of information assets, preserving the security principles of **confidentiality, integrity and availability.** Furthermore, in the event of a possible threat of cyber-risks, Neinor Homes has developed a **Cybersecurity Management Model** that aims to guarantee the protection of assets, operations and the integrity of information. The security requirements and objectives are determined by the **Information Security Committee**.

Furthermore, a business contingency plan is drawn up biannually. This audit was carried out in accordance with the Audit Plan approved by the Committee and consisted of an unannounced cybersecurity attack on the systems area, and monitored by an external audit.

INTERNAL CONTROL SYSTEM FOR FINANCIAL REPORTING

Neinor Homes has various mechanisms that make up the **internal control and risk management systems in relation to the process of issuing financial information (ICSFR).** The implementation of this ICSFR is the responsibility of the company's own business areas, which are in charge of putting into practice the control mechanisms and activities to ensure the reliability of the company's financial information. For its part, the Board of Directors oversees the proper development and implementation of the system, with the support of the Audit and Control Committee.

The Directorate General of Finance is responsible for preparing the financial information, although all areas of the company must ensure the **transparency and veracity** of the information handled and supplied to the market. For this reason, the Internal Audit Department has given a training course on ICSFR to those areas involved in the preparation and review of financial information. Furthermore, Neinor Homes voluntarily submits the information relating to ICSFR included in its annual Corporate Governance Report to an **independent external verification.**

In addition, each year the effectiveness and model of the ICSFR is reviewed by Internal Audit. In the current year, an assessment of ICSFR compliance has been carried out by an external expert in order to safeguard the independence of Internal Audit in the preparation and design of the controls to be implemented and to have a complementary view.

In relation to the control of tax risks, Neinor Homes has adopted the necessary control mechanisms to ensure compliance with tax legislation as part of appropriate business management. It also dedicates adequate and sufficiently qualified human and material resources to this end.

In particular, in the tax area, on an annual basis, the entity's head of tax matters reports to the Board of Directors, either directly or through the audit committee, on the tax policies applied by the company.

In tax matters, Neinor Homes ensures strict compliance with the tax regulations in the various territories in which the Group operates, paying the taxes that are payable in accordance with the legal system on the basis of a reasonable interpretation of the applicable regulations, without prejudice to any legitimate disputes that, in accordance with its policy of good tax practices, may arise with the tax authorities regarding the interpretation of the applicable regulations.

In relation to tax risks, Neinor Homes has implemented control mechanisms to ensure due compliance with tax regulations and its commitment to the application of good tax practices, in particular:

- Approval of tax criteria in line with the company's tax policy and its commitment to the application of good tax practices. These criteria are reviewed and validated annually by the head of tax matters;
- Ongoing monitoring and control of the proper implementation of the agreed criteria. Such monitoring is carried out both internally, by those responsible for tax matters, and externally, by an independent tax expert;
- On a regular basis, the head of tax matters of the entity reports to the Board of Directors on the outcome of the tax risk control mechanisms.

On an annual basis, all employees are informed of changes to our compliance, ethics and internal control codes and policies. In addition, each employee receives a packet of letters to confirm receipt, understanding and acceptance of these codes and policies.

07

WE OFFER A **PERSONALISED SERVICE TAILORED TO THE NEEDS** OF THE CUSTOMER

We are aware that our customers rely on us for one of the most important decisions of their lives, and that is why **we take great care** in the service we provide. In all our processes we try to continuously improve by applying new technologies and implementing specific measures aimed at greater satisfaction.

Neinor Homes' commitment to customers is total and is its main raison d'être, with **customer-oriented quality** as its hallmark and seeking to achieve customer satisfaction as its main objective. For this reason, it always strives to offer excellent customer service that meets the real expectations of its customers, so that they become the best ambassadors of the Neinor Homes brand.

During the year 2021, various **measures** have been taken **to get to know better those customers** who are interested in Neinor Homes:

We have implemented ***CRM and Customer Centric*** tools that are unique in the real estate sector and allow for a very detailed knowledge of the customers. The aim is to build developments that are more in line with what customers expect from their homes.

For Neinor Homes, each customer is unique and we offer a **personalised service**, endeavouring to be their travelling companion at all times and keeping them continually informed. Furthermore, Neinor Homes designs all its projects with the customer's needs in mind and for all its developments it carries out a thorough prior analysis of the market and the buyer.

Aware of the importance of sustainability and energy efficiency for our customers, Neinor Homes has included as courses of action in its Sustainability Plan the provision of advice to all customers of the developments delivered as to the choice of the most economical energy tariff, as well as the various green tariff options on the market, and the delivery of a guide with practices and recommendations regarding home safety/security, healthy habits and efficient energy use. These measures will be implemented throughout 2022.

When the homes are handed over, the company offers customers the possibility of scheduling meetings with them to provide them with training and advice on the correct use of home automation, domestic appliances and the rest of the systems installed in their homes, so that they are aware of how they work and can optimise energy consumption.

By the end of 2021 Neinor Homes had more than 13,000 customers.

7.1. NEINOR EXPERIENCE

Neinor Experience is the **exclusive customer service** offered by Neinor Homes to all its customers, to accompany them from the moment they sign the reservation of the property until the keys are handed over and the subsequent after-sales service, guaranteeing maximum transparency. Customers can request information by e-mail or telephone. In addition, a newsletter is sent every month informing them of the progress of the construction work. All this is coordinated by a Neinor Experience manager in each development, who can also respond to the customer and look after their interests whenever necessary.

The services offered by Neinor Experience can be broken down into 8 stages that occur during the purchase of a home:

WELCOME PACKAGE WITH RESERVATION

- Access to the website and to the Neinor Experience App, which includes content on the construction work, the team involved in the project, the home, documents, information on financing, consultations, surveys, etc.
- Contact details of the Neinor Experience personal manager: e-mail address and telephone number.

START OF CONSTRUCTION WORK

Monthly newsletters containing:

- Description of the monthly status of the work.
- General progress of the development.
- Details of the construction site including information on any construction process of interest or commercially relevant information on the development.
- Photos of the progress of the work in that month and the degree of progress by chapters.
- Corporate news about Neinor Homes.
- Culture Experience: cultural events in the city or province where the development is located.

PERSONALISATION OF THE HOME

PRE-DELIVERY COURTESY VISIT

MANAGEMENT OF THE PURCHASE CONTRACT

Update on the website on the status of the contract.

MONITORING THE DELIVERY PROCESS

- Coordination and management of courtesy visits, handover and deeds with all parties involved.
- Control and monitoring of the state of the property for its correct handover and title deed procedure.
- Neinor Experience gift for the customer.

AFTER SALES

After sales management in the development: offering the customer a personalised service for detecting and repairing incidents during the entire guarantee period of the property.

OTHER MEASURES

Satisfaction surveys. Several satisfaction surveys are conducted at various milestones of the developments:

- Reservation.
- Purchase: Deeds.
- Within 6 months of the title deed of the houses being signed
- Within 12 months of delivery, etc.

The Covid-19 pandemic has changed the way we work with our customers; safety, health and commitment have been our priorities:

- Virtual tours to get to know the developments.
- Online booking.
- Electronic signing of documents.
- Security protocols at the Notary's office for the signing of deeds.
- Disinfection of dwellings prior to handover.
- Reinforcement of information on Family Homes Protection, which has helped 10 customers this year, and 87 the previous year, to reduce a monthly payment, being in a situation of redundancy or similar.
- Flexibility in payments.

A few weeks before the deed is signed, Neinor Experience invites customers to a courtesy visit to the homes. After the deed is signed, the owners have a few days to draw up a **list of any deficiencies**, which will be sent to the companies working with us and the construction company. Neinor Homes follows up on these and periodically receives the reports cited by customers.

One of the strengths of the **Neinor Experience** department is to be aware of the **Customer Satisfaction Level** in order to be able to implement corrective measures in the areas that need it.

To do this, certain parameters are measured at significant milestones in the homebuying process, in order to close the interaction circuit with the customer and determine whether all the dealings with the customer have been effective in generating the planned level of satisfaction.

The Company's overall figures for 2021 were as follows:

- Average **CSI** data **for the year_ 3.04 out of 4**

The milestones on which we assess customer satisfaction are:

- App/Reservation/Showroom/Courtesy Visit/ Signing of the Deed/After Sales at 6 months/After Sales at 12 months.

Covering the whole process, from the moment the customer signs the reservation contract until he/she has been living in the property for a year.

We work hard so that the customer can recommend our Company to his/her circle of acquaintances, since a satisfactory experience is also a recommendable one.

Our motto, customer satisfaction, can be defined as the feeling or attitude of the customer towards a product, company or service provided by the same, working to ensure that these three points meet customer expectations.

Accessible at www.neinorexperience.com or via the App.

COMMUNICATION CHANNELS OF *NEINOR EXPERIENCE*

Neinor Homes offers its customers a wide range of two-way communication channels:

For each development there is a specific email address where the customer can contact the Neinor Experience manager directly, and through which the Neinor Homes staff responsible for the development can make personalised contact, or generic contact through press releases, to provide information on the progress of the development.

The ***Neinor Experience* website**, through which customers can consult the progress of everything related to the purchase of their home. Each customer has a **private web area** where all the documentation relating to the purchase can be found.

The monthly ***newsletter*** which includes a section called "the construction work in detail". As well as current news about the company.

The ***Neinor Responde* channel** is a corporate service offered to all non-new-build customers. It is a telephone consultation service via aninternal **call centre**.

Call centre service to deal with customer incidents. During the year 2021, 11,855 incidents were resolved, with an average response time of one minute.

MAIN FIGURES FOR 2021

54,865	19,908	2,592	19,908
Sessions on the ***Neinor Experience*** website	New customers accessing the ***Neinor Experience*** website	APP downloads	Contacts with Neinor Homes

7.2. COMPLAINTS AND CLAIMS HANDLING

Neinor Homes acts with due diligence when faced with complaints and claims from its customers, having **specific procedures** in place and enabling **various accessible channels** through which the complaints received are logged and those responsible for their resolution are assigned. Understanding and evaluating customer complaints and claims is an opportunity to gain a more accurate understanding of their expectations and needs, allowing for progress and continuous improvement.

Likewise, once the title deeds to the properties have been signed, **after sales claims** begin, due to problems in the operation of the installations and faults in the finishes due to small knocks or stains on the paintwork, wood, etc. In this case, an agent will arrive to take note of the incidents, always before the customer moves in and, if possible, with sign-up to the various utilities already done.

The Neinor Experience manager of each development is in charge of processing all incidents registered through the **call centre** or the **exclusive email of the development.** In the case of urgent incidents, the incident is strictly monitored until it is completely resolved. All other incidents are handled on a case-by-case basis.

The improvement represented by the digital transformation that has accelerated due to the COVID-19 pandemic allows the creation of pre-sale and post-sale incidents during the same visit to the property in a user-friendly way (with photographs and documentation), from a smartphone or tablet, and which has already been arranged in 28 developments delivered in 2020, plus other developments from previous years.

In 2021 Neinor Homes received 22,323 communications with an average response time of 14 hours and 20 minutes.

NEINOR HOMES AFTER SALES SERVICE

Neinor Homes establishes guarantee periods to attend and respond to customer recommendations, in compliance with current regulations

Finishes: 1 year from receipt of the construction

Installation faults, appearance of **dampnessor** leaks: 3 years from receipt of the construction

Serious errors in the **structure**: 10 years from delivery of the dwelling

08

WE BUILD HOMES WITH **ADDED VALUE**

In the design of our homes we take into account **demanding quality, sustainability and health criteria** so that our customers enjoy a product that they are satisfied with and allows them to live better. And innovation and digitalisation allow us to add value, optimise processes, increase efficiency and reduce operating costs.

The **quality of homes** is a **priority** for Neinor Homes, one of its main hallmarks and a source of pride. This responsibility begins before designing and building, with the carrying out of a market research process. This is the only way to create innovative 21st century homes that are excellent in design and quality and, above all, sustainable.

Since its inception, Neinor Homes **has registered over 8,000** dwellings to obtain the BREEAM® seal

VALUE-ADDED SERVICES

1

FAMILY HOMES PROTECTION INSURANCE

Neinor Homes was the **first developer to offer a protection insurance policy for its customers that covers the capital outstanding on the home,** from the signing of the purchase contract until the handover of the property, in the event of death due to accident or absolute permanent disability. In addition, Neinor Homes undertakes to cover the outstanding payments of the purchase contract for the home up to a maximum of 12 monthly payments, in the event that the customer suffers involuntary loss of employment or temporary disability or hospitalisation due to an accident. In 2021, 10 applications for Family Homes Protection were processed. Since its inception, Family Homes Protection insurance has covered 102 buyers (87 of them during 2020 as a result of the COVID-19 pandemic) who are in a situation of redundancy or temporary incapacity, taking over their late payments, thus being able to meet part of the costs of their future home. To date, a total of €469,950 has been paid from the insurance company to help our buyers to pay for their homes.

2

DISINFECTION OF DEVELOPMENTS DUE TO COVID-19 SITUATION

Neinor Homes wants to remain at the side of our customers throughout the current health crisis, supporting them in everything that can help them in this situation. For this reason, having as an absolute priority to guarantee the maximum sanitary safety, we decided to carry out the disinfection of all the developments pending delivery during 2021. Thus, before the delivery of the new developments, we carry out a disinfection of each property as well as the main transit areas of the development with a specialised company, complying with the applicable regulations and using the products authorised by the Ministry of Health. With this measure, we aim to guarantee the health and safety of each of our developments and, above all, provide the peace of mind and security required at the start of such an exciting new stage as moving into a new home.

3

NEINOR MOBILITY PACK

EWithin the ***Neinor Lab*** framework,the initiative arose to offer customers the possibility of adapting their homes in aspects that facilitate their habitability, accessibility and comfort, especially in circumstances in which their **mobility has been reduced**.

This initiative, which has the backing of **ILUNION Technology and Accessibility**, focuses on aspects of **design, equipment and technology and home automation, and consists of a set of measures offered as a personalisation pack for homes.**

8.1. HOUSING EXCELLENCE AND QUALITY MANAGEMENT

Neinor Homes has an **Environment, Quality and Innovation Policy** that establishes the principles that have to guide the company's activity in terms of quality, minimising environmental impact and promoting innovation. In this regard, in 2021 the company continued for the sixth year with the maintenance of the AENOR ISO 9001, ISO 14001 and UNE 166002 management certifications. Work has been carried out to improve procedures that directly involve the company's value chain, seeking out inefficiencies in processes and better work methodologies.

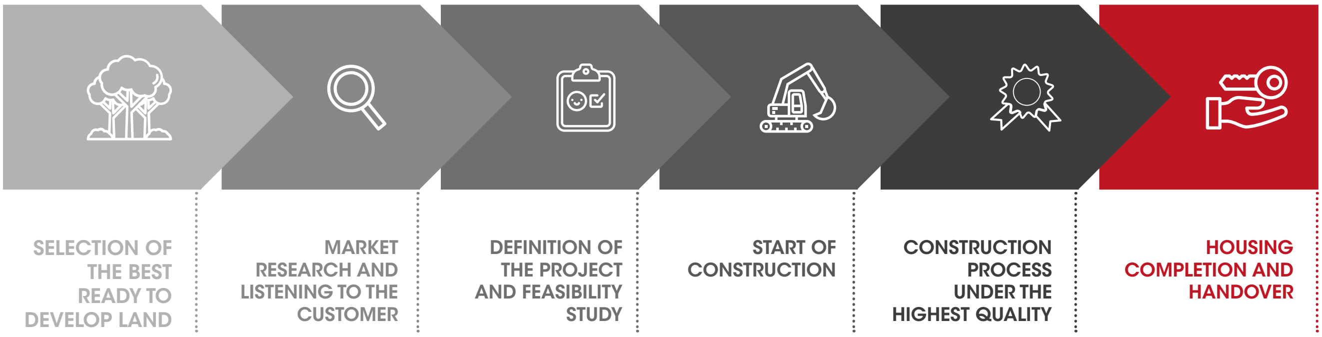
With the premise of achieving maximum quality and sustainability, Neinor Homes applies a **process of Research + Listening + Development** in the launch of all its developments and in the construction of its homes, which is a differentiating factor compared to the competition.

Therefore, after selecting the best ready-for-development plots, all developments begin with an in-depth **analysis of the physical environment,** an **analysis of demand** and a market study to define the product to be offered in each development. **Benchmarking** is also carried out in other sectors to detect solutions that can also be implemented in the real estate sector.

Once the research and listening process has been carried out, the project is defined, adapting it to the demand and studying its **technical, social and environmental viability,** taking the utmost care with quality, after which construction begins. **Interaction with the customer** is present throughout the entire life cycle of the home.

CHARACTERISTICS OF NEINOR HOMES DEVELOPMENTS

- **Economy of maintenance**:
  design, careful selection of materials and innovative technological solutions allow for savings in long-term maintenance costs.
- **Habitability and functionality**:
  maximum use is made of every metre of floor space.
- **Attractive**:
  homes that adapt to the new lifestyle and environment in which they find themselves.
- **Acoustic comfort**:
  thanks to the exterior insulation and interior layout.
- **Security**:
  healthy and safe homes in the face of natural hazards.



QUALITY IN HOUSING THROUGH THE WHITE BOOK

Neinor Homes is a pioneer in the development of a **design and construction manual** called the **White Book**. The main objective of this manual is to **standardise the quality, sustainability and design parameters** that define all the Company's property developments.

In this way, the Neinor Homes White Book ensures that all developments have **Neinor Homes' own design criteria and product attributes** and are adapted to the needs of the customer in each territory, which are always applied irrespective of the architectural firm developing the project. The standards it sets are independent of the design used and each product is customised for each development.

The White Book is a living tool and its success lies in the fact that it is **constantly being revised** to adapt to the conditions and trends of the sector and the company, to new systems or materials that arise and to the experience acquired. In addition, **the whole company has the possibility to suggest and contribute changes and updates.** Thus, the White Book allows Neinor Homes to **lead the transformation of the sector,** as it has an implicit know-how that allows the transfer of knowledge, capacities, standards and ways of doing things.

The White Book is a pioneering manual in the sector.

8.2. PERSONALISATION OF HOUSING

For Neinor Homes it is essential that the user is satisfied with their own home. For this reason, it offers the possibility for the customer to **personalise their home** to their taste with a predefined catalogue to adjust it to their needs.

To manage this, there is a process that allows personalisation to be carried out systematically. Neinor Homes offers customers a series of alternatives that they can see physically at the points of sale or through the NEX website where their options appear, and they have the option to save, modify their selection and, once confirmed, formalise their choice with the sales team.

STANDARD CUSTOMISATION

The proposals are divided into 3 core packages:

- **Bathrooms**: there is a choice of two possible alternatives for the layout, if the bidet is to be removed or kept, and if the bathtub is to be replaced by a shower tray.
- **Kitchen**: sthere is a choice of two possible alternatives for the layout, and the combination of furniture and kitchen worktop from three possible options.
- **General housing**: sthe flooring is chosen from two options and the wall paint from three possible shades.
- **Always adjusting to the marketing plan and commercial needs of each branch.**

WITH-COST PERSONALISATION PACK

In some developments, due to commercial needs, customers are offered more advanced personalisation options in the form of packs at a cost.

- **Mobility Pack:** Neinor Homes offers the possibility of adapting the home for people whose mobility is reduced due to various circumstances with the Neinor Homes Mobility Pack, which entails an added cost for the customer.

SOME OF THE POSSIBLE PACKAGES ARE:

- **Home Automation Pack:** Allows home automation at a cost depending on commercial needs.
- **Partition Wall Pack:** Allows elimination of the partition wall between the kitchen and living room to unify the spaces.

The Commercial Department, Neinor Experience, Product, Personalisation Manager, and the Technical Team of the construction participate in the **process of personalising** the homes in order to coordinate the customer's choice.

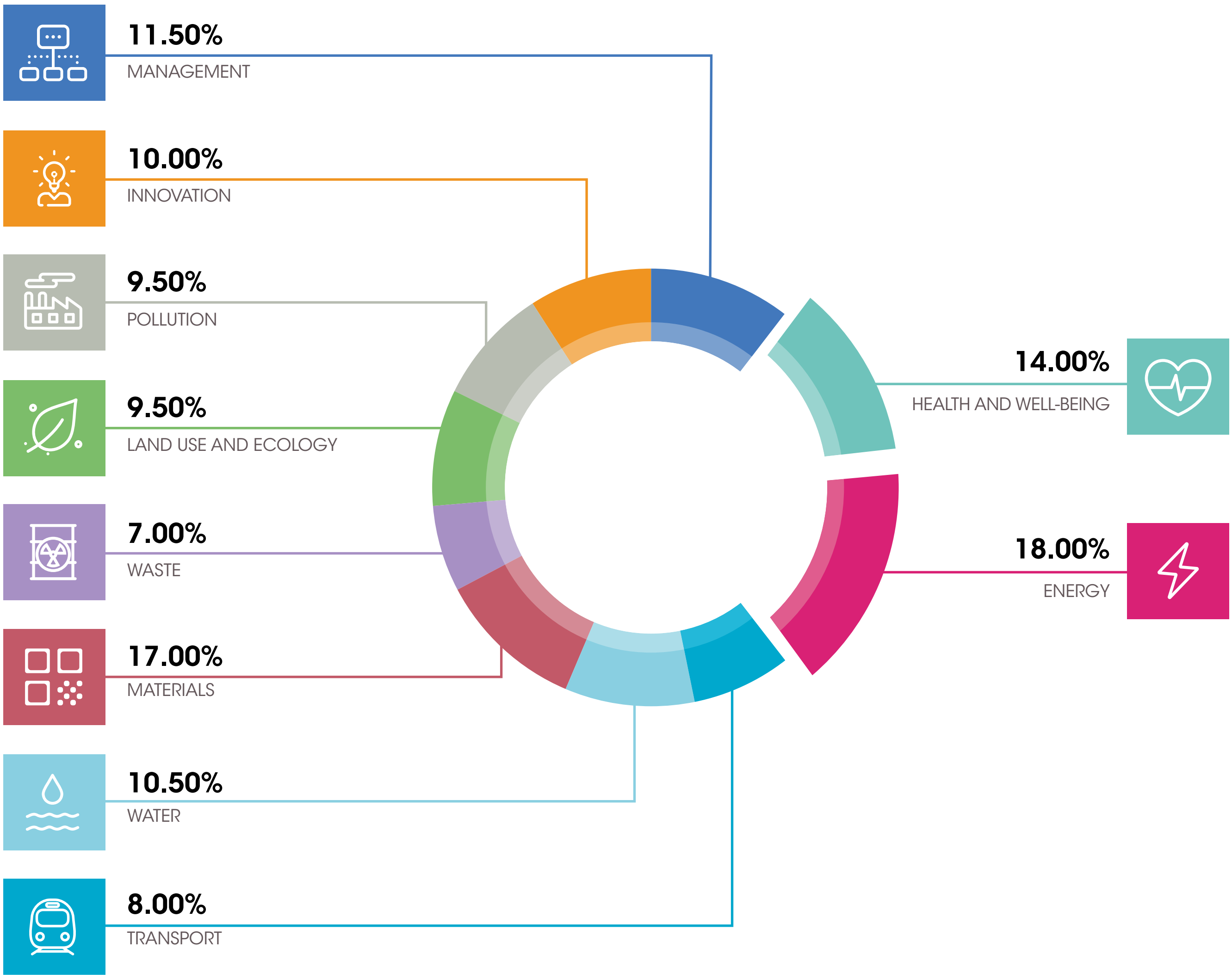
8.3. ENVIRONMENTAL SUSTAINABILITY AND HEALTH IN HOUSING

Neinor Homes is taking into account sustainability, health and quality criteria in its developments, so that the homes meet the increasingly demanding requirements of customers.

BREEAM® CERTIFICATION

BREEAM® is the most visible part of a global project to transform the building sector worldwide.

It promotes more sustainable construction that results in economic, environmental and social benefits for all the people 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 the market in an unequivocal and very visible way. It is responsible for assessing certain requirements divided into categories, the weighting of which is adapted to the country in which it is implemented.



Neinor Homes has made a voluntary commitment to consider the requirements of the **BREEAM®** sustainability certification at Good or Very Good level in most of its developments.

In this regard, in 2021 we have made progress in fulfilling this commitment: **of the total number of developments delivered since the company was founded (89), 63 have the final BREEAM® certificate** or are in the process of certification, which represents **70.79%**. Of these 63 developments, 47 have already been awarded the final certificate, 41 at good level and 6 at very good level.

In addition, of the **31 developments delivered this year,** 15 are **BREEAM®** certified, i.e.48%.

When a building meets the **requirements of BREEAM® certification, this ensures that both the user and the environment benefit** from the following aspects:

Neinor Homes is the **Spanish developer** with the highest number of BREEAM® certifications in recent years.

HEALTH

- Use of **paints, varnishes and materials** with minimum harmful elements.
- Homes with **amenities to enjoy and relax:** swimming pool, communal leisure areas, etc.
- **Proximity to basic services** (less than 500m from a hub of bus stops, a school, grocery shops, health centres, etc.)

COST SAVINGS

- **Thermal envelope** design that saves on heating and air conditioning.
- Choice of **efficient lifts.**
- Use of **energy-saving** and efficient **lamps and lights.**
- Installation of **solar panels** to supply part of the demand for domestic hot water, resulting in significant economic savings and a reduction in greenhouse gas emissions.
- Installation of vegetation on roofs and in gardens to create a pleasant environment with low maintenance and water consumption, as they are **native plants** with low water requirements.

ECOLOGY

- Choice of **consumption saving taps.**
- Reduction of **private car journeys** due to the proximity of the dwelling to basic services.
- CO_2 **emissions reductions.**
- **Recycling of waste** generated on site.
- **Legal** timber p**rocurement.**
- Installation of **grease separators** to minimise contamination of watercourses.

Neinor Homes guides its sales managers and those working with it in conveying the benefits of BREEAM® certification to users and builders. Its continued commitment to this certification is also reflected in the 2022-2025 Sustainability Plan, as it aims to continue to be the national developer with the highest percentage of homes delivered with BREEAM® certification. This, together with the other factors explained in this report, has made Neinor Homes a **leading developer in sustainability.**

8.4. URBANISATION AND ACTIVATION OF THE ENVIRONMENT

Neinor Homes, aware of the need to improve and recover the most degraded areas, is committed to a new urbanism that transforms and generates wealth: investment in projects for the revitalisation and redevelopment of urban areas, and the remodelling of industrial areas.

Three standout key activities of which Neinor Homes is a part are:

BOLUETA AREA (Bilbao)

A strategic urban regeneration project framed within a set of decisions and measures aimed at recovering, for the benefit of society, disused industrial land in Bilbao's surroundings due to its potential value for completing and renovating the city.

This project represents an opportunity to reverse the initial situation of degradation associated with obsolete industrial facilities in favour of urban regeneration and environmental recovery that will enable the integration of this area of the city into the urban, social and environmental fabric of Bilbao, with plans for the rescue and enhancement of the natural landscape.

This operation combines the intrinsic value it has as a generator of protected housing with the environmental recovery of land and spaces, and is presented as an opportunity to adapt the habitability conditions and productive facilities of the residents and pre-existing economic activities, and all this from the promotion of citizen participation in decision-making and administrative power in urban planning matters.

MONTESA STRATEGIC RESIDENTIAL AREA (Esplugues de Llobregat)

The Montesa SRA is the first major housing land reserve in the metropolitan area of Barcelona.

This project is located in an area where there was a progressive abandonment and decline of non-specialised industrial uses, which began with the demolition of the Montesa factory and the moving away of its activities.

The proposed planning defines the land as a significant opportunity for metropolitan centrality, as it has very good links to major mobility infrastructures and adjacent municipalities, and will allow for a large number of social housing units.

The amendment to the development plans for the area envisages a redefinition of the urban planning to make the transformation of the area viable, reconsidering the delimitation of zones and systems and revising the housing typologies planned.

ZORROTZAURRE (Bilbao)

The Zorrotzaurre project is the latest major urban regeneration operation to be launched in Bilbao.

This is a zone that experienced an era of industrial boom in the mid-1960s, with the consolidation of industrial activities related to port activity on both sides of the Deusto canal. However, the economic crisis of the time led to a decline in industrial activity and a deterioration in the standard of living in the area as a result of the ageing of buildings and public and private spaces. Today there are barely half a thousand residents.

The urban environs of Zorrotzaurre occupy an area of 838,781 m2, of which more than half belongs to public entities (Basque Government, Bilbao City Council and the Port Authority of Bilbao), the rest being divided between various private owners.

The General Urban Development Plan of Bilbao, approved in 1995, changed the industrial use of Zorrotzaurre to residential. At the same time, it left the definition of the urban design of the area to the drafting of a Special Development Plan.

The Master Plan for the project was designed by the prestigious Anglo-Iraqi architect Zaha Hadid in 2004 and revised in 2007. It incorporates the complete opening of the Deusto Canal, which means the transformation of the Zorrotzaurre peninsula into an island, thus guaranteeing the non-flooding of the area.

The regeneration of Zorrotzaurre represents an integral and balanced project, defined under criteria of sustainability, which recovers a currently degraded area to convert it into a new district of Bilbao, well connected to the rest of the city, with affordable housing, areas for non-contaminating businesses, numerous social and cultural facilities, and large areas for the enjoyment of citizens.

In addition, Neinor Homes has carried out urban and industrial regeneration projects throughout Spain:

IN THE **NORTH**	IN THE **CENTRAL AREA**
• **Arrate** homes (Eibar) • **San Andrés Berri** (Mondragón) • **Amezola Homes** (Bilbao) • **Olarizu Homes IV** (Vitoria)	• **Buenavista** Homes (Madrid)

8.5. INNOVATION AS AN ENGINE OF TRANSFORMATION

Innovation, technology and digital transformation have been in the DNA of Neinor Homes since its inception, with the vision that its drive allows it to gain a **competitive advantage and maintain a leading position** in the transformation of the Spanish residential and real estate sector.

From a purely product point of view, new buildings are expected to be sustainable, smart, safe, adapted to new user lifestyles and different climate scenarios.

Neinor Homes has analysed the **trends forecast for the building sector** and the challenges it will face in the next 20 years, considering aspects such as ethics, transparency, customer focus, industrialisation, digital transformation, automation and new sustainable materials, among others.

In this context, innovation is one of the fundamental values that govern Neinor Homes, acting as a cross-sectional thread running through the company's three strategic pillars: Environmental, Social and Governance.

In 2021Neinor Homes renewed the

Certificación de AENOR 166002:2014

it has held in the last 5 years.

Neinor Homes is aware that the future of the sector involves a commitment to the trends and new technologies that will transform the homes of the future.

Neinor Homes leads the way in innovation in the real estate sector.

COLLABORATIVE INNOVATION

Neinor Homes is committed to the **exchange of experiences and solutions** with the rest of the real estate sector and with other sectors, in order to **seek new solutions in innovation** and adapt them to the new needs of customers.

- On these lines, the ***Neinor Mobility Pack*** has continued to be offered in 2021 in conjunction with ILUNION Accessibility (ONCE Social Group), which was also the first initiative to emerge from Neinor Lab. Neinor Homes was a pioneer in establishing an agreement to facilitate the inclusivity of groups with different capacities.

- **ERAIKUNE Basque Construction Cluster,** participating to address the various challenges posed in the Basque Country within its Strategic Plan. More specifically, the development of the Working Group 2"Innovation and Training" to address Challenge 2"incorporating state-of-the-art knowledge and technologies in the industry".

  The objective is to incorporate state of the art knowledge and technologies in the construction industry that will improve the competitiveness of the cluster's companies by means of:

  - Sector technology watch.
  - Promoting the development of new advanced products and processes.
  - Launching innovation projects.
  - Upgrading of the skills of existing professionals.
  - Training of future professionals.

- **Building Cluster:**
  https://clusteredificacion.com/

  The building sector is one of the strategic sectors in Spain due to its size and its economic, environmental and social importance. In this field, the Building Cluster operates as a non-profit association and is made up of companies, universities and research centres.

  The objective shared by all is to innovate in the construction of existing and new buildings of any use or tenure.

- **PTEC: Spanish Construction Technology Platform**
  https://plataformaptec.es/

  PTEC aims to contribute to the improvement of the construction sector through public-private cooperation in research, development and innovation, carried out between companies, business associations, universities, research centres, technology centres and customers.

Neinor
HOMES

CEMEX
VENTURES

COOPERATION AGREEMENT WITH CEMEX VENTURES

In 2021, a cooperation agreement between CEMEX Ventures, CEMEX's Corporate Venture Capital, and Neinor Homes remained in place with the aim of **establishing synergies** to improve the construction and development industry. Through this cooperation, both companies would **exchange information on *startups*** that may be of interest.

INNOVATION PROCESS IN CONSTRUCTION

At Neinor Homes we understand industrialisation to be a **holistic process of integrating all the design, planning and construction processes** in which people, processes and technology play a fundamental role. That is why from the outset we have opted for the implementation of all its projects in **BIM**, a digital work environment that allows the degree of cooperation between agents and the flow of information and resources necessary for the development of industrialised construction. We are developing an open industrialisation that allows us to adapt to the needs and requirements of each project. Depending on the typological and morphological characteristics of the product, requirements and location of the plot, as well as cost, time and sustainability needs, we select the systems that best adapt to these circumstances. There are several projects in which we have incorporated industrialised construction processes and elements for the construction of the structure or façades.

DIGITAL TRANSFORMATION

The CEO himself has been involved from the very start in the Digital Transformation Acceleration Plan. Each project has had an operational manager and an implementation manager whose functions were to monitor each of the initiatives that were being developed.

At Neinor Homes we understand digital transformation to be **part of our corporate culture,** as a vision and a way of doing things, rather than as one or several projects. For this reason, it is something that we imprint on all elements of the company.

We have various **in-house apps for use by the staff,** who can digitally control their shifts, their holidays or access the company's organisation chart.

Moreover, technology is something we apply throughout the entire real estate value chain, from the selection of land, to the study of its suitability, to the feasibility of the project, to how we build.

ACONEX

Having a document manager for the organisation is essential in order to promote communication, information and project management.

Aconex is working on the integration of this tool so that the information is organised and accessible, whatever the project, all in the same way.

WHAT HAVE WE ACHIEVED SO FAR?

1. **Common** documentation **management system** in the company:
   - Between departments and with external partners.
   - Training for the main departments involved inside and outside DGO.
2. Daily and personalised **advice**. Monitoring and support from key people within the company to ensure that the tool is used correctly
3. Use of ACONEX for **tenders** by the **Purchasing** Department
4. Updating of **support documentation and** customised **videos** applicable to Neinor projects.
5. **Close of development documentation:** compilation and uploading to the Platform of various developments.
6. Creation of the **"Neinor Homes" project** for the company's general documentation.
7. Creation of the API for massive uploads in several projects at the same time.
8. Access for a large number of co-workers.

WHAT ARE THE GOALS FOR 2021?

Proper management of the platform:

- Single use for all documentation management (internally and externally).
- Correct file naming and labelling.
- Version management.
- Traceability.

Creation of workflows:

- Commercial documentation.
- Project phases.
- [..]

Complete upload of all Close of Development Documentation for all developments to date.
Prinex - ACONEX connection.

Reduction of the documentation burden in F: **Upload all common company documentation to Aconex**: Upload procedures and templates.

SUPPLIER PORTAL

- Ease of signing up of suppliers and receipt of invoices
- Reduction of deadlines and costs
- Increased visibility of invoice status
- Avoiding risks of CEO-type payment attacks.

DIGITAL SIGNATURE

- Through digital signatures, contracts can be signed digitally without the need to sign them in person.
- Implemented in the purchasing area, for the signing of works contracts and framework agreements and for commercial for customer reservations.
- **2500 + transactions signed in 2 years**.

ONLINE SALE / RENTAL

- Immediate availability, with information updated in real time: a customer can purchase at any time.
- Reduced fees and commissions: as we are direct sellers we avoid commercial intermediation payments.
- Global reach: we are extending our borders and opening up to international buyers, who can buy from Spain and from any country.
- Competitive advantage over competitors: online sales are becoming more and more common in all sectors, including property development. Being the first to implement it reinforces our brand image and strengthens our track record, as well as putting us ahead of the competition.
- Low-cost sales channel: once the first technological investment has been made, it does not require significant amounts of maintenance. The investment in processes derived from its implementation is used to obtain synergies in other aspects; digital signature, automatic synchronisation with Prinex, WEB synchronisation, etc.

INVOICE APPROVALWORKFLOW

We have succeeded in automating the process of invoice endorsement and approval for real estate business anytime, anywhere and from smartphone or tablet.

This provides managers with an easy-to-use endorsement tool, for use in any location without having to be connected to the ERP.

This allows us among other things to:

- Endorse invoices with a choice of different routes for the final approval of each invoice.
- Authorise payments by providing remarks or reasons for refusal, if any.
- Consult all the information on an invoice, as well as the documentation associated with it.
- Know the budget allocations that each invoice line has.

PURCHASE REQUESTWORKFLOW

We manage all purchase requests from the time they are registered with each of the companies until they are approved.

This also allows us to monitor the quantities requested compared to those budgeted to immediately detect deviations.

It is possible to allocate invoices from the approved purchase requisition until fully consumed.

AFTER SALES APPS

Aimed at improving and providing a better service to our customers through complete functionality, to be able to carry out a proper management of after sales services as a key and stand-alone feature.

This is available via a mobile phone app for the visitor role, and via web app for the supervisor, allowing, among other things:

- Creation of pre-sales and post-sales incidents during the same visit to the property in a quick and easy way (with photographs, documentation and customer approval) and all from a smartphone or tablet.
- Incident management by the supervisor: assignment to suppliers, transit of incident statuses, etc.
- Issuance of work reports to suppliers.
- Creation of Big Data for exploitation.

DGO GUARANTEES

WEB application for the management of bank guarantees received, maturity calendar and automatic e-mail alerts management.

PURCHASING APP

- Web platform for purchasing department management, divided into the following main modules:
- Developments.
- Companies.
- Recruitment (recruitment database).
- Framework Agreements (services).
- Approval notes (related to supplier evaluation).
- Tenders (ratios, savings tables).
- Price (database of items/references per development).

A series of Power BI files have also been designed to obtain interactive graphics.

APPROVAL OF SUPPLIERS

TAll suppliers working with Neinor, including Architects and Construction Companies, must be previously approved in line with the quality levels required by Neinor. The updated approval table can be found in the Purchasing App. Re-approval is annual.

EVALUATION OF SUPPLIERS AND SUBCONTRACTORS

- **Suppliers**: All approved suppliers working with Neinor are periodically evaluated through an app. Both scores (evaluation and approval) generate an overall score for the supplier which is recorded in the Purchasing App.
- **Subcontractors**: The subcontractors contracted by the builder are also evaluated in order to keep a record of each one and to avoid working with those, if any, that have not given good results on site.

FRAMEWORK AGREEMENTS

- **Web platform** for monitoring framework agreements with various manufacturers nationally. Access from two types of user profile.
- **Project Managers.**
- **Neinor Purchases.**

Entries for manufacturers with whom we have a framework agreement for the calculation of the agreed rebate are compiled by development. A PowerBI has also been designed to obtain graphs.

And, last but not least, we apply technology to the end of this chain, which is customer service for customers who have already bought a home with us. For this purpose, we have Neinor Experience, made up of a great team that responds to any incident or doubt that the customer may have, accompanying them at all times from the moment they reserve their home, while it is being built and even after delivery, all through both traditional and digital channels.

Our approach to innovation is aimed at covering the entire value chain of the company, from the study for the purchase of land to the after sales of the development delivered. Throughout the entire process, needs have been identified and cross-sectional projects have been defined to cover these needs.

In this way, as the leading residential platform in Spain, we apply our vision of digital transformation to all of the company's business lines.

At Neinor Homes we use and have **incorporated technology and various digital enablers** throughout the entire product lifecycle.

- We support land acquisition through our Big Data tool that allows us to take better decisions. This **Big Data tool** provides us with a great deal of data about a piece of land, an area, how prices are going to behave etc., which allows us to make decisions based on concrete data, not on intuition, and that ultimately allows us to mitigate risk. But data without knowledge is useless. We need the human factor and experience to know how to interpret this data, and that is where Neinor Homes provides stand-out value, thanks to the combination of technology with the best professionals in the sector.
- From the design to the construction of the homes, we incorporate **BIM**, which allows a cooperative work methodology that centralises all the information of a project in a digital model.

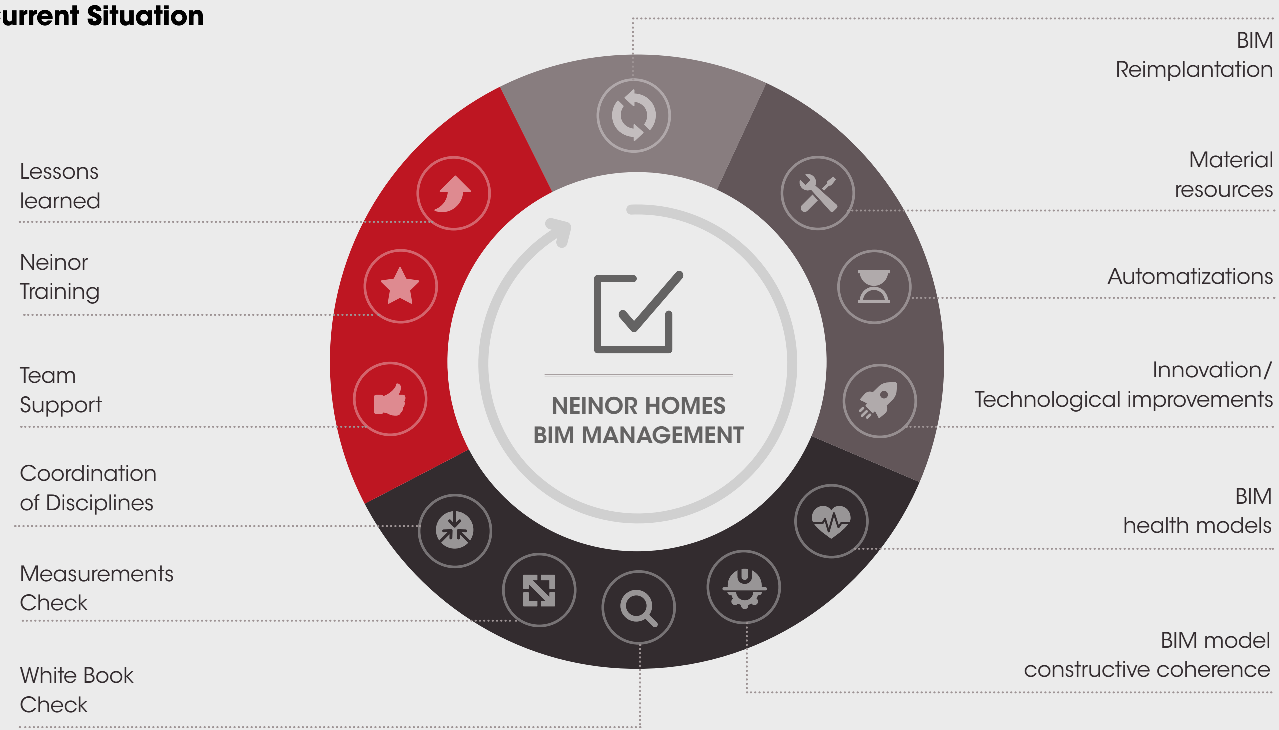
BIM

One of the most important projects within the Operations Area has been the commitment to the digitalisation of our developments in all their phases, starting with an integrated management of the project phase, in order to be able to close the circle with the construction phase in the near future.

To date **we have achieved:**

1. Digitisation of design procedure templates
2. Project teams use 3D modelling to develop projects and produce information.
3. Project managers and other design participants integrated in the processes with more than 50h of training
4. Incident management, change control and design coordination 100% online.
5. Automatic generation of the Digital Twin
6. Integration of plans extracted from the model and instant information from the cloud
7. Automation of the export of rooms and area control on the model
8. Centralised cooperation between architecture and engineering
9. Integration of tools and workflows for geometric control with more than 230 automated online rules
10. Online and desktop measurement control system integration
11. Auditing of models complying with measurement and geometric control

Current Situation



2021 Objectives

1. DIGITISATION OF THE CONSTRUCTION PROCEDURE TEMPLATES
2. UNIFY IFC MODELS AND EXPAND THEIR USE FOR CONSTRUCTION
3. INTEGRATION OF VERIFICATION LISTS AND REWORKING CHECKLISTS 100% ONLINE
4. CONSTRUCTION MANAGERS, PROJECT MANAGERS AND OTHER PARTICIPANTS INVOLVED IN THE CONSTRUCTION PROCESS WITH MORE THAN 50 HOURS OF TRAINING AND INTERNSHIPS*
5. CONTROL, MANAGEMENT AND DISTRIBUTION OF PLANS ON SITE 100% ONLINE
6. CHECKING OF THE AS BUILT THROUGH THE MODEL
7. INTEGRATION OF TOOLS AND WORKFLOWS FOR THE CONTROL OF PLANNING ON THE MODEL IN REAL TIME
8. INTEGRATION OF WORKS, VISUALISATION AND MANAGEMENT THROUGH MOBILE PHONES
9. MODEL AUDITING FULFILLING PLANNING MEASUREMENT AND GEOMETRICAL CONTROL

* With more than 50 hours of training and internships.

TOOL DEADLINES

We have achieved:

- Optimisation of the company's internal processes
- In response to this, a Deadline Management tool has been built to improve the coordination and monitoring of our processes, leading to a reduction of internal efforts and an improvement in the delivery times of our developments.
- Knowledge **in real time** of the status of tasks and projects.

Territorial Director who wants to know when the draft infographics will arrive.

Marketing agent who needs to know when the marketing pack will be available.

Marketing manager who needs to know when the Basic Plans will arrive to send them to infographics and mock-ups, etc.

- Save **time by eliminating meetings** dealing with to-do's, status updates and spreadsheet updates.

Thursday meetings (Launch 1st GO).

Meetings in each territory to gauge the status of pending launches.

- Improves teamwork productivity irrespective of physical location.
- It has **task notifications**, so it is harder to miss something important.

Working with increasing volumes increases the possibility of forgetting things.

Notifications make it easier to organise the tasks to be carried out during the week.

- All persons assigned to a project can **consult project files and documents,** without having to request them by mail, which **speeds up work and decision-making.**

Back Office will not have to chase the various departments so that they send the information by mail.

Marketing agents will not be so insistent on knowing when the marketing pack will arrive.

- Allows **comments** to be **entered, partially eliminating the sending of emails** and logging a history of the conversation.

Possible oversights when copying someone involved.

Eternal searches for e-mails proving "I told you so" …

- All **tasks and updates are synchronised and in the cloud**, so information is always backed up and secure.

This eliminates the possibility of not knowing what the final infographics are.

- For the marketing of our homes we apply various technologies both in the physical and online channels:
- On the one hand, we have created Neinor Stores, a technological sales space that allows us to increase the satisfaction and knowledge of our customers, where we combine Virtual Reality, interactive screens and real-time analysis tools to better understand the profiles and needs of our customers.
- Moreover, we now allow **online booking** and are working to complete the home buying process in an online environment, increasing the accessibility, simplicity and intelligent conveyance of the property to increase and guarantee the confidence of our customers.
- In the delivery of our homes, our **Neinor Experience** digital platform allows us to control the entire process digitally, from the deed signing process to the after sales process.
- With regard to our **Servicing business** line

WFs

DATA QUALITY

It is also worth highlighting the developments we are bringing about to promote our new business line Neinor Rental, launched in 2020 and with which we have the first platform capable of offering 100% of rental services. In this regard, within this line of business we are working on the development of online booking and rental.

09

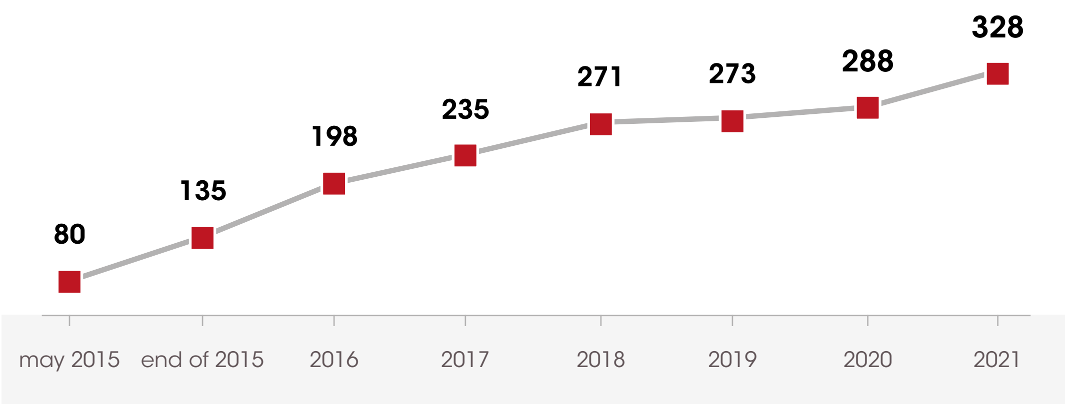
WE HAVE A **COMMITTED TEAM**

One of Neinor Homes' priorities is to offer its human team an **attractive environment** where they can develop professionally and where they can reconcile their personal life with their work. All of this is based on **equal opportunities, transparency, health and safety.**

Neinor Homes is a benchmark company in the real estate sector, offering an **attractive environment in which to work,** generating quality employment, fostering the development of talent and continuous training and promoting well-being, work-life balance and safety. The company always seeks **maximum transparency in communication and involves the entire workforce in the innovation and growth** of the company. Only by working daily with all these values in mind can we be at the forefront in a sector that increasingly demands **greater dynamism and professionalism.**

Since its creation in 2015, Neinor Homes has grown exponentially, increasing its workforce by a factor of 4.1 in those 6 years. This requires effective people management, which is determined by a **Strategic Human Resources Plan** closely linked to the company's three strategic pillars.

STAFFING TRENDS

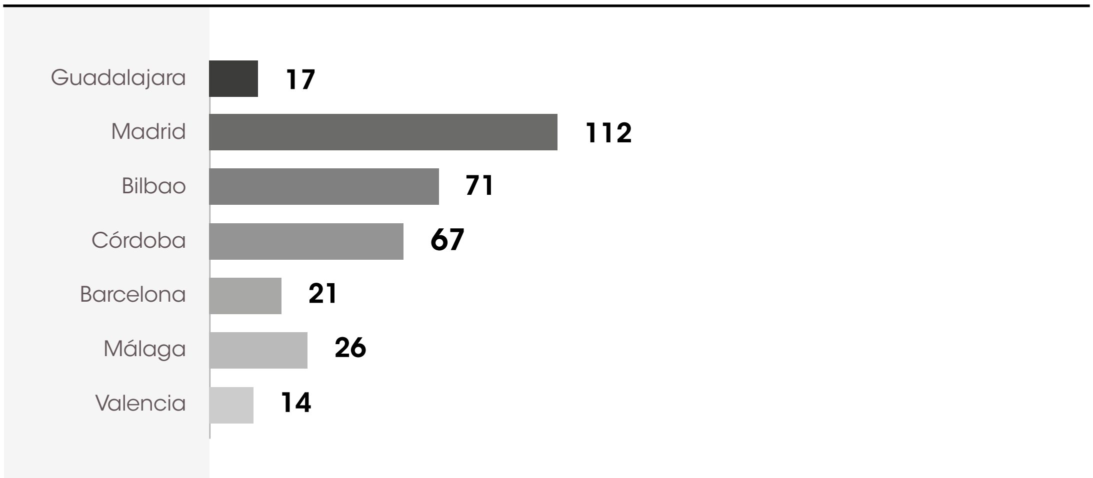


In 2021 Neinor Homes had a workforce of **328*employees, 52% men** and **48% women,** the **number of employees increasing by 40** from 288 in 2020. Neinor Homes is committed to talent and professionalism when it comes to forming its work teams, which is why it has a diversity of profiles. In this regard, the **average age** of employees in 2021 was **43.2 years of age.** The **average length of service** of the workforce was **5.99 years,** as it is a company that has grown considerably in recent years. The figure increased significantly in 2021 due to the takeover of Quabit Inmobiliaria S.A.

*In addition to the workforce of Neinor Homes, there are 152 employees of Quabit Construcción (113) and Renta Garantizada (39) who are in the process of being integrated into the Group.

During its first 6 years it has not only grown in the number of employees, but also in the number of branches. Currently, it is located in **7 territories** throughout the Iberian Peninsula: Madrid, Bilbao, Cordoba, Barcelona, Malaga, Valencia and Guadalajara.

GEOGRAPHICAL DISTRIBUTION OF ST



DISTRIBUTION OF THE WORKFORCE BY AGE RANGE

We would like to state for the record that, contrary to some trends that are occurring in many companies, which discard or dispense with people who have more experience just because of their age, increasingly aggravating the problem of mass recruitment processes, Neinor Homes does not take into account the age of candidates to select talent, nor does it carry out any type of age-related discrimination in the work environment (talent retention, internal promotion, etc.). As can be seen, one third of its workforce is between 46 and 65 years old.

At Neinor Homes, **100% of employees are subject to the construction industry collective bargaining agreement** in force in the autonomous community in which its headquarters are located. In addition, freedom of association is guaranteed and union representatives are provided with meeting rooms for their meetings, with trade union representatives affiliated to the ELA union in Bilbao, and in Cordoba to the UGT and CCOO unions. Collective agreements in the construction sector establish the health and safety aspects of the sector's activities, including issues such as the minimum safety provisions applicable on construction sites and health and safety training to be provided.

9.1. EQUALITY AND DIVERSITY

Neinor Homes is firmly committed to **equal opportunities, non-discrimination and respect for diversity,** which is also reflected in the principles of its Code of Ethics and Code of Conduct with third parties and in its Diversity and Non-discrimination Policy. The best proof of this is that there is practically **parity between men and women** among its employees, which is remarkable considering the particularities of the sector in which it operates. Although there are currently no women in STEM (Science, Technology, Engineering and Mathematics) or similar positions, 28% of management positions are occupied by women. However, at Neinor Homes, equality is applied in a broader concept than gender, as it aims to promote equal rights and obligations for all people. In this regard, the company's practices are aimed at complying with the **ten Principles of the United Nations Global Compact,** and the 17 Sustainable Development Goals (SDGs), particularly in this case those relating to **human rights, labour and equality.**

Neinor Homes' commitment to equality and non-discrimination is reflected in its Diversity and Non-Discrimination Policy.

At Neinor Homes, there have been no complaints of human rights violations, respecting freedom of association and collective bargaining as evidenced by the interrelationships with workers' delegates and committees. There is no employment discrimination of any kind and no forced or compulsory labour is carried out.

The Board of Directors of Neinor Homes has approved a **Diversity and Non-Discrimination Policy** that establishes the criteria and guidelines to achieve equal treatment and opportunities and to eliminate any type of discrimination based on gender, origin, age, race, culture, ideology, religion or disability.

In this regard, in the last work climate survey carried out in the last quarter of 2020, 80% of respondents said they believed that in the recruitment, evaluation, professional growth and remuneration processes there is no discrimination based on gender, age, origin, sexual orientation or ideology.

Moreover, no complaints of discrimination or inequality have ever been received.

Diversity and non-discrimination policy **guidelines:**

PROMOTING EQUAL OPPORTUNITIES

Guarantee for all employees of equal treatment and equal opportunities in terms of access to employment, job classification, performance evaluation and promotion, remuneration, training and work-life balance.

RESPECT FOR DIVERSITY

Rejection of any discriminatory or intolerant behaviour in the organisation, considering diversity as a value that contributes different visions and promotes the generation of new ideas and creative and innovative alternatives.

INTEGRATION AND INCLUSION

Cooperation and teamwork so that all professionals, irrespective of their seniority in the company, previous experience or any other condition, can form part of the company, with a strong commitment to the inclusion of specific groups with different abilities.

CONDUCT OF THIRD PARTIES

Extending of commitments to respect diversity and non-discrimination to all stakeholders, particularly with regard to raising awareness among suppliers and contractors.

WORK ENVIRONMENT

Preserving a harassment-free environment at work, fostering an atmosphere of respect and acceptance, strengthening the company's diversity, inclusion and non-discrimination awareness and culture, and guaranteeing freedom of association rights as set out in international standards.

EQUAL PAY

The Board of Directors of Neinor Homes strives to ensure that remuneration for positions of equal responsibility and functions is the same throughout the company. This is because avoiding discriminatory biases in remuneration is key to fostering an environment that promotes diversity, which is considered one of the main values of the company's human capital.

Neinor Homes guarantees respect for equal pay and has reflected this in its Diversity and Non-Discrimination Policy. Furthermore, in its 2022-2025 Sustainability Plan, it is committed to introducing measures to eliminate the wage gap, in line with the company's goal of achieving wage parity among employees. The Human Resources department is responsible for ensuring that this course of action is implemented between 2022 and 2025.

The remuneration structure of all professional and responsibility categories in the group is conceived under the criterion of gender neutrality. Furthermore, in order to promote wage parity, Neinor Homes monitors and compares the annual salary of women and men, at all management levels, during the salary review process that the company carries out annually, and which is based on the individual performance assessment and common criteria for both genders.

Neinor Homes is determined to ensure that there is no gender-based pay inequality in its business. For this reason, it has begun to carry out a salary analysis to identify possible cases of inequality between women and men with identical jobs, functions and responsibilities. In this regard, the company has already obtained two remuneration audit reports on Neinor Homes from an independent third party, which it is analysing and adapting, as a result of the merger with Quabit.

Based on the principle that men and women are entitled to equal pay for equal work (salary equality), the difference between the average pay received by men and women (pay gap) has been calculated.

In the area of remuneration, 100% of the company's employees are covered by general collective agreement terms, thus improving the minimum conditions established by the various employment regulations. The Collective Agreements govern the remuneration received by the employees subscribed to them, and in particular establish criteria of equity between similar jobs, thus avoiding the existence of gender discrimination and the wage gap between equivalent jobs. However, the mathematical calculation of the pay gap, understood as the difference between the average hourly pay of men and women compared to the average hourly pay of men, stands at 27.4%, with the Group's average pay being €46,371: €57,319 for men and €34,513 for women. The ratio between the starting salary and the local minimum salary by gender (male/female) is 1.6/1.6

The information obtained from this analysis will be used to study the data by line of business and level of responsibility to define whether there is a gender gap in jobs of equal activity, or whether the difference is due to any other cause (seniority, performance, results, etc.). Neinor Homes' objective is to eliminate any cases of this type of inequality that may be detected.

In addition, a specific analysis of inequitable pay situations will be carried out through the annual pay review process. This action plan is regularly monitored by management, which evaluates progress at each level of the organisation.

GENDER PAY EQUALITY ANALYSIS[1]

CATEGORY	AVERAGE REMUNERATION	Nº OF PERSONS	AVERAGE AGE	AVERAGE LENGTH OF SERVICE	% VARIATION	ADJUSTED AVERAGE REMUNERATION	ADJUSTED % CHANGE
TOP MANAGEMENT	**184,417**	**6**	**44.1**	**7**			
Men	184,417	6	44.1	7			
AREA MANAGERS	**86,526**	**35**	**48.7**	**7.9**			
Men	91,971	27	50	8.7	25%	80,489	14.8%
Women	68,829	8	44.4	5.3			
MANAGERS	**50,920**	**53**	**45.8**	**8.1**			
Men	55,456	26	47.5	8.2	16%		
Women	46,551	27	44	8			
TECHNICAL STAFF	**36,478**	**160**	**42**	**5.5**			
Men	38,728	85	43.4	4.9	12%		
Women	33,929	75	40.3	5.1			
ADMINISTRATIVE	**22,954**	**66**	**39.7**	**6.2**			
Men	22,533	18	39	4.8			
Women	22,724	48	42	6.7	0.8%		
SITE PERSONNEL	**42,531**	**8**	**47.5**	**1.1**			
Men	42,531	8	45	1.1			
GRAND TOTAL	**44,454**	**328**	**43.1**	**5.8**			

[1] Remuneration is calculated on the basis of the contractual conditions of each employee, taking into account the total variable salary independently of the amount received.

The existing pay gap is largely unchanged from last year. However, the company has reduced its pay gap in the technical and administrative categories from 15% to 12% and 6% to 0.8% respectively.

The underlying cause of the pay gap in certain categories is the lower presence of women in the workforce, a common situation in the development and construction sector, which is accentuated in the case of senior management positions, area managers and site personnel. However, although women are well represented in our company (48% women, 52% men), a commitment has been made in the Sustainability Plan to introduce measures to increase the number of women in management positions between 2022 and 2025. This year, the presence of women in the two positions of responsibility immediately after Top Management has increased by 8.6%.

In this sector there is usually a greater presence of men, although this was much more accentuated in the past. In this connection, most of the people who have a great deal of experience in this sector are men, and the direct consequences of all this experience is that they have a higher salary and are in positions of greater responsibility.

That said, our workforce has a high percentage of senior employees who are in the category of area managers. There are 5 men between the ages of 55 and 65 with more than 15 years of seniority in the company, whose salary is almost double the average remuneration for the reasons explained above, in addition to seniority reasons. Therefore, in order not to distort the figure, an adjustment has been made in the calculation. Thus, if their exclusion is taken into account in the calculation, the percentage difference drops from 25% to 14.8%.*

Neinor Homes defends salary equality and is committed to reducing the wage gap. Therefore, in order to mitigate this situation, Neinor Homes is working on the implementation and development of an Equality Plan, which it has committed to approve in 2022 (see the 2022-2025 Sustainability Plan) and for the preparation of which it will check that its commitments and plans in terms of equality are aligned with the European Strategy for Gender Equality 2020- 2025 and national legislation.

Once the Equality Plan is approved, the Sustainability Plan includes in its courses of action training in equality and diversity, which will be provided at least to the management team, to those responsible for selection processes and to the members of the Equality Committee (whose composition is defined in the Equality Plan) before the end of 2023.

With regard to r**emuneration equality of the Board of Directors** of Neinor Homes, this is fully in place and there is no difference between the salary received by men and women, as detailed in the Remuneration Policy and in the Annual Remuneration Report.

The remuneration of **non-executive Directors,** who qualify as "independent" and "other external", is as follows:

Fixed remuneration:

- Pr-Chairman of the Board: €100,000 per year;
- Other independent and other external directors: €75,000 per annum each.

Per diems for attendance at meetings of the Board and its Committees:

- Board meetings: €3,000 per meeting;
- Committee meetings: €1,500 per session of each Committee.

The average amount received in 2021 by the 5 Independent Directors (1 woman and 4 men) was € 124,700.

* The gap is explained by more work experience and more seniority in the company.

Given the above, the only thing that makes the salaries received by Directors different is the allowances for attending Board and Committee meetings, which in turn depend on the number of Committees on which the Director sits and the number of times they meet during the year.

In 2021, the Board met 16 times, the Audit and Control Committee 11 times, the Appointments and Remuneration Committee 5 times and the Land Investment Committee 5 times. 7 meetings of the Board and 4 meetings of the Audit and Control Committee were held in writing, thus not giving rise to any entitlement to attendance fees.

The average remuneration of the 2 **Executive Directors** (men) in 2021 was €1,239,000 (including fixed + variable salary).

EQUALITY PRACTICES AND MEASURES ADOPTED AT NEINOR HOMES

- **Access to employment:** definition of requirements in job offers that provide equal employment opportunities and non-discriminatory recruitment and interviewing processes.
- **Performance evaluation and promotion:** use of objective and egalitarian criteria when evaluating the performance of employees and their promotion. In addition, the presence of women on governing bodies is encouraged.
- **Remuneration:** seeking homogeneity by professional category to reward employees according to their development and performance evaluation, not encouraging the existence of unjustified inequalities.
- **Training:** Training courses for all members of the company to improve and broaden their knowledge for the development of their job.
- **Work-life balance:** definition and implementation of a series of measures to promote equality and to reconcile and integrate professional activity with family and personal responsibilities.

The Human Resources Department will ensure compliance with and application of this Equality Plan, in cooperation with the rest of the departments that make up Neinor Homes. For its part, the Internal Audit Department periodically reviews and reports on compliance with the guidelines of the Diversity and Non-Discrimination Policy. In 2021 Neinor Homes had 3 employees with atypical abilities.

In the current pandemic situation, all persons considered to be at high risk or living with persons at high risk are given access to teleworking for 100% of their working day.

9.2. DESARROLLO PROFESIONAL Y PERSONAL DE LOS EMPLEADOS

The achievements to date and the company's continued growth (**34 new recruits in 2021, 12 women and 22 men,** of which 6are in the 20-29, 16 in the 30-45 and 12 in the 46-65 age brackets) have been possible thanks to the **search for the best professional training and the attraction of talent** in the selection of personnel. The 2021 recruitment rate was 15%.

In 2021 we worked hard to **internalise the selection processes for as many positions as possible** in order to be able to rely on the valuable information that facilitates these processes. In 2021, **1 employee** was promoted.

Neinor Homes defends **quality employment** and fosters a sense of belonging among its workforce and its consolidation, which is why practically the entire workforce, 93%, has a permanent contract, 98.5% of which are full-time, including medical insurance. The competition is attracted to its valued workers, which has led to a **turnover rate** of 11% in 2021 (19 men and 15 women), despite Neinor Homes' efforts to retain talent and offer quality employment.

In 2021 there were30 redundancies in the company: 10 women (5 between 30-45 years and 5 between 46-65 years) and 20 men (1 between 20-29 years; 4 between 30-45 years; 15 between 45-60 years). Of the total number of redundancies, 21 posts were due to the effect of the merger with Quabit and the subsequent restructuring process.

In recent years there have been 38 redundancies:

- In **2019**: 7 redundancies, 5 women (1 between 20-29, 3 between 30-45 and 1 between 46-65) and 2 men (1 between 30-45 and 1 between 146-65).
- In **2020**: 1 redundancy (male in the age bracket 20-29 years).
- In **2021**: 30 redundancies, 10 women (5 between 30-45 years and 5 between 46-65 years) and 20 men (1 between 20-29 years; 4 between 30-45 years; 15 between 45-60 years).

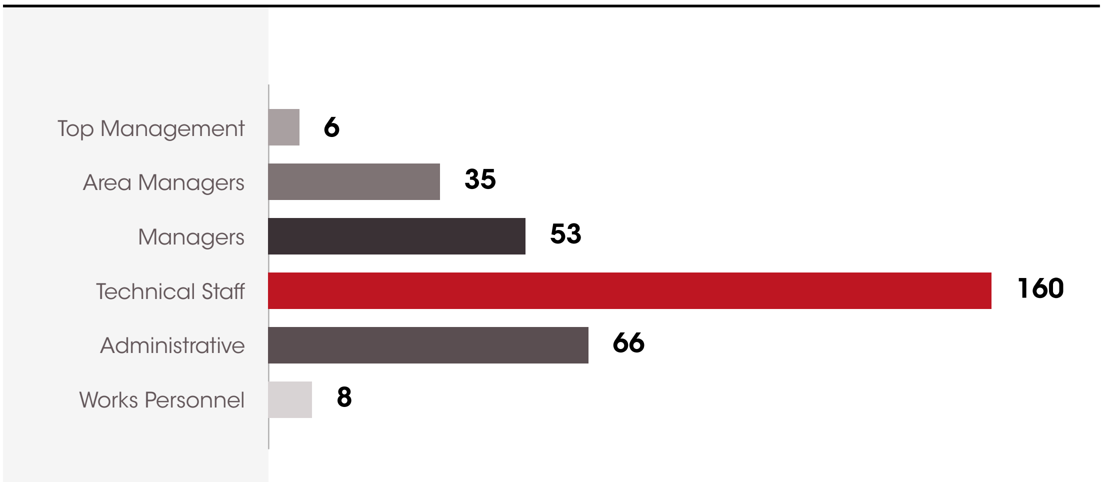
Neinor Homes has a team of talented professionals to encourage internal promotion.

COMPARISON OF DISMISSALS IN THE LAST THREE YEARS

LAYOFFS	YEAR 2019		YEAR 2020		YEAR 2021	
Age range	Woman	Men	Woman	Men	Woman	Men
Between 20 - 29 years old	**1**			**1**		**1**
Between 30 - 45 years old	**3**	**1**			**5**	**4**
Between 46 - 65 years old	**1**	**1**			**5**	**15**
Total	**5**	**2**		**1**	**10**	**20**

15 Women and **23** Men

DISTRIBUTION OF STAFF BY PROFESSIONAL CATEGORY



DISTRIBUTION OF STAFF BY TYPE OF CONTRACT

	WOMEN 157	MEN 171	20 -29 YEARS	30 - 45 YEARS	46 - 65 YEARS	TOP MANAGEMENT	AREA MANAGERS	MANAGERS	TECHNICAL STAFF	ADMINISTRATIVE STAFF	SITE PERSONNEL
FIXED CONTRACT 302	147	155	17	166	119	6	35	53	145	61	2
TEMPORARY CONTRACT 26	10	16	5	5	16	0	0	0	15	5	6
PART-TIME 285	154	169	19	171	133	6	35	53	157	64	8
FULL-TIME 323	3	2	3	0	2	0	0	0	3	2	0

Neinor Homes is working on a **Professional Development Plan** to favour the professional growth and development of its employees, which is linked to the performance of each of them. In relation to this, **annual salary reviews** are carried out of fixed and variable salary, which is directly linked to the employee's performance.

Neinor Homes works with universities and schools; we offer internships in the company with the possibility of future recruitment.

ATTRACTIVE AND FLEXIBLE REMUNERATION

Neinor Homes has implemented a variable remuneration policy to ensure the sustainability of the company. The variable potential is linked to the achievement of EBITDA. It decreases if EBITDA falls below a certain minimum level and likewise increases if EBITDA exceeds a certain threshold. 100% of the resulting incentive is split between Departmental or Territorial targets and Individual targets. Once the bonus has been calculated using this formula, meritocracy is objectified and excellence in work is recognised according to performance.

9.3. TRAINING

Neinor Homes believes that training helps to increase the **work productivity** of employees, while at the same time improving the possibilities of their individual promotion.

To draw up the 2021 training plan, we endeavoured to assess the needs and interest of Neinor's employees by means of surveys of departmental managers and the workers' legal representatives (RLT), as well as the entire workforce. In the RLT group (6 respondents), technical training in Excel and skills training were rated as the most interesting for the training plan. In addition, specific training in urban planning and English was proposed.

In the survey of all Neinor employees (185 votes), 96.2% of those surveyed were in favour of receiving training and making a commitment to complete it. For the employee group the most interesting training sessions were Excel, modelling and skills training.

In addition, specific training in urban planning, among others, was proposed.

Neinor Homes provides its employees with a **training platform** where the various training courses are uploaded so that employees can access them at any time. In 2021 a total of **10,148 training hours** were given, with an average of **30.94 hours of training per employee** and an average cost (investment) in these training sessions of **€122.06** per employee. This meant a total cost in 2021 of **€40,280.**

Topics have included courses on cybersecurity, financial modelling, technical training, new regulations, training tools or ad hoc training to meet the needs of certain departments, among others. Training is offered to all employees, irrespective of whether their contract is full-time, part-time or half-time.

Finally, there are initiatives to raise awareness and involve employees in Sustainability by fostering their pride of belonging. In terms of **environmental awareness,** regular communications are sent to employees to raise their awareness of **environmental issues.**

For Neinor Homes, training is a fundamental pillar and encourages the exchange of knowledge among its employees.

9.4. WELL-BEING AND WORK-LIFE BALANCE

For Neinor Homes, **the wellbeing and quality of life** of its employees outside the workplace is also important, as a happy and content worker in their personal environment will also be happy in their working environment, favouring their effectiveness and their relationship with their colleagues. It therefore implements measures that seek to harmonise professional activity with personal needs, which are materialised in the **Work-Life Balance Plan.**

The work-life balance plan includes 4 measures to guarantee disconnection: definition of workloads, not scheduling meetings after 18:00 hours, intensive working hours during the summer months (July and August) and a commitment to respect rest hours. On the same lines, the clocking-in app developed by Neinor Homes where employees record their working hours allows for an analysis and monitoring of the hours worked.

The results of the **work climate and psychosocial risk survey** and the recommendations identified in the internal audits were taken into account when drawing up the Work-Life Balance Plan. In this way, a **series of measures** aimed at favouring work-life balance was proposed:

TELEWORKING

The possibility of teleworking is established for a maximum of 3 days per month for any professional as long as their duties allow it. For this purpose, all employees are provided with a mobile phone and laptop computer. The interested employee must coordinate with both the Systems Department for the installation of the VPN, as well as with their manager to establish the appropriate tasks, and there is a calendar for the use of the measure that must be reported to Human Resources.

REDUCED WORKING HOURS ON NON-SCHOOL DAYS

The **working day may be adjusted** to the school calendar and may be reduced on **non-school days,** as part of the measures included in the Work-Life Balance Plan.

PRE-BIRTH LEAVE

There is the option of requesting **paid maternity leave** during the last 15 days of pregnancy until the baby is born.

FLEXIBLE ENTRY AND EXIT TIMES

Flexibility of one hour is allowed in the time of entry to and exit from the workplace. Departments ensure that all responsibilities are covered at all times during all working hours. In addition, there is flexibility in **meal times.**

BREASTFEEDING

Paid breastfeeding leave is extended to **20 days** (instead of 13 days) or until the child reaches the age of 15 months (instead of 12 months).

PARENTAL LEAVE

SA leave of absence is established for the care of children of **4 years** (instead of 3 years as stipulated in the statute).

FINANCIAL ASSISTANCE FOR CHILDREN WITH DISABILITIES

Employees with children with disabilities receive financial assistance of **€150 gross per month until the child reaches the age of 15.**

FLEXIBLE MEETING TIMES

Except in exceptional cases, the timetable for meetings and videoconferences must be between **10:00 and 18:00 hours.**

LEAVE DUE TO COMPLICATIONS IN CHILDBIRTH

Paid leave is extended to **15 days** (instead of 5 days) in the event of complications arising from childbirth or neonatal illnesses that require the baby to stay in hospital.

INTENSIVE WORKING DAY

In accordance with the established annual calendar, from 1 July to 31 August the working day ends at 15:00hours, with weekly rotating shifts in each department so that support and service can be provided in the event of any incident.

WORKLOADS

In order to reduce as much as possible excess work outside the established working hours, there is a commitment to **define workloads.**

RESPECT OF REST HOURS

A commitment is made to r**espect rest times** outside working hours **as much as possible** and control measures are put in place to achieve this.

BIRTHDAY

A birthday will be a holiday and can be enjoyed on the Friday of that week, if preferred or if it falls on a weekend or public holiday.

The Human Resources department monitors the work-life balance measures, is open to the evaluation of new measures and is responsible for establishing, publishing and informing the staff of any new developments regarding these measures. In addition to these special measures, employees are entitled to all benefits established by law. In 2021, a total of **25 workers,** 13 women and 12 men, took **maternity or paternity leave,** of whom 100% have returned or will return to work after taking this leave.

Neinor Homes offers a **flexible remuneration package with tax benefits for employees,** where they can take out childcare, meal and transport vouchers, training, purchase of IT equipment and medical insurance for the whole family.

Moreover, preference is offered to employees when it comes to accessing a property in the developments launched by the company, although under no circumstances does this mean a reduction in the price.

9.5. HEALTH AND SAFETY OF OUR EMPLOYEES

Neinor Homes promotes a **safe working environment** and is committed to ongoing updating of the occupational risk prevention measures appropriate to each job, beyond the levels required by law. By the nature of their work, Neinor Homes employees are exposed to the risks inherent in office work. In this regard, the Board of Directors is the main driving force behind the implementation of a health and safety culture, assuming the firm commitment to ensure that there are no accidents at work in the company. This commitment is also shared by the Senior Management.

Due to the nature of their work, Neinor Homes employees are exposed to the risks inherent in office work. In this regard, an external company is responsible for carrying out periodic health and safety and Occupational Risk Prevention (ORP) audits in all offices and branches, the result of which has been that the required standards are met in all of them.

With the aim of promoting a culture based on health and safety, Neinor Homes offers Occupational Risk Prevention courses to its professionals. In 2021, Neinor Homes employees received 60 hours of training on health and safety policies and procedures.

Along these lines, at the beginning of the year, the company updated its Health and Safety Policy, which addresses health and safety in offices, on construction sites and for our customers, referring to the delivery of safe, quality housing that preserves the safety of people during use. This policy is included in the "Welcome Pack" for new recruits.

In 2021 there was1 occupational accident (a 45 year old woman) while on a journey, with sick leave (38 days), but there have been no occupational accidents with sick leave in the work environment.

Despite Covid, the absenteeism rate at Neinor Homes is 2.90%. To calculate the absenteeism rate (days of sick leave and total hours worked) of the total workforce, we have taken into account the days of maternity, sickness or accident-related sick leave. Covid has an incidence rate below 10% of total absenteeism days.

During 2021, a total of 590 days were lost due to disability (of all types), among our employees. During the last 4 years there have been no work-related fatalities among our employees.

In addition, and to guarantee the safety of all its employees, Neinor Homes has taken out a life insurance policy for the entire workforce, with an insured capital equivalent to 4 monthly payments of each employee's gross salary.

9.6. THE SAFETY OF OUR EMPLOYEES DURING THE PANDEMIC

The COVID crisis has posed a huge challenge at a global level, for which reason Neinor Homes, like the rest of the business world, is having to adapt its way of working and its day-to-day operations to cope with the evolution of the pandemic.

For this reason, the company's main priority has been to ensure the safety of its employees' jobs. From the outset, the CEO, Co-CEO and other executives conveyed to the workforce a message of peace of mind regarding the security of their jobs, demonstrating through their management that Neinor Homes is a solid company that is committed to its employees. Proof of this is that during these 2 years of pandemic it has not taken advantage of any temporary redundancy plan (ERTE), having been able to do so, and which would have meant economic savings.

Another of the company's main priorities continues to be preserving the health of its employees. For this reason, during the periods of worsening of the pandemic, in which the number of infections was very high, teleworking was continuously prioritised. In addition, the measures decreed by the authorities have been put in place at all workplaces, the correct implementation of the measures has been verified in our works in progress, and prevention measures have also been put in place at the points of sale.

Depending on the evolution of the pandemic, different phases were established and communicated:

- ***Containment***, where in the calmest phase it was possible to incorporate 80% of the staff in all offices, implemented according to the recommendations of the World Health Organisation and taking into account safe distances, protection and safety screens, as well as setting up common areas (kitchens and meeting rooms), reinforcing in this case cleaning and disinfection, limiting opening hours and capacity.
- ***De-escalation***, for the staggered incorporation of workers into the offices through a system of shifts to ensure compliance with security measures.

In the final phase of the year and the worsening of the situation, it was decided that 100% of employees should telework; and that those who, either for work-related reasons/commitments or by preference, decided to go to the office, should be facilitated in this possibility by the securing and provision of safe working areas.

In addition, the current regulations established by the health authorities have been monitored in order to adapt and take measures to improve the health and safety of the company's employees.

With regard to the motivational risk of the team, Neinor Homes considers the team/staff to be a key element for recovery, for maintaining operations and for the best performance with regard to our customers and suppliers.

To this end, emotional accompaniment and follow-up (calls, e-mails, videoconferences) have been carried out, conveying the management's concern for the well-being of the teams to facilitate motivation and a better state of mind. To this end, all staff have also been given the opportunity to undergo a contrast test prior to their incorporation into the company's office after their Covid medical discharge, in addition to the recognition of the team for the effort and adaptation to the new work scenario.

Undoubtedly, 2021 continued to be an enormous challenge for all Human Resources departments, and this area at Neinor Homes worked and will continue to work in 2022 to ensure that safety, business development and job satisfaction go hand in hand every day and despite any crisis.

9.7. EMPLOYEE COMMUNICATION AND SATISFACTION

In 2021 Neinor Homes continued to **promote internal dialogue and communication** between all employees, who have different mailboxes to deal with specific issues of health and safety, human resources, recruitment and sustainability, among others. In addition, they have the "Non-conformities" app on their desktop to send questions on a variety of subjects and they have the Whistleblowing Channel at their disposal to report any breach of legal obligations or of the Code of Ethics of which they are aware.

In order to have real data that allow it to act in the right direction, for 5 years the Human Resources department in collaboration with GRC has been sending the "Work Climate Survey" to all its employees to measure their level of satisfaction with the policies and measures adopted by the company regarding the company, working conditions, training and personal development, work organisation, information and communication, CSR and quality, among others.

The survey is created on a Google Forms form so that employees can submit their answers anonymously, within a maximum of 2 weeks. In 2021, due to the heavy workload in the last quarter, the survey was moved to the first quarter of 2022.

In the last work climate survey carried out at the end of 2020, the result was very positive, as the result was that 94% would recommend working at Neinor Homes to others.

In addition, the following points were the most highly rated:

97%	feel committed to the company and proud of their achievements.
93%	believe that regulatory compliance is a relevant and rigorous aspect of the company and 85% believe that the company's culture of compliance and ethics is reflected in the procedures and ways of acting.
94%	believe that Neinor Homes is concerned about the environment and society and, likewise, is informed and knows how to participate in the social actions carried out by the company for this purpose.

Finally, there are **initiatives** aimed at fostering pride of belonging and satisfaction:

CHRISTMAS PARTY

An annual Christmas party is held, bringing together all the branches, facilitating the means of transport and thus strengthening the relationship and communication between the employees.

NEINOR FAMILY DAY

One day a year, close to Christmas, employees can bring their children to the office, offering them activities and special catering.

EIn 2021, as a result of COVID-19, these had to be suspended again, so other initiatives were sought to promote teamwork and a sense of belonging to the company. The proposals chosen were: Business Trivia among employees, Christmas decoration competitions, Christmas carol competition and sending Christmas hampers to all employees.

9.8. SOCIAL MEASURES

At Neinor Homes we continue to be committed to our employees and those working with us, to society and to the planet. In 2019 we implemented a strong Corporate Social Responsibility Policy with CSR plans aimed at reinforcing our commitment to sustainability and the environment. As a natural evolution of this Policy, in September 2021 the Strategic Sustainability Plan 2022-2025 was approved. Neinor Homes' commitment to sustainability forms an essential part of its DNA, driving the transformation of real estate development towards a more sustainable model, focused above all on creating value for the environment, society and people.

The year2021, as well as 2020 and as a result of the COVID-19 pandemic, led us to redefine and strengthen our CSR policies and plans in search of a **stronger and closer commitment.** The importance of the people who are part of the organisation, **protecting them, safeguarding their health and safety,** has been the priority of our organisation. Above all, to protect those people who are considered at risk, so as not to expose them to possible pathogens in the office.

- Teleworking for all employees at risk or living with family members at risk.
- Maintenance of the distances of employees who have come to the offices through alternate week shifts.
- Acquisition of hygienic material for the use of employees to avoid risks of contagion by controlling the use of common areas.
- Regular communication and information by management on the evolution of the pandemic, together with a clear and dynamic Anti-Covid protocol and personalised follow-ups.

Safety is a theme that has also been transferred to **our suppliers** with a clear message of no accidents on our sites, and with the implementation of the supplier channel to facilitate and guarantee the receipt of invoices.

To our shareholders, with electronic board meetings and meetings that reflect the significant digital transformation carried out by Neinor Homes. This is digital transformation translated into security through the implementation of electronic signatures for both purchases and sales so that **our customers** feel secure, so that they can go to the notary's office with strict security protocols, or see our developments thanks to virtual visits.

Family work-life balance, understood as a means to achieve equality, is another of Neinor Homes' priorities. In addition to the measures already in place and implemented in terms of job quality, work and time flexibility, family support, personal and professional development, the guidelines are set out for an orderly **equality plan** aimed at achieving equal treatment and opportunity between women and men in the company and eliminating discrimination.

Neinor Homes, aware that a sustainable company must be economically, socially and environmentally sustainable, and with its actions based on good governance, has taken the **17 Sustainable Development Goals (SDGs)** of the United Nations as a benchmark to define its Sustainability Plan, and therefore the social measures to be taken, with the conviction that cooperation and action by everyone -company, employees and those working with us - is essential.

The social initiatives developed by Neinor Homes this year are aligned with SDGs 1, 2, 3, 4 and 10.

In compliance with the course of action of our Strategic Sustainability Plan, which seeks to **promote the health and sporting habits of our employees,** Neinor Homes pays for sign-up fees for various sporting events to **encourage team sports, and to support and help various social causes and charities:**

- **Women's Run 2021**. To promote women's sport and help in the fight against breast cancer.
- **Carrea de la Ría 2021 (companies from Bizkaia) and the Madrid Companies' Race**: Combining sport, healthy living, fun and friendship among companies.
- **II Solidarity Padel Tournament Real Estate Sector Costa del Sol:** Through the Association "Building The Future", the funds raised and donations were destined to the extension of a school in Uganda.

Along these lines, as a company committed to a healthy lifestyle and teamwork, Neinor Homes also collaborates with various sports associations to support the values that sport promotes:

- **Eibarrés Cycling Club:** sponsorship of various cycling races and events held throughout the year.
- **Alovera Football Club:** main sponsor of the club during the season to support its continuity.

In addition to sporting activities, other types of measures and cooperative efforts were also carried out during the year.

- Campaign to **collect books to work with the NGO AIDA (Ayuda, Intercambio y Desarrollo).** This is a non-governmental organisation for development that works to improve the quality of life of the most disadvantaged populations and that has very humanitarian and urgent projects and in particular, assisting with the health evacuation of children from Guinea Bissau who suffer from heart disease and who need to be transferred to European countries for treatment.
- **Solidarity campaign with the island of La Palma** to help them rebuild their homes after the eruption of the Cumbre Vieja volcano which had been active for 85 days, damaging the economic fabric and the lives of families on the island. Employees made donations and Neinor Homes contributed double the total amount donated by employees.
- **Fundación Apadrina un Árbol** (Adopt a Tree Foundation, non-profit organisation): We are the main sponsors of the "Apadrina un Árbol" programme and of the environmental, economic and social recovery project at the Solanillos Estate.

In addition, **the pursuance of our own activity** contributes to progress and participation in some of the SDGs, working to **create more sustainable cities and communities, affordable and non-polluting energy, and forming alliances to achieve goals (SDGs 7, 11 and 17): 70.79% of the developments delivered** since the company was founded **have BREEAM® certification,** ensuring that both the user and the environment benefit from health, energy savings and ecological initiatives. It is also the developer with the most BREEAM® licences obtained. In addition, initiatives such as Neinor Smart Sun, the Spatium Seal (2018), participation in the "Green Building Council Spain" sustainable building taxonomy working group or in the European working group of the CPEA (Climate Positive Europe Alliance) to improve the sustainability of buildings, endorse this commitment.

In these times of a degree of economic instability, the greatest social value that the company contributes is its own viability, because if it does not exist, neither does its ESG. In this connection, it is worth highlighting the organic growth that the company has experienced, as a result of its exceptional results that generate enormous value to the environment, giving positive results every year and increasing them from one year to the next, which is vital for the creation of direct and indirect employment (one of the major problems nationally).

In addition to this organic growth, Neinor Homes has also grown inorganically through the acquisition of other companies in order to diversify the business (SDGs 8 and 11) and to consolidate existing business lines to ensure the continuity of its activity:

RENTAL* With the consolidation of a large portfolio of rental properties (both owned and acquired through corporate transactions) and the integration of the company Renta Garantizada (acquired in 2020).

CONSTRUCTION. The acquisition of Quabit has allowed us to incorporate all its experience in the construction business into our Neinor Works business.

ESSENTIAL*. We have created a line of housing that is accessible to more social groups.

PUBLIC-PRIVATE PARTNERSHIP* for the construction of social rental housing in Barcelona.

EXPANSION OF THE LAND PORTFOLIO through the acquisition of Quabit and other corporate transactions.

*More information in point 11.

We know that innovation and technological progress are the key to discovering lasting solutions to the economic and environmental challenges we face. We remain committed to **teleworking and videoconferencing,** both inside and outside the workplace, which also avoids sometimes unnecessary travel and trips, **digital signatures and virtual visits** to our developments, which also contribute to reducing pollution and greenhouse gases in our cities.

We remain more committed than ever to a **clean, green, safe and more resilient economy.** Our efforts to create a more sustainable world continue: in addition to plastic reduction, selective recycling, the use of green energy and the rational consumption of our resources, some of our employees are involved in campaigns to maintain and clean up our oceans.

The development and implementation of Neinor Homes' Sustainability Policy, which is carried out through the GRC (Governance, Risk and Compliance), Internal Audit & ESG Department, in collaboration with other Departments such as HR, Communication and Marketing, **is responsible for encouraging employees to change their behaviour in a more supportive and responsible way,** as a way of driving business growth.

We believe that the cooperation of all our employees and those working with us is key to the development of the ESG strategy of our Sustainability Plan 2022-2025. Through surveys and emails received in our Social Measures mailbox (accion.social@neinorhomes.com) we learn about their concerns, suggestions and preferences in terms of sustainability and social solidarity, which allows us to focus our actions on their opinions and the initiatives they recommend, thus achieving greater staff involvement. An example of this is the Christmas campaign launched on the occasion of corporate Christmas gifts, in which "for each gift received by an employee who donated it to be raffled among all the employees in their delegation, the company donated €10 to the NGO chosen by the region with the highest ratio of gifts received to gifts donated". This initiative raised €1,200 for the NGO chosen by the Valencia branch (the winning region).

10

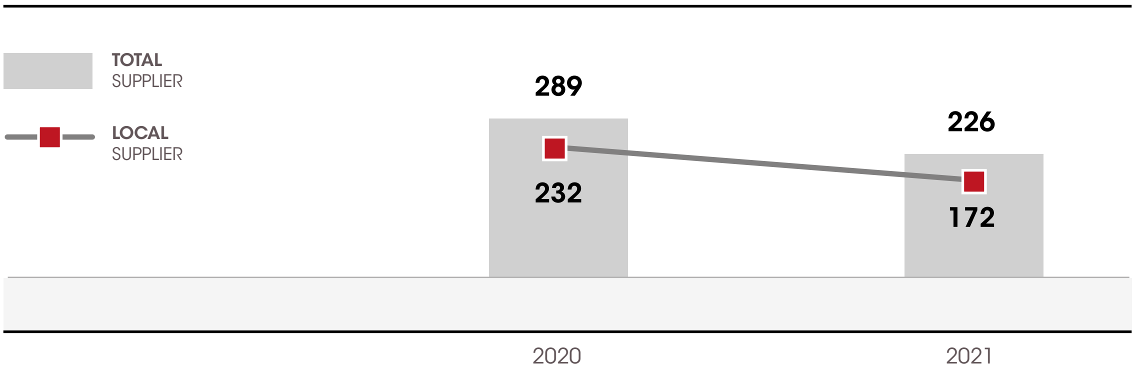
WE ARE **STRATEGIC PARTNERS** OF OUR SUPPLIERS

The **relationship** we establish with **our suppliers** and all the mechanisms we put in place to guarantee compliance with minimum criteria and requirements in terms of quality, deadlines and health and safety, among other aspects, is fundamental to the **success of our business.**

10.1. OUR SUPPLY CHAIN

Neinor Homes' values and commitments are also extendible to its entire supply chain, as it is aware that, in order to guarantee excellence and quality levels, it is important to work actively to **successfully manage the long-term relationship** with contractors, suppliers and collaborating companies. In this connection, we are working to promote a relationship of closeness and trust in which suppliers act as **strategic partners** of the company.

EVOLUTION OF THE TOTAL NUMBER OF SUPPLIERS AND LOCAL SUPPLIERS



Neinor Homes works mainly with **three types of suppliers:** construction companies, architects and project managers. In addition, other construction companies for minor works and suppliers of other services (kitchen furniture, geotechnical and topographical reports, health and safety coordinators, quality control companies, etc.) also form part of its supply chain.

In total, in 2021 Neinor Homes worked with 226 **suppliers.** Of these 172 (76% of the total) were local suppliers. This high percentage of local suppliers demonstrates its faithful **commitment to contracting local suppliers,** local being understood as suppliers that operate in the same autonomous region where the development for which they work is carried out.

In order to attract the best suppliers in the market, it is essential to establish **strategic relationships with suppliers** that benefit both parties. In 2021 the contracting of framework agreements started in 2018 has been extended(ten new ones signed), adding more companies to the list of those that work directly with Neinor Homes.

10.2. RESPONSIBLE PROCUREMENT MANAGEMENT

Neinor Homes' procurement management is based on **principles that must be complied with** before, during and after contracting. Throughout the entire process, suppliers must comply with Neinor Homes' values and integrity policies based on the Code of Ethics, the specific clauses for contracting suppliers, the Code of Conduct for third parties sent to suppliers for their knowledge and signature, and the Anti-Corruption, Fraud and Bribery Policy. In addition, Neinor Homes guarantees the ethical and environmental standards of each of the links in the supply chain.

Suppliers must comply with Neinor Homes' values and integrity policies.

Neinor Homes has a **procurement management procedure** as a framework for action in the area of pricing that describes a systematic process and enables the work to be standardised for the entire organisation in order to avoid any type of risk in the value chain. The procurement management procedure has been approved by the Management Committee.

DEPARTMENTS INVOLVED IN PROCUREMENT MANAGEMENT

The following departments are involved in procurement procedures, performing various functions:

- **Procurement Departments**: responsible for the entire procurement process, from the selection of construction companies to the award proposal.
- **Technical Department**: participates in the selection of construction companies, resolves any doubts that may arise and reviews the project.
- ***Project Manager***: supports the procurement department in some tenders, issuing a report assessing the process. In addition, they study and check the project to locate any possible errors that may have occurred.
- ***Compliance* Department**: participates in the opening of tender envelopes ensuring the integrity of the tender.
- **Directorate General Operations**: sin charge of approving contracts.
- **CEO**: in charge of approving recruitment.
- **Management Committee**: approves major contracts.
- **Internal Audit Directorate**: conducts regular audits of the procurement management model and its compliance.

For **units and services** work, similar in all developments, **Framework Agreements** are available. These provide a prescription with specific conditions (prices, supply preferences, etc.) to be met by the developments. In general, the aim is to **optimise contracting** by emphasising the achievement of the deadlines set, compliance with the budget and, of course, without compromising the quality of the projects set by our standards and procedures. This results in a mutually beneficial relationship both for Neinor Homes, which achieves the best conditions in terms of quality and price, and for the manufacturers and subcontractors, who manage to increase their turnover and improve their own image by being prescribed by a developer of recognised prestige. Finally, this relationship also results in an increase in quality by achieving a commitment to excellence on all sides.

Framework Agreements promote equal opportunities and the equitable distribution of developments.

In addition, these Framework Agreements also establish a sustainable environment of trust and loyalty with the supplier, and result in higher standard qualities and a better response of the supplier to complaints, which in most cases results in higher customer satisfaction.

At Neinor Homes, a computer app has been created to control and monitor the Framework Agreements signed. 10 new Framework Agreements were signed in 2021.

Neinor Homes also has a **Tendering Procedure for Construction Companies, t**he purpose of which is to define the rules and documents necessary to select the companies that will carry out each of the developments. The most important elements, such as architects and construction companies, are put out to tender with sealed bids and an opening ceremony in which the Compliance Department participates. From among the bids received, the Procurement Department selects a series of companies based on criteria related to approval, technical and economic solvency, geographical location and local experience.

The tendering period lasts for 12 weeks.

In 2021Neinor Homes has contracted **procurements worth 240 million euros from suppliers** to carry out its activity, all of which are Spanish companies. 76% of the total procurement volume has been invested in local suppliers operating in the same autonomous region where the development for which they work is being constructed. The volume of procurement has increased by 16.80% due to the increase in the volume of contracting.

10.3. SELECTION, APPROVAL AND EVALUATION OF SUPPLIERS

Neinor Homes ensures compliance with the highest sustainability standards among its suppliers. In this way, it ensures that it offers its customers sustainable and eco-efficient buildings that improve their quality of life.

For this reason, it has implemented a **demanding selection and approval process** that establishes the aspects to be analysed for each supplier, depending on the sector of the company in question and the service or product to be supplied. During 2021, a total of 70 new suppliers (including architectural and engineering firms) were approved. All of them were analysed according to ESG criteria. However, all suppliers must comply with the principles and requirements of Corporate Social Responsibility, sustainability and ethics and compliance of Neinor Homes, as well as with the international agreements of the International Labour Organisation and the United Nations Global Compact. **100% of the contracts** that Neinor Homes signs with its suppliers **include ESG** (Environmental, Social & Governance) **clauses.** Similarly, guarantees are required in matters such as health and safety, sustainability, confidentiality, prevention of money laundering, anti-bribery or corruption and prevention of criminal offences.

Neinor Homes has identified the main potential **environmental and social risks** in its supply chain, such as accidents, inadequate waste management or impact on biodiversity. In the current approval process, these risks are detected in each supplier, **rejecting those with negative impacts and thus excluding them from contracting.**

All suppliers must comply with the environmental legal provisions in the contract and be liable in the event of non-compliance.

In addition, Neinor Homes requests documentation relating to environmental management, quality and health and safety:

- Ecolabelling, Environmental Self-Declaration or Environmental Product Declaration.
- Copy of certifications such as UNE-EN ISO 9001 (quality), UNE-EN ISO 14001 (environment), UNE-EN ISO50001 (energy efficiency), and OHSAS (health and safety).
- BREEAM® certifications or others with similar characteristics.

Likewise, architects and builders are obliged to comply with the requirements of the White Book and the application of BREEAM® sustainability criteria (waste, pollution, energy, materials, etc.) is also positively valued. On the other hand, tax and employment responsibilities are guaranteed through remunerations consistent with the market and avoiding the hiring of third parties when there is a suspicion of tax fraud, influence peddling or any other symptom that goes against the company's policies and values.

In addition to aspects related to sustainability and the environment, Neinor Homes' contracting clauses include certain **clauses, declarations and commitments** related to different aspects that the contracted suppliers are obliged to comply with:

HEALTH AND SAFETY

- **Health and Safety Plan**: obligation to prepare a Health and Safety Plan that must be submitted to the Health and Safety Coordinator prior to the start of the works.
- **Law 31/1995**, of 8November, on Occupational Risk Prevention.
- **Royal Decree 1627/1997**, of 24October, on minimum health and safety provisions in construction works.
- **Employer obligations** on workers, information and training.

GIFTS AND PRESENTS

Express prohibition on soliciting gifts, favours, services on advantageous terms or invitations from suppliers, customers, intermediaries, agents, consultants or others.

BRIBERY AND CORRUPTION

- **Adequate in-house policy against bribery and corruption** or if not,must comply with that of Neinor Homes.
- Declaration of **knowledge and acceptance** of the rules contained in the **Anti-Corruption Protocol.**
- **Commitment to report** any case of bribery or corruption to the Neinor Homes Ethics Channel.

PREVENTION OF MONEY LAUNDERING

- **Law 10/2010,** of 28 April on anti money laundering and combatting terrorist financing.
- **Royal Decree 304/2014,** of 5 May, applicable to natural and legal persons involved in real estate development business.
- **Manual on the Prevention of Money Laundering and Terrorist Financing.**

Finally, Neinor Homes carries out a qualitative assessment of the subcontractors associated with its suppliers.The Procurement Department is in charge of monitoring, carrying out the evaluations using a computer application and taking into account criteria of quality, environment, health and safety, technical capacity and compliance with deadlines, among others. In this connection, during 2021448 evaluations were carried out, all of which obtained a favourable score, covering 100% of the works carried out.

10.4. HEALTH AND SAFETY AND AWARENESS REQUIREMENTS

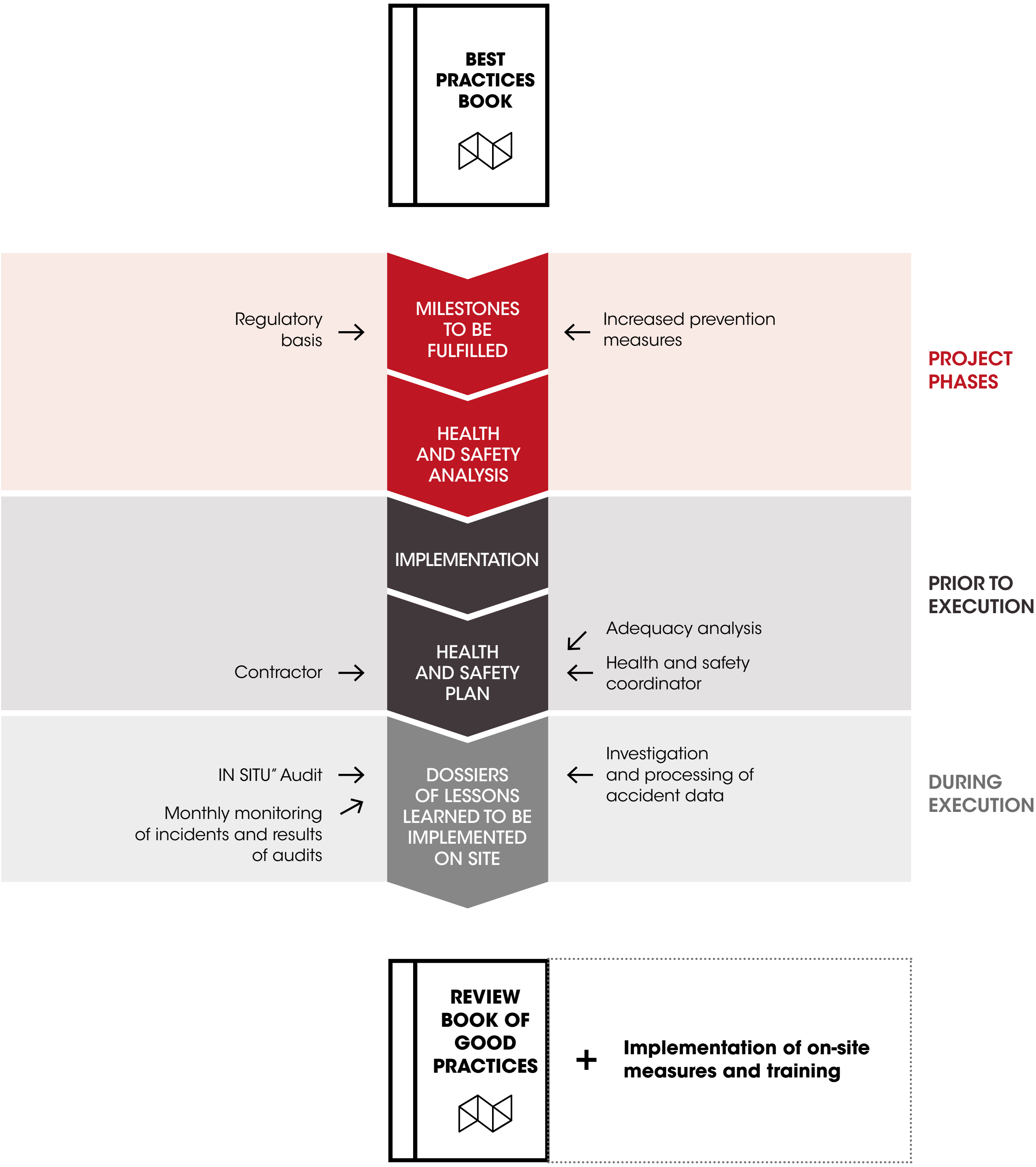
In the current market environment, there is a high demand for labour in a construction sector faced with **workers with limited experience,** low qualifications and, on occasions, an **increase in workplace accidents.** For Neinor Homes, safety and occupational risk prevention are two key factors in its developments and it promotes a safe working environment, applying **health and safety standards that exceed the regulations** and the levels required by the market.

Neinor Homes has a **Manual of Good Practices** to increase safety levels on the construction sites of its property developments, with the aim of minimising the risks to which personnel are exposed and thus achieving a **zero accident rate** on construction sites.The main measures include access control, the documentation required of contractors, subcontractors, workers and machinery, safety measures in the various phases of the work and the Emergency Plan for construction sites.

In each of the works, a **safety coordinator** is appointed in the execution phase of the work, responsible for ensuring compliance with the requirements established in the legislation in force and for ensuring compliance with the Manual of Good Practices. In addition, each contractor on site must designate at least one worker who is permanently present on site and whose part of the working day is devoted to preventive functions and at least one other worker responsible for the health and safety in their work.

In all open building sites, a leading occupational risk prevention consultancy company conducts **health and safety awareness courses.** All operators, technical staff, workers and project managers take part in these talks, and several talks are given in each development, depending on the phase of the project. Examples of accidents that have occurred are presented, proposing possible solutions to prevent them from happening again and specific content depending on the type of actions to be carried out on site.

In addition, **health and safety audits** are carried out on all construction sites, based on very rigorous criteria and above the regulations established in the sector. At least three audits must be carried out on each construction site.

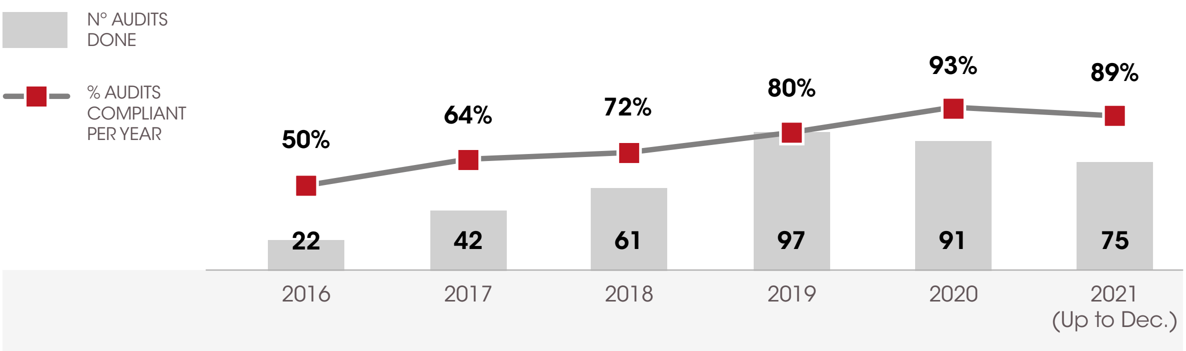


HEALTH AND SAFETY COMPLIANCE CRITERIA FOR CONSTRUCTION SITES

The health and safety audits carried out on construction sites consist of 2 parts. On the one hand, the status of the work is reviewed (compliance) with respect to **current legislation in force,** which must be 100% compliant. On the other hand, the **state of the work is reviewed with respect to the** Neinor Homes **Good Practices Manual**, with at least **75% compliance** being required in order to consider the audit as compliant. If in either of the two parts a supplier fails to reach the compliance threshold, Neinor Homes automatically disqualifies it from the candidates to be contracted in a new development.

EIn 2021, **75 Health and Safety Audits** were carried out, which have shown that 98.06% have complied with health and safety regulations and 90.11% have complied with the Neinor Homes Good Practices Manual. Furthermore, the result of 89% of these audits was "Compliant".

% AUDITS COMPLIANT PER YEAR AND N° AUDITS

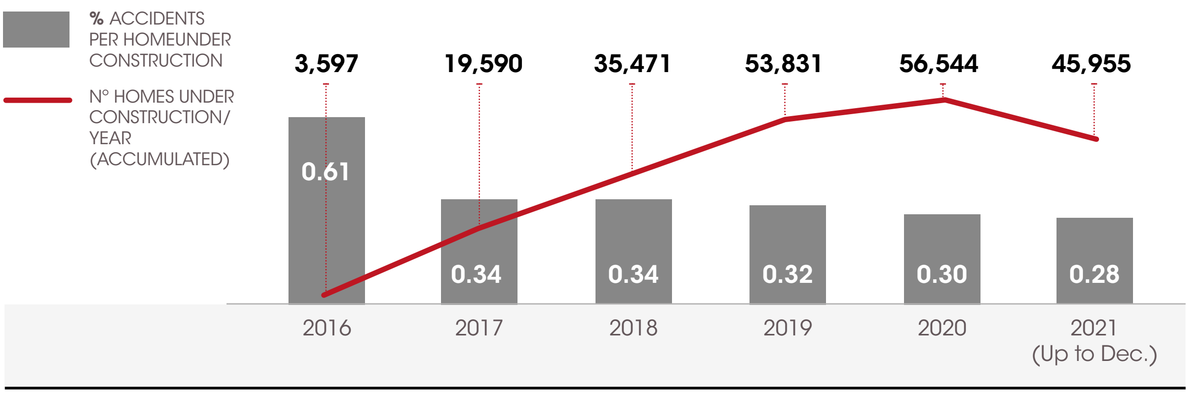


As a result of its commitment to health and safety, Neinor Homes has achieved **accident rates** on its construction sites that are **well below the average for the sector.** All the data we provide relating to accidents on site have been obtained as part of our work to monitor health and safety on our sites, because these workers are not employees of the company or directly contracted by the company.

In2021 there have been **130 accidents,** all of them involving men, with a frequency rate of 24.78and a severity rate of 0.57. **During the last 4 years to date,** there have been no fatal accidents on any construction site.

Despite the increase in the number of construction sites in progress, accidents on construction sites have decreased by 46% since 2016.

% ACCIDENTS PER HOMEUNDER CONSTRUCTION



Furthermore, the incidence, frequency and severity rates of accidents on Neinor Homes' construction sites are well below those of the sector and the trend is downwards.

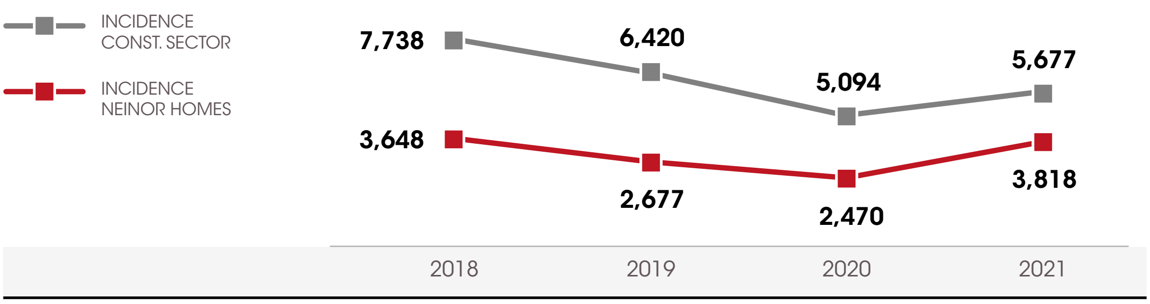
This is due to the Book of Good Practices, continuous audits and safety analyses on construction sites, the combination of which is the most effective measure to achieve accident rates significantly lower than the sector average every year.

Below is our data for the last 3 years for the indices used by the Ministry of Employment and Social Economy.

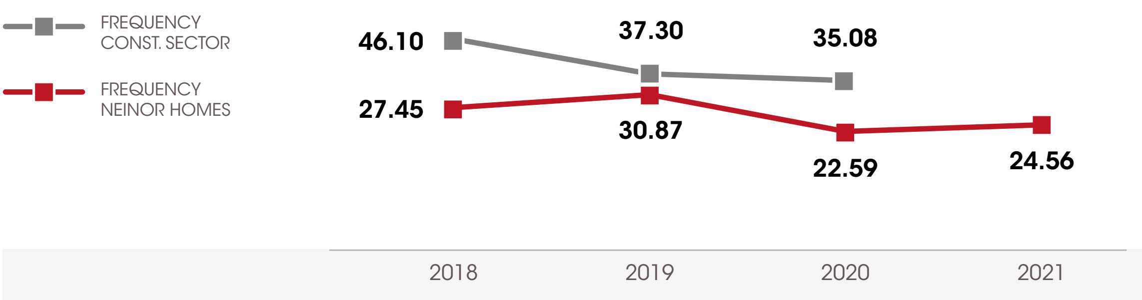
ACCIDENT RATES

TOTAL	CONST. SECTOR DEC - 2018*	NEINOR HOMES 2018	CONST. SECTOR DEC - 2019*	NEINOR HOMES 2019	CONST. SECTOR OCT - 2020*	NEINOR HOMES 2020	SECTOR CONST. OCT - 2021*	NEINOR HOMES NOV - 2021
Incidence	**7,738.45**	3,647.53	**6,419.6**	2,677.42	**5,093.82**	2,470.40	**5,676.60**	3,818.38
Frequency	**46.10**	27.45	**37.3**	30.87	**35.8**	22.59	**Pte. de publicación**	24.56
Severity	**1.51**	0.62	**1.28**	0.73	**1.32**	0.53	**Pte. de publicación**	0.57

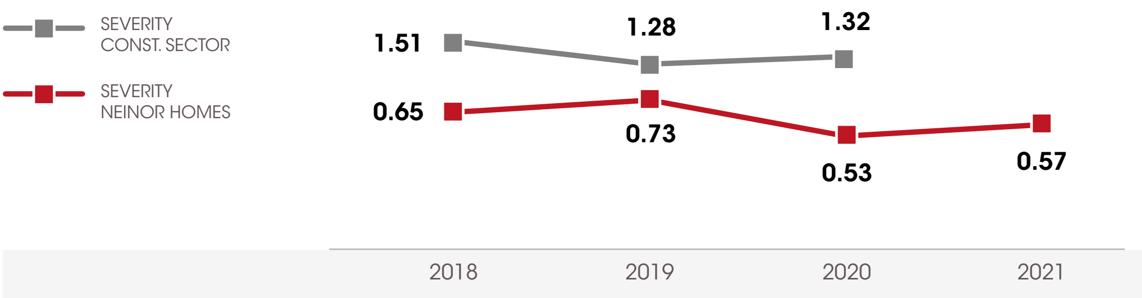
INCIDENCE



FREQUENCY*



SEVERITY*



Formula used for the calculation of the **frequency** and **severity rate**.

- **WORKERS MONTHLY (T)** = Average number of workers exposed.
- **H TRAB MONTH (H)** = Total N° of hours actually worked.
- **J** = days not worked in the month in which this report is drawn up, including Saturdays, Sundays and public holidays, during the period of sick leave, not taking into account the days not worked for accidents on the way to and from work but taking into account relapses.

Frequency index = A * 1,000,000 / H

Severity index = J * 1,000 / H

* Public data for 2021 published by the Ministry of Labour and Social Economy are not yet available.

Since the beginning of the alert due to the health situation caused by Covid-19, the priority objective for Neinor Homes has been to protect and safeguard the health and safety of people, adopting specific measures that have made it possible to preserve the health and safety of its workers and those working with it, both directly and indirectly.

10.5. COMMUNICATION, SATISFACTION AND COOPERATION WITH SUPPLIERS

As a sign of its commitment to quality and ongoing improvement, Neinor Homes continuously evaluates the suppliers it works with and the results of these evaluations are analysed with the collaborators themselves at regular meetings. The aim is to promote **bilateral communication** that encourages both companies to improve the worst rated aspects and strengthen the most outstanding aspects.

For Neinor Homes, the brand image it gives to all the suppliers it works with is also very important. For this reason, it makes the Whistleblowing Channel available to them so that they can report any breach of ethics and integrity. In addition, suppliers have at their disposal a computer app where they can **evaluate their perception of Neinor Homes.**

For the worst rated aspects, an improvement **action plan** is drawn up, which is monitored by the Procurement Department. In 2021, **644 evaluations** were carried out.

Neinor Homes maintains a fluid and continuous communication with its suppliers and gives them the opportunity to evaluate their perception of the company.

11

SUSTAINABLE DEVELOPMENT

11. OUR MAJOR SUSTAINABILITY MILESTONES AND NEXT STEPS

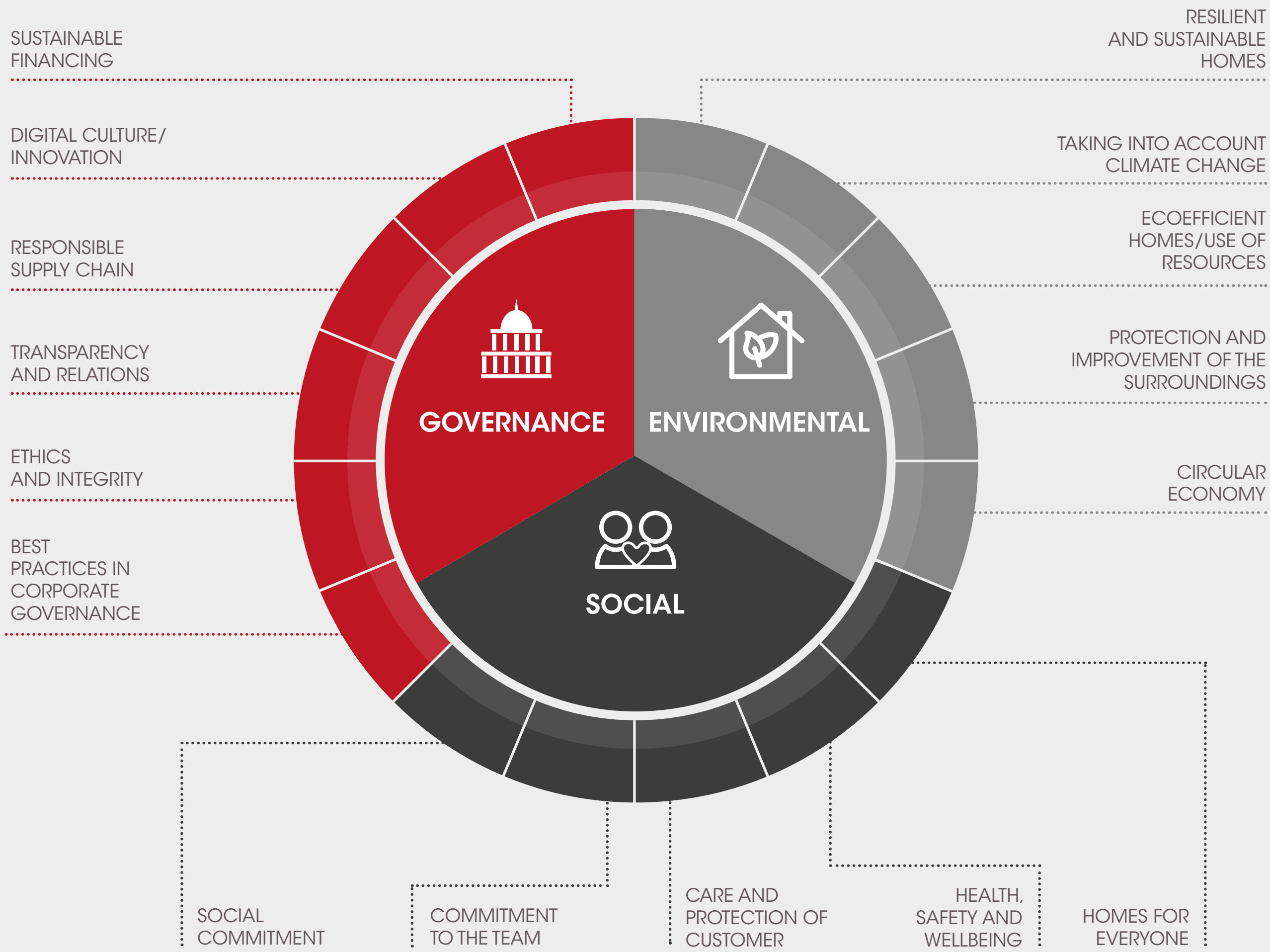
As of the date of publication of this Statement of Non-Financial Information and in line with the course set by the company in terms of diversification, growth, business continuity and commitment to sustainability, this section includes the main milestones achieved in the year in terms of sustainability, our next steps and events after 31 December 2021 that we believe will contribute to the creation of value for the entire environment in which the company operates.

The year 2021 marked a major step forward in terms of sustainability and environmental management for Neinor Homes, with the updating and development of its **Sustainability Policy,** the formation of a **Sustainability Committee** chaired by the CEO and including other members of senior management, and the preparation of its **Sustainability Plan 2022-2025,** which further develops these values, establishes specific short and medium-term objectives and formalises its commitment to sustainability.

SUSTAINABILITY PLAN 2022-2025

The preliminary work for the preparation of the Sustainability Plan was based on an analysis of the best practices and most relevant issues in the development sector in terms of sustainability, such as the Corporate Sustainability Assessment - S&P Global; on a review of best practices in this area, such as the Sustainable Development Goals of the United Nations 2030 Agenda or the ESG recommendations of the CNMV; on an analysis of investor expectations, through the evaluation of the ESG requirements of proxy advisors or the ESG guidelines of the largest asset managers worldwide; and on active listening to the company's employees.

In addition to the above, this preliminary work analysed the main risks and opportunities identified by the TCFD (Task Force on Climate-related Financial Disclosures) in its recommendations on disclosure of information on climate-related risks and opportunities for financial institutions and non-financial companies, which were published in 2017 and are widely recognised internationally as guidelines on the subject.



The Sustainability Plan has been developed with the aim of transforming the real estate development model into a more sustainable one, and has focused on creating value for the environment, society and people, minimising the impact of our activity on the environment, contributing to the development of the social and business fabric, as well as reducing the difficulties of access to housing for many groups.

In this connection, this has been articulated around our three strategic pillars (or dimensions): Environmental, Social and Governance, and the 17 Sustainable Development Goals (SDGs) of the United Nations have been taken as a benchmark to define its lines of action.

The Plan is made up of 16 areas of action, within which 30 objectives and their corresponding 95 courses of action have been established, assigning specific deadlines and departments responsible for their development and fulfilment.

The Board of Directors approved it in September and the company immediately started to work on the materialisation of its objectives. Proof of this are the following measures that have been taken.

MEASUREMENT OF THE CORPORATE CARBON FOOTPRINT

ENVIRONMENTAL DIMENSION

In 2021, Neinor Homes, aware of the importance of taking action to limit the increase in the average global temperature to below 1.5°C, has calculated for the first time in its history, with the support of an external expert of recognised prestige and following the guidelines of the GHG Protocol: A Corporate Accounting and Reporting Standard, the carbon footprint linked to the pursuance of its business, evaluating the Greenhouse Gas (GHG) emissions of Scope 1 (direct emissions) and Scope 2 (indirect emissions derived from electricity consumption).

EMISSIONS	UNITS	2021
Scope 1	*tCO2e*	**219.08**
Stationary combustion	*tCO2e*	**79.74**
Mobile combustion	*tCO2e*	**137.25**
Leakage of refrigerant gases	*tCO2e*	**2.09**
Scope 2	*tCO2e*	**131.10**
Electricity consumption *(market-based)*	*tCO2e*	**131.01**
Total emissions (Scope 1 + 2)	*tCO2e*	**350.09**
Emissions offset	*tCO2e*	**351.00**
Emission intensity	*tCO2e/house sold*	**0.12**

Once the material emission categories for the company were identified, a screening or first assessment of categories and a preliminary calculation of Scope 3 emissions, i.e. the remaining indirect GHG emissions that occur along the company's value chain, were carried out.

SCOPE CATEGORY 3	SCREENING ANALYSIS*	
Purchase of products and services	**Relevant (calculated)**	✓
Purchase of capital goods	**Not relevant (not calculated)**	✗
Fuel and energy related activities outside Scope 1 and 2	**Not relevant (calculated)**	✓
Upstream transport	**Not relevant (calculated)**	✗
Waste generation	**Relevant (calculated)**	✓
Business travel	**Not relevant (calculated)**	✗
Transport to and from work	**Not relevant (calculated)**	✗
Rental of upstream assets	**Not applicable**	***NA***
Downstream transport	**Not applicable**	***NA***
Processing of products sold	**Not applicable**	***NA***
Use of products sold	**Relevant (calculated)**	✓
End of life of products sold	**Relevant (calculated)**	✓
Rental of downstream assets	**Relevant (calculated)**	✓
Franchises	**Not applicable**	***NA***
Investments	**Not applicable**	***NA***

* The categories marked with a tick will be calculated in more detail and will be included in future sustainability reports. The remaining categories have been considered not relevant as they represent less than 1% of Scope 3 emissions.

In addition, we have designed a questionnaire to assess the climate change maturity of our main suppliers in order to identify cooperative measures to reduce emissions associated with the value chain.

As of the date of publication of this Statement of Non-Financial Information, Neinor Homes has offset 100% of the GHG emissions associated with its operations through the purchase of carbon credits on the voluntary market, selecting for this purpose the "Micro-power plants in Nepal" project, accredited by the UNFCCC (United Nations Framework Convention on Climate Change). This project has been selected taking into account its environmental and social co-benefits as well as the generation of direct and indirect employment, the increase of electricity supply in the region and the reduction of the use of fossil fuels.

In addition to offsetting our emissions, we are contributing to SDGs 1, 3, 7 and 13 by working with this project.

Administrador del Registro del país Spain

Transacción

Identificador de la transacción:	ES1065798
Tipo de transacción:	04-00 Cancelación de unidades de Kioto
Estado de la transacción:	4-Completada
Identificador de cuenta de origen:	ES-121-1003700-0-80
	Global Factor Commodity Trading, S.A.U.
Tipo de cuenta de origen:	Cuenta personal en el registro nacional
Identificación de la cuenta de destino:	ES-230-5021999-2-81
Tipo de cuenta de destino:	Cancelación voluntaria
Fecha de inicio:	15/02/2022 12:21 CET
Fecha de aprobación:	15/02/2022 12:24 CET
Última actualización:	15/02/2022 12:25 CET
Observaciones:	Compensación de emisiones 2020 Neinor Homes

Tipo de unidad	Proyecto	Eligibility	Cantidad
RCE	NP3653	No admisible	351

MEASURING SOCIAL IMPACT

SOCIAL DIMENSION

Over the past decade, the environmental impact of companies has been the main focus of sustainability commitments. While environmental issues have been, and will continue to be, critical to the achievement of the SDGs, **social impact is becoming an increasingly important issue on the business agenda,** especially following the presentation in July 2021 of the **European Union's** draft **Social Taxonomy,** where it seems clear that the classification of activities will contribute significantly to boosting sustainable and responsible investment with a focus on social aspects.

As part of Neinor Homes' commitment to its Stakeholders, and being aware of its **capacity for both social and environmental impact,** the Top Management of the company is committed to the search for elements that allow it to measure and manage this impact as a source for making better strategic decisions and thus maximise its contribution to society.

Along these lines, the company, with the support of an external expert of recognised prestige, has launched an **ambitious and pioneering project in the sector** that aims to **measure the impact of its developments.** To this end, it is supported by the I**mpact Management Project (IMP),** a pioneering global association in impact measurement that brings together many of the available international standards and guidelines.

Based on an internal process of identification and prioritisation of impacts, which has involved both the Management Committee and key people in the organisation, Neinor Homes has developed its own tool based on international standards, which allows the quantification of the impact that the company generates on its Stakeholders.

The measurement of this impact is framed in three broad dimensions:

1

HABITABILITY, WELL-BEING AND SOCIAL COHESION

This incorporates the contribution the company makes to the health, well-being and lifestyle of the people who live in the homes it builds and designs. The measurement and management of the impact contributes to ensuring the creation of healthy, sustainable neighbourhood communities where the well-being of families is promoted in a quality environment.

2

ECONOMIC SUSTAINABILITY AND LOCAL DEVELOPMENT

Neinor Homes contributes to the economic development of the municipalities in which it operates, being a relevant player in the development and regeneration of the neighbourhoods in which the developments are located.

3

RESOURCE EFFICIENCY AND THE ENVIRONMENT

It contributes to the European Union's objectives promoting urban transformation towards a sustainable, more efficient and more adaptable urban model in the face of climate change.

The management of Neinor Homes, totally involved with and committed to this project, intends for the company, by means of the same, to be a benchmark in driving the transformation of the real estate sector towards more inclusive and sustainable models, **consolidating the company's leadership in sustainability.**

BEST PRACTICES IN CORPORATE GOVERNANCE

GOVERNANCE DIMENSION

The Board of Directors is firmly committed to making Neinor Homes a benchmark in ESG for companies in the sector, inspiring by example and helping to develop its activity in the best possible way for the environment and people.

Therefore, with a view to greater transparency and continuous improvement in the company's governance, in the financial year 2021 it asked the Governance, Risk and Compliance area to analyse best practices in the preparation of the Annual Remuneration Report and the Director Remuneration Policy.

In this regard, the Board reviewed and updated its "Remuneration Policy for Board Members" taking into account all the recommendations reflected in the analysis conducted by GRC, notable among which is the inclusion of non-financial performance parameters to be applied to the annual variable remuneration of its Executive Directors.

The Policy has been approved by the Board of Neinor Homes on 23 February 2022 and will be presented for approval at the General Shareholders' Meeting to be held on 13 April 2022.

AFFORDABILITY

SOCIAL DIMENSION

Neinor Homes, aware that one of the main problems in Spain is access to housing, which is directly related to the country's employment problem, has sought to find a formula to try to mitigate this. For this reason, in 2021 it carried out 3 actions to this end:

- Launch of the new **Neinor Essential** product line, which arose after the merger with Quabit Inmobiliaria, with the aim of providing a quality residential offer to all segments of the population, bringing a product with Neinor's usual quality to a segment of the market that has traditionally had difficulties in accessing housing.

  Since the creation of this line of business, based on housing with some type of protection or with prices more affordable than those offered on the market (below €200,000), on 9 February 2022 the "Velilla Homes" social housing development was delivered, consisting of 90 homes under the Basic Public Protection Housing (VPPB) and Limited Public Protection Housing (VPPL) schemes.

- Consolidation and growth of its rental line **Neinor Rental,** by closing the acquisition transaction initiated in 2020 of a PRS (Private Rented Sector, finished and rented product) portfolio comprising 9 residential buildings (391 homes), and the integration of Renta Garantizada, acquired in 2020, which allows us to manage the rental of our own assets (new developments for rental incorporated in 2021) and those of third parties, including the management of portfolios sold to Family Offices.

- **Public-private partnership** through an alliance with Cevasa and Habitatge Metròpolis Barcelona (HMB) to build 4,500 social rental housing units in Barcelona and its metropolitan area, which will come into operation between 2024 and 2027.

  This operation allows us to offer certain sectors of the population access to rental housing, making us the first developer to reach a large public-private partnership agreement, with a high volume of housing.

We would like to conclude this point by highlighting that of the 2,880 new-build homes* delivered in 2021, which have generated revenues of €879 million, 12.7% of this revenue, €111.8 million, corresponds to the sale of 695 homes with more affordable purchase prices than the market average.

In addition, we would also like to highlight Neinor Homes' high level of awareness and commitment to this point, having set targets to be met between 2022 and 2025 in its Sustainability Plan to:

- Promote the construction of social housing for sale (protected housing) (10% of homes under construction per year of this kind).
- Encourage and promote public-private agreements for the development and construction of social rental housing (10% of rental housing under construction per year of this kind).
- Incorporate a new line of homes with more affordable prices than those offered on the market in well-connected locations and with quality services and care (Neinor Essentials) and boost the construction of these developments (10% of homes being built each year of this kind).

*The term home/housing refers only to main units. It does not take into account annexes or elements such as parking spaces or storage rooms that are marketed separately.

"Velilla Homes" social housing development of the new **Neinor Essential** product line

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ABOUT THIS **REPORT**

SCOPE OF INFORMATION

Neinor Homes is presenting its Sustainability Report for the fourth time, this time corresponding to the 2021 financial year, in accordance with the guidelines contained in the Global Reporting Initiative (GRI) Guidelines. The objective of the Report is to respond both to the commitment to disclose its activities, as well as to the desire to be accountable to its stakeholders and to society. The information included in the Report is limited to the 2021 financial year.

In order to facilitate understanding of the business and to evaluate Neinor Homes' performance in various areas at present, reference is also made to the figures and events of the previous year, thus offering a broader perspective for analysis. The forward-looking information provided in this Report is based on an analysis of the current context and its expected evolution, and does not make a commitment to achieving these objectives.

The information included in the Report is complemented by other corporate documents that may be of interest for further information and which are available on the website **www.neinorhomes.com**

2021 ANNUAL ACCOUNTS

2021 ANNUAL CORPORATE GOVERNANCE REPORT

CODE OF ETHICS

SUSTAINABILITY POLICY

2022-2025 SUSTAINABILITY PLAN

REPORTING STANDARDS USED

This Report has been prepared in accordance with the guidelines established in the Global Reporting Initiative's Sustainability Reporting Guidelines in its GRI Standards version, in accordance with the essential conformity option. The selection of relevant aspects has been carried out based on the results of the new materiality analysis carried out in 2020, which is explained below.

Furthermore, in order for Neinor Homes to continue to be one of the benchmark companies in its sector, this Report has been prepared in line with the recommendations and best practices established by EPRA Sustainability (European Public Real Estate Association). The table of GRI performance indicators included at the end of the Report indicates the pages where the related information is provided.

Finally, most of the requirements established in Law 11/2018 of 28 December, on non-financial information and diversity, have also been taken into account in its preparation. Although in previous years this law was not applicable to Neinor Homes, the company has been publishing based on it and auditing itself, because it has considered it a good practice. 2021 is the first year in which this law applies to the company.

PROCESS OF PREPARING THE REPORT AND IDENTIFYING STAKEHOLDERS

In order to prepare this Report, Neinor Homes carried out a review of the materiality analysis that reflects the most relevant issues for the company in accordance with its internal management and its Stakeholders' expectations. This review consisted of the analysis of various sources of information that provide the external perception of the company, also in relation to the internal strategic vision of Neinor Homes based on the main lines of the 2022-2025 Sustainability Plan. The commitment made by Neinor Homes in its Sustainability Plan hinges on the following levers:

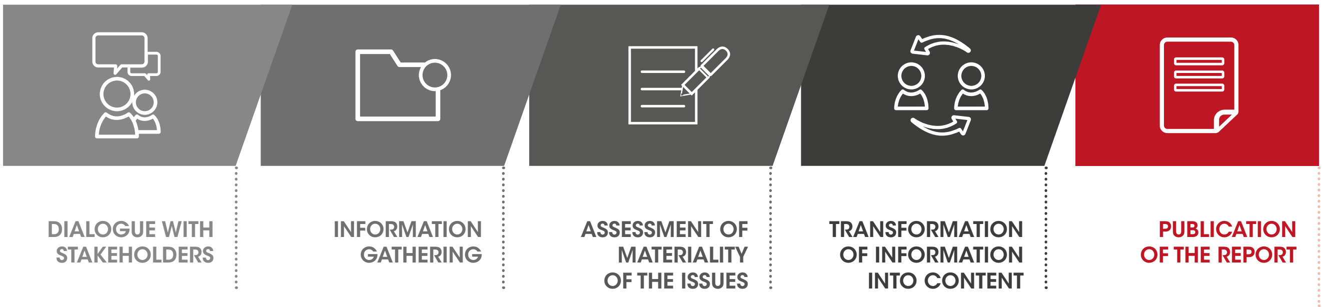
Sustainability linked to the business, building sustainable and resilient homes, carrying out life cycle analyses of our developments, reducing and offsetting the company's emissions, committing to urban regeneration, reducing and recovering construction waste and protecting the biodiversity of the areas in which we operate.

Sustainability "from the inside", by being aligned with the best governance standards, maintaining and strengthening the ESG responsibilities of governance bodies, ensuring the company's ethics and integrity, and engaging with and communicating our detailed ESG progress to stakeholders.

Commitment to society, improving access to housing, developing and promoting social action initiatives and engagement with communities and human rights, improving the safety, health and well-being of employees, suppliers/contractors and customers and actively listening to our stakeholders.

The main Stakeholder expectations identified in the previous year have also been taken into account. Neinor Homes considers its Stakeholders to be all those who are directly or indirectly affected by the pursuance of its business activity and, therefore, also have the capacity to directly or indirectly affect the development thereof. Under this premise, Stakeholders are considered to be investors and shareholders, customers, employees, suppliers and society in general. More information is provided in section "5.5. The importance of communication with our Stakeholders" in this Report.

Taking stakeholder dialogue as a basis, and through the analysis of other sources of information, Neinor Homes identified a list of issues that took into account stakeholder expectations based on their relationship with different areas of the company. These issues were also assessed according to their internal relevance for the company itself.



As a result of the assessment of the relevance of the various issues, those that are most relevant for Neinor Homes were identified. Following the review of the materiality analysis, no additional issues have been identified in addition to those identified in2020. The following table shows the relationship between these issues and the aspects considered by the Global Reporting Initiative's Sustainability Reporting Guidelines:

RELEVANT ASPECTS FOR NEINOR HOMES	GRI STANDARDS ASPECTS
Transparency	• Organisational profile • Stakeholder engagement • Economic performance
Ethics and integrity	• Ethics and integrity • Anti-corruption • Public policy • Unfair competition • Socio-economic compliance • Diversity and equal opportunities • Non-discrimination
Good Governance	• Strategy • Organisational profile • Environmental Compliance • Governance
Innovation strategy applied to products and services, technology and digitisation	• Customer health and safety • Marketing and labelling • Training and education
Sector leadership and influence with GGII	• Stakeholder engagement
Customer service	• Customer privacy • Marketing and labelling
Corporate reputation and sustainable brand value	• Organisational profile
Occupational health and safety	• Health and safety at work
Economic sustainability and responsible investment	• Strategy • Socio-economic compliance

RELEVANT ASPECTS FOR NEINOR HOMES	GRI STANDARDS ASPECTS
Product added value	• Customer health and safety • Marketing and labelling
Human capital management, attracting and retaining talent	• Organisational profile • Employment • Training and education
Corporate reporting	• Reporting practices
Strategic relationship with suppliers	• Procurement practices • Environmental assessment of suppliers • Social assessment of suppliers
Responsible sourcing system	• Procurement practices • Materials • Energy • Effluents and waste • Environmental assessment of suppliers • Social assessment of suppliers

The various company departments have been involved in the process of preparing this Report, coordinated and led by GRC, which is responsible for the company's sustainability, ensuring the accuracy and completeness of the information reported. It should also be noted that this Report is published together with the financial information for the year, making it easier for Stakeholders to consider it together with the rest of the company's relevant information.

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GRI
CONTENTS

CONTENT OF LAW 11/2018 ON NFI	GRI Standard Used	EPRA Sustainability Performance Measures	Reference (Page)
BUSINESS MODEL			
Description of business model	102-1, 102-2, 102-5, 102-7, 102-16, 102-45	N/A	4 - 10, 20 - 23, 26 - 27
	102-14	N/A	12 - 13
	102-3	N/A	Calle Ercilla n°24, Bilbao
Organisation and structure	102-18,102-22, 102-23, 102-24	Gov-Board	41 - 49
Geographical presence	102-4, 102-6	N/A	23, 29
Objectives and strategies	102-15	N/A	54 - 59
Main factors and trends affecting future developments	102-15	N/A	15 - 18, 26 - 27 54 - 59
STRATEGY AND RISK MANAGEMENT			
Description of the policies applied by the company	102-35, 103-1	N/A	42 137 - 140
Outcome of the policies applied by the company	103-2, 103-3	N/A	15 - 18, 20 - 21, 26 - 29, 41 - 64
Main risks relating to issues linked to the company's activities	102-15	N/A	54 - 59, 138 - 140
PROFILE OF THE NON-FINANCIAL INFORMATION			
Reporting framework used	Standards, GRI, 101	Investors and shareholders	137
Analysis of materiality	102-44, 102-46, 102-47	N/A	138 - 140
Profile of the report	102-48, 102-50, 102-54	N/A	137 - 140 No salient information has been restated with respect to last year
	102-52	N/A	Anual
	102-53	N/A	sustainability@ neinorhomes.com alvaro.conde@ neinorhomes.com
ENVIRONMENTAL ISSUES			
ENVIRONMENTAL MANAGEMENT			
Current and foreseeable effects of the company's activities on the environment and, where appropriate, on health and safety	102-15, 102-29, 308-2	N/A	34 - 37 54 - 59 121 - 125
Environmental evaluation or certification procedures	102-11, 102-29	N/A	34 - 37
Resources dedicated to environmental risk preventions	102-29	N/A	34 - 37
Application of the precautionary principle	102-11	N/A	34 - 37
Amount of provisions and guarantees for environmental risks	307-1	N/A	No fines or penalties were received in 2021

CONTENT OF LAW 11/2018 ON NFI	GRI Standard Used	EPRA Sustainability Performance Measures	Reference (Page)
POLLUTION			
Measures to prevent, reduce or repair carbon emissions that seriously affect the environment. Any other form of air pollution	103-2, 103-3	N/A	34 - 37, 77 - 78, 130 - 131
CIRCULAR ECONOMY AND WASTE PREVENTION AND MANAGEMENT			
Measures for prevention, recycling, reuse, other forms of recovery and elimination of waste	103-2, 103-3, 306-3	Waste - Abs	34 - 37 8.3 Environmental sustainability and health in housing
Actions to combat food waste			As derived from section 12. About this report, food waste was not deemed material in the Group
SUSTAINABLE USE OF RESOURCES			
Water consumption and water supply in accordance with local limitations. Measures for responsible use	303-3	N/A	34 - 37 77 - 78
Consumption of raw materials. Measures for responsible use	301-1	N/A	34 - 37 77 - 78
Direct and indirect energy consumption. Measures to improve energy efficiency. Use of renewable energies.	302-1, 302-5	Elec - Abs	34 - 37 77 - 78
CLIMATE CHANGE			
Greenhouse Gas Emissions. Measures adopted to adapt to the consequences of Climate Change. Greenhouse gas reduction targets	103-2, 103-3	N/A	34 - 37, 77 - 78 130 - 131
BIODIVERSITY			
Measures taken to preserve or restore biodiversity. Impacts caused by activities or operations in protected areas	103-2, 103-3	N/A	15 - 18, 77 - 78, 119 -120
SOCIAL AND PERSONNEL ISSUES			
EMPLOYMENT			
Total number and distribution of employees by gender, age, country and professional classification	102-7, 102-8, 405-1b	Diversity - Emp	92 - 93, 100 - 102
Total number and distribution of types of employment contracts	102-8	N/A	92 - 93, 100 - 102
Average annual number of permanent, temporary and part-time contracts by gender, age and professional classification	102-8	N/A	92 - 93, 100 - 102
Number of redundancies by gender, age and professional classification	401-1	Emp - Turnover	100 - 101
Average remuneration and its evolution broken down by gender, age and professional classification or equal value	102-35, 102-36, 405-2	N/A	95 - 99

CONTENT OF LAW 11/2018 ON NFI	GRI Standard Used	EPRA Sustainability Performance Measures	Reference (Page)
Wage Gap	405-2	N/A	95 - 99
Remuneration of equal or average positions at the company	202-1	N/A	95 - 99
Average remuneration of directors and executives	102-35, 102-36 405-1a, 405-2	Diversity - Emp	44 - 48 94 - 99
Implementation of measures to disconnect from work	103-2, 103-3	N/A	104 - 106
Employees with disabilities	405-1.b	Diversity - Emp	99
ORGANIZATION OF WORK			
Organization of working time	103-2, 102-41	N/A	104 - 106
Number of absence hours	403-9a Work-related injuries	N/A	107
Measures to facilitate work-life balance	401-3	N/A	104 - 106
HEALTH AND SAFETY			
Occupational health and safety conditions	403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7	H&S- Emp H&S - Asset	107 - 109, 121 - 125
Work-related accidents (frequency and severity) broken down by gender [1]	403.9 b Work-related injuries	N/A	124 - 125
Occupational diseases broken down by gender [2]			
SOCIAL RELATIONS			
Organisation of social dialogue	102-41, 403-1	N/A	108 - 110
Percentage of employees covered by collective bargaining agreements by country	102-41	N/A	93, 107- 109
Balance of collective bargaining agreements, particularly in the field of occupational health and safety	403-1	N/A	93
TRAINING			
Policies implemented in the area of training	404-2	N/A	100, 103
Total number of training hours by professional category [3]	404-1	Emp-Trainning	103
Universal accessibility for persons with disabilities	102-2, 102-3	N/A	73 - 76

(1) The accident rates refer to contractors associated with Neinor's works, not to the company's own employees. It is not broken down by gender since most of the professionals working in the works are men.

(2) Information on occupational illnesses is not provided.

(3) Training hours by professional category are not detailed, as they are proportional in all categories.

CONTENT OF LAW 11/2018 ON NFI	GRI Standard Used	EPRA Sustainability Performance Measures	Reference (Page)
EQUALITY			
Measures taken to promote equal treatment and equal opportunities for men and women	405-1	Diversity - Emp	94 - 99
Equality plans and measures taken to promote employment	405-1	Diversity - Emp	94 - 99
Protocols against sexual and gender-based harassment	405-1	Diversity - Emp	94 - 99
Integration and universal accessibility of persons with disabilities	405-1	Diversity - Emp	94 - 99
Policy against all forms of discrimination and, where appropriate, diversity management	406-1	Diversity - Emp	94 - 99 In 2021 there were no cases of discrimination or claims due to discrimination.
INFORMATION ON THE RESPECT FOR HUMAN RIGHTS			
Implementation of human rights due diligence procedures	102-16	N/A	4, 22, 52 - 53
Prevention of human rights violation risk and, where appropriate, measures to mitigate, manage and redress possible abuses committed	414-1	N/A	52 - 53, 94 - 99, 117 - 118
Complaints due to human rights violations	406-1	N/A	In 2021 there were no cases of discrimination or claims due to discrimination.
Promotion of and compliance with the provisions of the ILO core conventions relating to the respect for freedom of association and the right to collective bargaining, the elimination of discrimination in employment and occupation, the elimination of forced or compulsory labour and the effective abolition of child labour	102-2, 102-3, 414-1	N/A	52 - 53, 94 - 99, 117 - 118
INFORMATION RELATING TO THE FIGHT AGAINST CORRUPTION AND BRIBERY			
Measures taken to prevent corruption and bribery	102-16, 205-2, 205-3, 206-1, 415-1	N/A	4, 22, 60 - 62 In 2021 no cases of corruption were detected. In 2021 no claims were received due to unfair competition. The Neinor Homes Code of Ethics prohibits any type of contribution to political parties and/or political representatives. In 2021 no breach of the Code of Ethics was identified in relation to these matters.
Measures to combat money laundering	102-16, 205-3	N/A	4, 22, 62
Contributions to foundations and non-profit organisations	201-1, 102-12	N/A	33, 111 - 114

CONTENT OF LAW 11/2018 ON NFI	GRI Standard Used	EPRA Sustainability Performance Measures	Reference (Page)
COMPANY INFORMATION			
COMPANY COMMITMENTS TO SUSTAINABLE DEVELOPMENT			
Impact of the company's activity on local development and employment	204-1, 203-1	N/A	30, 117
Impact of society's activity on local populations and the country	413-1, 201-1	N/A	30, 111 - 114
Relationships with local community players and the modalities of dialogue with them	102-40, 102-42, 102-43, 102-12, 413-1	N/A	38 - 39, 109 - 114 137 - 140
Partnership or sponsorship actions	102-13	N/A	33
SUBCONTRACTING AND SUPPLIERS			
Inclusion of social, gender equality and environmental issues in the procurement policy	308-1, 414-1	N/A	117 - 118
Consideration in relations with suppliers and subcontractors of their social and environmental responsibility	102-9, 102-10, 204-1, 308-1, 414-1	N/A	119 - 125
Supervisory sytems and audits and the results thereof	308-2, 414-1, 414-2	N/A	119 -126
CONSUMERS (OUR CUSTOMERS)			
Consumer health and safety measures	416-1, 417-1	H&S- Asset	28, 74 - 75, 77 - 78
Complaint systems, complaints received and their resolution	416-2; 418-1	H&S- Comp	52 - 53, 71 In 2021 no complaints were received for health and safety breaches in products and services.
FISCAL INFORMATION AND TRANSPARENCY			
Profit obtained by country	207-1, 207-2, 207-3 207-4b.vi, 201-1	N/A N/A	30, 64
Income tax paid	207-1, 207-2, 207-3 207-4b.viii, 201-1	N/A N/A	30, 64
Public subsidies received	201-4	N/A	30

Neinor
HOMES

Neinor Homes, S.A.

Independent Verification Report of the Consolidated Statement of Non-Financial Information of Neinor Homes, S.A. and Subsidiaries for the year ended 31 December 2021

February 23, 2022

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT VERIFICATION REPORT OF THE CONSOLIDATED STATEMENT OF NON-FINANCIAL INFORMATION OF NEINOR HOMES, S.A. AND SUBSIDIARIES FOR THE YEAR 2021

To Neinor Homes S.A., shareholders:

In accordance with article 49 of the Commercial Code we have carried out the verification, with the scope of limited security, of the consolidated Statement of Non-Financial Information (hereinafter NFIS) corresponding to the annual year ended December 31, 2021, of Neinor Homes, S.A. and subsidiaries (hereinafter Neinor Homes Group) that is part of the consolidated Management Report attached of Neinor Homes Group.

The content of the NFIS includes additional information to that required by current commercial regulations on non-financial information that has not been the subject of our verification work. In this sense, our work has been limited exclusively to the verification of the information identified in Table "13. GRI Content" included in the NFIS in the Management Report attached.

Responsibility of the Directors

The formulation of the NFIS included in the Neinor Homes Group Management Report, as well as its content, is the responsibility of the Group Directors. The NFIS has been prepared in accordance with the contents contained in the current commercial regulations and following the criteria of the Sustainability Reporting Standards of the Global Reporting Initiative (GRI standards) selected as well as those other criteria described according to what is mentioned for each matter in Table "13. GRI Content" of the NFIS in the Management Report attached.

This responsibility also includes the design, implementation and maintenance of internal control deemed necessary to enable the NFIS to be free from material incorrectness, due to fraud or error.

Neinor Homes, S.A. Directors are also responsible for defining, implementing, adapting and maintaining the management systems from which the necessary information is obtained for the preparation of the NFIS.

Our independence and quality control

We have complied with the independence and other ethics requirements of the Code of Ethics for Accounting Professionals issued by the International Ethics Standards Council for Accounting Professionals (IESBA) which is based on the fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior.

Our firm applies International Quality Control Standard 1 (NICC 1) and maintains, accordingly, a global quality control system that includes documented policies and procedures relating to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The work team has been formed by professionals who are experts in reviews of Non-Financial Information and, specifically, in economic, social and environmental performance information.

Our responsibility

Our responsibility is to express our conclusions in an independent limited safety verification report based on the work done.

We have carried out our work in accordance with the requirements set out in the Revised International Assurance Assignment Standard 3000 in force, "Assurance Assignments Other Than Auditing or Review of Historical Financial Information" (Revised NIEA 3000) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Action Guide on Audit verification assignments of the Status of Accountants Non-Financial Information issued by the Institute of Chartered Accountants of Spain.

In a limited assurance engagement the procedures carried out vary in their nature and time of realization, and have a smaller extension, than those carried out in a reasonable assurance engagement and, therefore, the assurance obtained is substantially lower.

Our work has consisted of the formulation of questions to the Management, as well as to the various Neinor Homes Group units that have participated in the elaboration of the NFIS, in the review of the processes to collect and validate the information presented in the NFIS and in the application of certain analytical procedures and sample review tests described below:

- Meetings with Neinor Homes Group staff to learn about the business model, policies and management approaches applied, the main risks related to these issues and obtain the necessary information for external review.
- Analysis of the scope, relevance and integrity of the contents included in the NFIS of the year 2021 based on the materiality analysis carried out by Neinor Homes Group and described in section "12. About this report", considering contents required in the commercial regulations in force.
- Analysis of the processes to collect and validate the data presented in the NFIS of the year 2021.
- Review of the information related to the risks, policies and management approaches applied in relation to the material aspects presented in the NFIS of the year 2021.
- Verification, by means of tests, based on the selection of a sample, of the information related to the contents included in the NFIS of the year 2021 and its adequate compilation from the data provided by the sources of information of Neinor Homes Group.
- Obtaining a letter of statements from the Directors and the Management.

Conclusion

Based on the procedures carried out in our verification and the evidence we have obtained, no aspect has been revealed that makes us believe that the NFIS of Neinor Homes Group corresponding to the annual year ended 31 December, 2021 has not been prepared, in all its significant aspects, in accordance with the contents contained in the current commercial regulations and following the criteria of the GRI standards selected as well as those other criteria described according to what is mentioned for each subject in Table "13. GRI Content" included in the NFIS in the consolidated Management Report attached.

Use and distribution

This report has been prepared in response to the requirement established in the commercial regulations in force in Spain, so it may not be suitable for other purposes and jurisdictions.

DELOITTE, S.L.

Iñigo Úrculo

February 23, 2022