

Rules and regulations

and general procedure for the Neinor Homes Internal Audit Service

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Prepared by Head of Internal Audit and Risks, Álvaro Conde Herranz

Approved by Audit and Control Committee / Board of Directors

Date 10/05/2022

Version/Edition 1.03

Scope of application Neinor Homes, S.A. and dependent companies

Regulatory refs.

- International framework, international standards, code of ethics and guidelines for the practice of internal auditing (Institute of Internal Auditors)
- CNMV Code of Good Governance of Listed Companies, published in February 2015 and revised in June 2020.
- Royal Legislative Decree 1/2010, of 2 July, approving the revised text of the Capital Companies Law.

Number of pages 13

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1 PURPOSE

These rules and regulations are published to ensure that Neinor Homes, S.A. ("**Neinor**", "**Neinor Homes**" or the "**Company**") and all Neinor Homes subsidiaries (hereinafter "Neinor Homes Group" or the "Companies") have an in-house regulation of internal audit activities, in accordance with international standards and best practices of the profession and in application of generally accepted auditing standards issued by the relevant bodies and the standards for professional practice defined by the Institute of Internal Auditors.

The scope of application of these regulations shall apply to all internal audit activities of Neinor Homes S.A. and subsidiaries, according to the details included in [Schedule 1](#) to this manual.

The Internal Audit service (hereinafter the "**Service**") is an independent and objective service whose main activity is to provide to the Board of Directors, through the Audit and Control Committee and the Chief Executive Officer, the necessary support for the effective supervision of the company's relevant risk management and internal control systems.

The purpose of this internal document is as follows:

- a. To define the nature, activities, organisation, operation, basic powers and responsibilities of the Neinor Homes Internal Audit Service.
- b. To establish the framework for relations between the Internal Audit Service and the Board of Directors, the Audit and Control Committee and the Chief Executive Officer.
- c. To provide a single document that serves to disseminate a better understanding of the functions, activities, operation, basic powers and responsibilities of the Internal Audit Service and its coordination and exchange of information with the company.

2 NATURE

By definition, Internal Audit is an independent and objective assurance and consulting activity designed to:

- Add value and improve an organisation's operations,
- Contribute to the achievement of business objectives,
- Provide a systematic and disciplined approach to assess and improve the effectiveness of risk management, control and governance processes.

The Internal Audit Service will typically be linked to the Board of Directors through the Audit and Control Committee or the Chief Executive Officer, and will be responsible for supervising the operation of the company's internal control system in order to ensure adequate control and management of relevant risks, thus contributing to good corporate governance.

As part of its evaluation service, it will provide to the Audit Committee, the Chief Executive Officer and, where appropriate, the Management Committee analyses, assessments, recommendations, advice and information relating to the activities reviewed.

It will evaluate the effectiveness of the internal control system, giving reasonable assurance of

efficiency and effectiveness in the use of resources, reliability of financial reporting and compliance with legal requirements and internal policies and procedures.

It will contribute to safeguarding the assets and interests of Neinor Homes, providing support through recommendations and actions to help achieve the strategic objectives and improve the control environment.

This will help manage risk, increase equity or safeguard it from losses due to waste, abuse, mismanagement, errors, fraud or irregularities, and constantly improve management.

3 PROFESSIONALISM, INDEPENDENCE AND OBJECTIVITY

The work performed by the Internal Audit Service must be carried out with appropriate professional skill and care, and its staff must develop their knowledge, skills and other competencies through continuing professional development.

The internal audit activity must be independent, and the internal auditors must be objective in the performance of their work, with the head of internal audit reporting to a hierarchical level that allows it to comply with and fulfil its responsibilities.

The Internal Audit Service will be aligned with international norms and professional quality standards. It will be carried out with due diligence and professional competence, and while maintaining strictest confidentiality with respect to the information handled and the conclusions of its work.

Its staff will carry out their activities with full respect for and application of the Neinor Homes Code of Ethics. Likewise, where its provisions do not contravene the aforementioned rules, they will abide by the Code of Ethics proposed by The Institute of Internal Auditors (IIA).

The Internal Audit Service will be ring-fenced from anything that would prevent it from maintaining an independent and objective attitude.

It will have no responsibility or authority over any of the audited activities. Consequently, it will not implement internal controls, approve procedures, install systems, account for, or engage in any other activity that could influence the internal auditor's judgment.

In making judgements, it must make a balanced assessment of all relevant circumstances and must not be influenced by its own interests or those of other stakeholders.

4 AUTHORITY AND POWERS

The Internal Audit Service will have free and unrestricted access to such documentation, information and/or information systems as it deems necessary or appropriate for the performance of its responsibilities. It may also request the cooperation of any officer or employee of the Group.

In the event that the Internal Audit Service encounters any access difficulties, it can report this directly to the Audit and Control Committee and to the Chief Executive Officer.

5 ORGANISATION

The Internal Audit Service of the Neinor Homes Group is undertaken by the Governance, Risk and

Compliance, Internal Audit and Sustainability Department, whose head is the Head of Governance, Risk and Compliance, Internal Audit and Sustainability.

The Service maintains a hierarchical position independent from the rest of the company's departments, reporting functionally and hierarchically to the Audit and Control Committee, although in day-to-day operations reporting directly to the Chief Executive Officer.

It is therefore an advisory function, independent of the operational organisation, and the various General Managers of the Company have no authority over it.

It will support the Board of Directors in the performance of its duties as the body ultimately responsible for internal control and risk management systems. The Internal Audit Service's relations with the Board of Directors will be channelled through the Audit and Control Committee or the Chief Executive Officer.

Within its scope of action, it will provide support to the Audit and Control Committee in the development of its competencies assigned under the Regulations of the Neinor Homes Audit and Control Committee and its main functions are detailed in [Section 7 below](#) of this document. Likewise, it will also be at the disposal of the Chief Executive Officer for work and projects requested directly by him.

The Audit and Control Committee will be responsible for the selection, remuneration, appointment and removal of the head of the Internal Audit Service. Such Committee will also be responsible for approving the annual budget of the service and for ensuring the independence of the Internal Audit Service.

6 RESPONSIBILITY

The activity of Internal Audit must evaluate and contribute to the improvement of governance, (financial and non-financial) risk management and control processes, using a systematic and disciplined approach.

To this end, the main activities to be carried out by the Internal Audit Service will be to:

- a.** Evaluate the reliability and integrity of information and the means used for its identification, measurement, classification and reporting.
- b.** Evaluate the systems in place to ensure compliance with policies, procedures, standards and agreements and contracts that may have a significant impact on the Company.
- c.** Check that assets are adequately safeguarded.
- d.** Evaluate the effectiveness and efficiency with which resources are used.
- e.** Monitor and evaluate governance processes.
- f.** Monitor and evaluate the effectiveness of the preparation process and the integrity of financial and non-financial information, the control and management processes for financial and non-financial risks relating to the Company and, where appropriate, to 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.
- g.** Issue proposals for improvement and monitor their implementation.

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- h.** Evaluate the efficiency and optimisation of the company's main operational processes.
 - i.** Provide advice and cooperate in all those more specific matters that may be required by the Neinor Homes Board of Directors, Audit and Control Committee and Chief Executive Officer.
 - j.** Cooperate with the external auditors in all aspects of common interest in order to optimise the results of their work, although always on the understanding that the scope and objectives of their work differ substantially, considering the nature and specific professional standards that apply.
 - k.** Supervise the functioning of the System of Internal Control of Financial Reporting (ICFR), audit its compliance, record incidents and weaknesses and propose actions to improve it.
 - l.** Establish and supervise the channel for reporting potentially significant irregularities, including financial and accounting irregularities, or any other type of irregularity related to the Neinor Group detected within the Group. Said mechanism must guarantee confidentiality and, in any event, provide for cases in which communications may be made anonymously, respecting the rights of the whistleblower and the reported party.
 - m.** Ensure that the established internal control policies and systems are effectively implemented in practice and report to the Audit Committee on the degree of compliance.

7 OPERATION AND REPORTING

The Service will have two main reporting lines: the Audit and Control Committee and the Chief Executive Officer.

On an annual basis, the Internal Audit Service will submit an Internal Audit Plan to the Audit and Control Committee for review and approval. This Plan will consist of a work plan for the following year taking into account the budget and resources, and the prioritisation of the aspects to be reviewed will be done according to a risk-based methodology (including reputational risk), in particular the risk map approved by the Board and updated annually.

At least at the end of each financial year, it will issue to the Audit and Control Committee an activity report assessing the degree of compliance with the Internal Audit Plan, as well as the main results and the rate of implementation of recommendations.

In addition, periodically, as the Plan is implemented throughout the year, it will send reports to the Audit and Control Committee, including any possible incidents and limitations to the scope that may arise in its implementation, the results and the monitoring of the recommendations made by the Committee, with the proposals for improvement that it considers appropriate to correct any weaknesses identified as a result of the activities carried out.

For its part, the management of the audited area will have to establish an action plan for each of the weaknesses, specifying the actions to be taken and the expected date of implementation, and in the case of a decision not to implement it, an explanation of the reasons for not doing so.

The Internal Audit Service, if in the performance of its duties its activity is unduly hindered or obstructed, may address itself directly to the Chief Executive Officer or to the Audit and Compliance Committee to report such situation.

Likewise, the Internal Audit Service will be responsible for monitoring the implementation of these proposals for improvement, keeping a permanent record in a file of those that remain open. In particular, it will verify that senior management takes into account the conclusions and recommendations of its reports.

In general, the main lines of work and considerations that the audit service must pursue in carrying out its review activities are as follows;

1. Once the Internal Audit Plan has been approved, the Management Committee will be informed of the dates and actions to be carried out in relation to compliance with the annual internal audit plan.
2. The type of work or assignment to be performed by the internal audit service, depending on the degree of standardisation and control of each process, may have two different formats of analysis;
 - **Analysis and diagnosis:** Work that consists of understanding the process, evaluating its operation, control and efficiency, and understanding how much the practices and protocols that are currently followed are in line with the objectives set by the company.
 - **Audit performance and process control:** Work consisting of validating the reliability and integrity of the information reported, as well as assessing compliance with established controls through analytical or substantive audit tests.
3. The Head of Internal Audit will be responsible for communicating in good time to the head of the various departments to be audited the process to be reviewed and the scope of the work of the review, in order to ensure the cooperation of the department in the review process. The timetable will likewise be communicated.
4. Compliance with the above point does not preclude unplanned audits which will be carried out if deemed appropriate by the Internal Audit Service and which may be notified two weeks in advance or may be without prior notice.
5. A plan must be prepared of the work programmes to be pursued for each measure approved within the annual internal audit plan. A meeting must be held with the corresponding general manager beforehand, where the objectives of the assignment are explained, so that the needs/concerns of the General Manager affected can be addressed.
6. In addition, during the course of the review, the assigned Internal Audit Service staff, provided that there is no fraud or corruption, will report to the management of the department on the progress of the audit and any conclusions reached.
7. Distribution of the reports of the audit reviews to the Managers directly involved for their information so that they participate in the conclusions and are involved in the implementation of the recommendations. Once the corrective plans have been agreed, the report will be issued as final to the management of the audited department as well as to the Chief Executive Officer and the Audit and Control Committee.
8. Follow up on the recommendations and reporting on their degree of implementation to the Chief Executive Officer and the Audit and Control Committee.
9. For its part, the audited department will make available to the Internal Audit Service all resources and information required for the performance of its work, and it will

actively participate in the process of identifying improvement and corrective plans.

10. The methodology to be followed, the type of tests to be carried out and the detailed content of the reports submitted must contain;
 - Heading, document reference and author of the report.
 - Purpose of the work and brief conclusion on the same.
 - Development of the work carried out.
 - Criterion or basis of judgement that has been taken into account.
 - Incidents, findings and causes for it.
 - Consequences of the results and findings, related to our exposure to risks.
 - Criterion or basis of judgement that has been taken into account.
 - Conclusions and opinion of the audited area.
 - Recommendations and proposed corrective measures.
 - Supporting documentation used.
11. The detected incidents will be linked to corrective activities/recommendations to be implemented by the audited department. These incidents will be considered by the internal audit management as;
 - **High significance incidents:** issues that require attention by the CEO/Audit Committee and where the recommendations set out will have to be immediately implemented.
 - **Medium significance incidents:** issues that affect the general control situation and require attention by those responsible for the matter referred to in the observation, i.e. by the General Manager concerned or by the Neinor Homes Management Committee, and in which the recommendations established will have to be implemented in the short term (1 to 3 months).
 - **Low significance incidents:** issues that should be resolved in order to ensure that the corresponding controls are in line with those established by the audited area and must be addressed by the General Manager of the department or by the head of the department concerned. For these issues, the established recommendations will have to be implemented in the medium term (3 to 9 months).

Schedule 1. LIST OF COMPANIES

Parent company name: NEINOR HOMES SOCIEDAD ANÓNIMA
Began Trading: 04/12/2014
Registered Office: C/ ERCILLA 24 2ª; BILBAO 48011 BIZKAIA
Tax ID Number: A-95786562
Registry Data: Volume 5636, Folio 105, Section 8, Sheet BI65308, Entry 84.
Corporate Purpose: The development, management and pursuance of all types of real estate and town planning operations.

C.N.A.E. (National Economic Activity Code): 4110 Real estate development

The subsidiaries of Neinor Homes, S.A. are included below:

COMPANY NAME	NIF
NEINOR NORTE, S.L.U.	B-95788626
NEINOR PENÍNSULA, S.L.U.	B-95788634
NEINOR SUR, S.A.U.	A-14646350
RENTAL HOMES PROPCO, S.L.U.	B-20914289
NEINOR RENTAL OPCO, S.L.U.	B-20839296
PROMOCIONES NEINOR 3, S.L.U.	B-20851283
NEINOR WORKS, S.L.U.	B-20835914
PROMOCIONES NEINOR 5, S.L.U.	B-20835922
NEINOR SARDES RENTAL, S.L.U.	B-87753521
RENTA GARANTIZADA, S.A.	A-86118940
NICRENT RESIDENCIAL, S.L.	B-06881726
ALBORAYA MARINA NOVA, S.L.	B-97692677
DESARROLLOS TECNOLÓGICOS Y LOGÍSTICOS, S.A.	A-19206028
LANDSCAPE CORSAN, S.L.	B-82515156
LANDSCAPE LARCOVI PROYECTOS INMOBILIARIOS, S.L.	B-84236140
MASIA DE MONTE SANO, S.L.	B-97105068
PARQUE LAS CAÑAS, S.L.U.	B-84627348
PROGRAMAS ACTUACION BALEARES, S.L.	B-97487060
QUABIT COMUNIDADES, S.L.	B-19239730
QUABIT INMOBILIARIA INTERNACIONAL, S.L.	B-97836878
QUABIT CONSTRUCCIÓN, S.A.	A-78988540
GLOBAL IZARA, S.L.U.	B-67830968
QUABIT PALMACES, S.L.	B-87993564
QUABIT BONAIRE, S.L.	B-88358650
QUABIT SURESTE, S.L.U.	B-87820551

QUABIT REMATE, S.L.U.	B-87820528
QUABIT AGUAS VIVAS, S.L.U.	B-19305143
GLOBAL QUABIT SUR, S.L.U.	B-87957684
QUABIT CASARES GOLF RP5, S.L.U.	B-87961330
IBER ACTIVOS INMOBILIARIOS, S.L.	B-99005001

APPROVAL OF THE RULES AND REGULATIONS AND LOGGING CHANGES

These rules and regulations and general procedure of the Neinor Homes, S.A. Internal Audit Service were approved at the meeting of the Audit and Internal Control Committee held on 19 January 2016 and will come into force on 20 January 2016.

The date of updating of this document is after the date of approval by the Audit and Control Committee, for one of two reasons:

- Because the editing process of this document can only take place after the formal approval of its contents by the above-mentioned Committee, or
- Because in the continuous review process it is understood that any changes made are not of sufficient importance to imply a complete revision of the manual, and therefore do not require the approval of the aforementioned Audit and Control Committee.

As provided for in these Rules and Regulations, amendments hereto will be logged in the following table:

Log of revisions carried out			
Version	Details of revisions carried out	Author	Date of update
1.00	Creation of the Document	ACH	19/01/2016
1.01	Revision of formats to adapt them to NH's new image	ACH	1/25/2016
1.02	Inclusion of a new point 'k' in Section 6, concerning the responsibility of the internal audit service	ACH	2/2/2016
1.03	Change of the Internal Auditor's functional hierarchy to bring it into line with the revised Code of Good Governance in June 2020. Other grammatical and stylistic adjustments.	RJ	10/05/2022

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