



Habitat Inmobiliaria – Risk Management Policy

Rev 1



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1.- Introduction

The Management Board of PROMOCIONES HABITAT, S.A.U., (hereinafter, together with its subsidiaries and investees, referred to as “**HABITAT**” or the “**Company**”) is responsible for the non-delegable task of determining the Company’s strategy and corporate policies, and for the supervision of its internal control systems. The Management Board, in the exercise of its duties and in accordance with our Code of Ethics, adopts the present Risk Management Policy.

1.1.- Purpose

The purpose of the present Policy is to establish HABITAT’s overall framework for action, the procedures and responsibilities required to undertake the control and management of the risks HABITAT is facing, in an effective and efficient manner while minimizing the impact should the risks materialize.

1.2.- Scope

The present policy is applicable to all activities undertaken by HABITAT and must be complied with by all employees (permanent and temporary), managers and members of the Board of Directors, (hereinafter, referred to together as “**Subject People**”).

1.3.- Definitions

- Risk Appetite

Risk level the Company considers acceptable in the exercise of its activities. Due to the market conditions HABITAT operates in, our risk appetite is moderate in accordance with its principles for management, prudence, realism and rigour. Nevertheless, our tolerance to noncompliance with laws and regulations is low.

- Control

Any action, equipment, mechanism, or tool designed to mitigate the probability of occurrence of a risk or its impact.

- Management

People with operational responsibilities to undertake the activities at HABITAT.

- Impact

Threat materialization and its consequences on the business objectives established by HABITAT.

- Probability

Rate of occurrence (objectively or subjectively determined) of a risk materializing in a defined time.

- Risk

Any uncertain situation of occurrence with a negative impact on the Company’s operations, assets or financial information that may threaten its objectives.

- Inherent Risk
Estimate of the impact and probability of a risk without taking account of the effect of the specific existing measures for its control.
- Residual risk
Remaining risk once Habitat Inmobiliaria's existing measures for control are in place.

2.- Risk Factors at Habitat Inmobiliaria

The Risk Management Policy is based on and includes the following risk categories (according to their nature or consequences):

▲ Strategic Risks

Facts that threaten either Habitat's mission as a whole or the strategies defined to achieve the development of such mission (Groups: Market and environment, Alliances, Organisation, Governance, External Relations, Investments and Divestments, associated to Climate Change and Reputational).

▲ Operational Risks

Those related to operations, such as problems with the applied technology, noncompliance with quality standards or errors in the implementation of the established operative structure (Groups: Assets, Contracting and Procurement, Technical Support, Sales and Marketing, Aftersales, Human Resources, Cybersecurity and Catastrophic Events).

▲ Financial Risks

Every risk that, in the case of materialization, would financially impact the financial statements of Habitat Inmobiliaria. Occurrences which threaten the effective management or the financial control and/or the reliability of the company's financial information. This category would include, among others, tax risks derived from the operative structure of Habitat Inmobiliaria and credit risk derived from the contractual obligations.

▲ Compliance Risks

Occurrences which threaten the compliance with Habitat's obligations, whether legal, contractual or self-imposed by internal rules. We have divided them into four regulation sections and one section that includes contractual obligations:

1. Prevention of Money Laundering
2. Personal Data Protection
3. Occupational Risks Prevention
4. Environmental Legislation, which includes the risks associated to climate change and transitional risks.
5. Contractual obligations assumed by Habitat.

▲ Criminal Risks

Occurrences related to the development of behaviours that could be considered as a criminal offence, in accordance with the criminal liability of legal persons established on the Criminal Code.

Additionally, in relation to ESG risks, and on the basis of its involvement in the different areas of the company, the assessment of the mentioned risks will be carried out within the previously mentioned risk categories.

3.- General Principles of Action

3.1.- Measures provided for in Risk Management

The risk management process starts with the identification, assessment and analysis of the factors that may hinder the achievement of the operational and strategic objectives of Habitat Inmobiliaria. Subsequently, a series of responses will be issued to mitigate the risk and reduce it to an acceptable level. Such responses are:

- ▲ Elimination: actions oriented to avoiding, if possible, the factors that give rise to the risk, such as banning cash receipts which prevent the avoidance of VAT fraud threat in payments.
- ▲ Mitigation: actions oriented to reducing the impact or the probability of a risk to an acceptable level, such as establishing joint signatures in payments to mitigate the execution of payments for non-authorised concepts.
- ▲ Transfer: actions oriented to sharing the risk with third parties through insurance and outsourcing. This action does not exempt us of the responsibility.
- ▲ Risk assumption: means accepting the risk as long as it lies within the risk appetite defined by the Steering Committee.

3.2.- Principles of Action in Risk Management

The measures and activities HABITAT decides to implement (especially internal control activities) to mitigate and control the risks and take them to an acceptable level will be designed taking into account the following aspects:

- ▲ Being an integral part of Habitat Inmobiliaria's processes.
- ▲ Being part of the decision-making processes.
- ▲ Being based on the best possible information.
- ▲ Being tailored to Habitat Inmobiliaria's organisation.
- ▲ Covering human and cultural aspects.

- ▲ Being transparent and creating value.
- ▲ Being dynamic, repeatable, responding to change and facilitating continuous improvement.

4.- Supervision of the Risks Model

The Internal Audit function is responsible for the supervision of the Risk Management System. Each year, the Internal Audit function will conduct a review of the Risk Management System, which will be included on the Internal Audit Plan, and will evaluate:

- ▲ The suitability and, when applicable, the update of the risk rating taking into account the environment and the circumstances of Habitat Inmobiliaria.
- ▲ The proper functioning of the Model, both as to its design as to its implementation and effectiveness.
- ▲ Key indicators for Risk Management will be defined and will allow the optimization of the periodic monitoring process through its update and follow up.

5.- Roles and Responsibilities

The roles and responsibilities of each member of Habitat Inmobiliaria who is involved in Risk Management are:

5.1.- Management Board

Has the legal and regulatory responsibility (among its non-delegable tasks) of approving the policies and general strategies of Habitat Inmobiliaria, which include the Risk Management Policy and the supervision of the information and control systems.

- ▲ Defines, establishes and/or modifies the risk appetite in conjunction with the Steering Committee.
- ▲ Approves the Risk Map of Habitat Inmobiliaria

5.2.- Steering Committee

- ▲ Is responsible for implementing and transmitting a culture focused on the risks of the company.
- ▲ Approves the plans and actions proposed by the Audit Manager that are considered necessary to address the identified risks.
- ▲ Conducts and reviews the annual analysis of the company's Strengths, Weaknesses, Opportunities and Threats (SWOTs) in collaboration with the Quality Director and the Internal Audit Manager.

5.3.- Persons Responsible for Processes

- ▲ Are the visible leaders of each process, responsible for developing the process in accordance with regulations and with the defined procedures.
- ▲ Are responsible for promoting the implementation and development of the Internal Control System by means of the Objectives and Control Activities and in constant communication with the Internal Audit function.
- ▲ Inform the Area Manager of the identified risks in the process, and of the potential improvements to be implemented in the changing context of Habitat Inmobiliaria, in order to reasonably ensure the efficiency of the Control System.
- ▲ Carry out the impact and probability assessment of the process. Subsequently, the assessment will be reviewed in conjunction with the Internal Audit Manager.
- ▲ Channel the implementation and follow up of the action plans related to the improvements and changes of the Control System.
- ▲ Shall comply with the guidelines laid down in relation to Risk Management.

5.4.- Persons Responsible for Control:

- ▲ Employees of Habitat Inmobiliaria are responsible for the control actions assigned to them in the risk matrix and for their exercise, by the Person Responsible for the Process.
- ▲ Inform the person responsible of the identified risk in the process and of the potential improvements to be implemented in the changing context of Habitat Inmobiliaria, in order to reasonably ensure the efficiency of the Control System.
- ▲ Shall comply with the guidelines laid down in relation to Risk Management.

5.5.- Internal Audit Function:

Is responsible for:

- ▲ Carrying out and monitoring the proper implementation of the procedures and criteria of Habitat Inmobiliaria in relation to Risk Management.
- ▲ Supporting the Persons Responsible for Processes and Controls in the different areas of Habitat Inmobiliaria in any aspect related to Risk Management.
- ▲ Building and updating the Risk Map of Habitat Inmobiliaria based on the Assessment Matrix undertaken by the Persons Responsible for Processes.
- ▲ Monitoring the degree of progress of the previously agreed and approved action plans.

- ▲ Periodically informing the Management Board, in accordance with the frequency set by the MB on the appearance of new risks, of the evolution of the risks already identified by the automatization or implementation of new control measures and of the degree of advancement of the plans.

6.- Approval and Distribution

6.1.- Approval

The approval of the present Policy is a responsibility of HABITAT's Management Board, on the motion of the Legal Affairs General Director.

6.2.- Distribution

The present Policy will be made available on HABITAT's corporate web page and on its Intranet.