

# **Grupo Empresarial San José and Subsidiaries**

**Consolidated Financial Statements  
for the year ended  
31 December 2021 and  
Consolidated Directors' Report,  
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. In the event of a discrepancy, the Spanish-language version prevails*

*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 Grupo Empresarial San José, S.A.,

### Report on the Consolidated Financial Statements

---

#### Opinion

We have audited the consolidated financial statements of Grupo Empresarial San José, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021, and the consolidated income statement, consolidated statement of recognized income and expenses, consolidated statement of changes in equity, consolidated cash flows statement 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.

### Recognition of revenue from long-term construction contracts

#### Description

For its long-term construction contracts in the Construction area, the Group recognises revenue over time by reference to the stage of completion of the contracts in economic terms.

This revenue recognition method was a key matter in our audit, as it affects a very significant amount of total consolidated revenue, as well as the measurement of the amounts to be billed for work performed, and requires Group management to make highly significant estimates relating mainly to the expected outcome of the contract, the amount of costs yet to be incurred, the work completed in the period and the accounting, where applicable, for modifications to the initial contract, all of which fall within the framework of the criteria established in IFRS 15, Revenue from Contracts with Customers.

These judgements and estimates are made by the persons in charge of the performance of the construction work, are subsequently reviewed at the various levels of the organisation and are submitted to controls designed to ensure the consistency and reasonableness of the criteria applied.

#### 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 process to recognise revenue from contracts in which performance obligations are satisfied at long term, as well as tests to verify that the aforementioned controls operate effectively.

In addition, we performed substantive tests that included the performance of an in-depth, itemised analysis of a selection of projects in order to evaluate the reasonableness of the hypotheses and assumptions made by the Group with an impact on the revenue recognised in the year which include, among others, the determination of the transaction price, the allocation of the transaction price to the various performance obligations, the treatment for accounting purposes of any modifications approved by the customer and the recognition of variable consideration. Also, we evaluated the reasonableness of the assumptions and hypotheses used by the Group to update the cost estimates, and to measure progress towards satisfaction of the performance obligations. We also reviewed the consistency of the estimates made by the Group in 2020 with the actual data for the contracts in 2021.

## Recognition of revenue from long-term construction contracts

### Description

### Procedures applied in the audit

Lastly, we focused our work on verifying that the accompanying consolidated financial statements included the related disclosures required by the applicable financial reporting framework. In this connection, Note 4.11 discloses the fact that the percentage of completion method is used to recognise revenue from long-term contracts, and Note 13.1 includes additional disclosures in relation to balances recognised corresponding to amounts to be billed for work performed.

## Other information: Consolidated Directors' Report

The Other information comprises only 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 consolidated directors' report. Our responsibility relating to the consolidated directors' report, in accordance with the audit regulations in force, consists of:

- a) Solely checking that the consolidated non-financial information statement, certain information included in the Annual Corporate Governance Report and the Annual Director's 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 whether the other information included in the consolidated directors' report is consistent 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 above, we observed that the information described in section a) above was furnished as provided for in the applicable legislation and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2021 and its content and presentation were in conformity with the applicable regulations.

---

### **Responsibilities of the Directors and 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 the Appendix to this auditor's report. This description forms part of our auditor's report.

## **Report on Other Legal and Regulatory Requirements**

---

### **European Single Electronic Format**

We have examined the digital files in European Single Electronic Format (ESEF) of Grupo Empresarial San José, 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 Grupo Empresarial San José, 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 24 February 2022.

---

### **Engagement Period**

The Annual General Meeting held on 30 March 2021 appointed us as auditors of the Group for a period of one year from the year ended 31 December 2020.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the financial statements uninterruptedly since the year ended 31 December 1995, taking into account the content of Article 17.8 of Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities.

DELOITTE, S.L.

Registered in ROAC under no. S0692



Pedro Luis Hernando

Registered in ROAC under no. 21.339

24 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.



# **Grupo Empresarial San José, S.A. and Subsidiaries**

Consolidated Financial Statements for  
the year ended 31 December 2021, Consolidated  
Directors' Report  
and consolidated non-financial information report

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

**GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries**  
 Consolidated balance sheet at 31 December 2021 and 31 December 2020  
 (Thousand of Euros)

ASSETS	Note	31-12-2021	31-12-2020	EQUITY AND LIABILITIES	Note	31-12-2021	31-12-2020
<b>NON-CURRENT ASSETS:</b>				<b>EQUITY:</b>			
Intangible assets	7	17,646	16,051	Share capital		1,951	1,951
Goodwill on consolidation	8	9,984	9,984	Reserves		45,069	5,783
Property, plant and equipment	9	74,136	71,402	Legal and statutory		390	390
Land and buildings		56,563	54,363	Other reserves		44,679	5,393
Plant and other equipment		17,573	17,039	Reserves in consolidated companies		146,006	169,042
Investment property	10	13,985	11,884	Translation differences		(53,719)	(56,451)
Investments in associates and joint ventures	11	18,701	19,595	Equity-Valuation adjustments		259	248
Long-term investments	13.4	23,900	32,392	Profit for the year attributable to the parent company		12,099	22,753
Equity instruments		2,088	2,169	Equity attributable to Parent shareholders		151,665	143,326
Loans to third parties		21,243	29,660	Minority interests		30,478	26,187
Other financial assets		569	563	<b>TOTAL EQUITY</b>	14	<b>182,143</b>	<b>169,513</b>
Deferred tax assets	20	28,988	26,917				
<b>TOTAL NON-CURRENT ASSETS</b>		<b>187,340</b>	<b>188,225</b>	<b>NON-CURRENT LIABILITIES:</b>			
				Long-term provisions	15	35,950	44,924
				Long-term debt	16	100,792	108,067
				Bank loans and overdrafts		5,806	12,325
				Other financial liabilities		94,986	95,742
				Deferred tax liabilities	20	17,887	25,196
				Long-term advances		810	768
				<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>155,439</b>	<b>178,955</b>
				<b>CURRENT LIABILITIES:</b>			
				Short-term provisions	15	29,607	36,392
				Current bank borrowings	16	12,591	58,172
				Bonds and other securities		-	33,081
				Bank loans and overdrafts		10,510	18,490
				Other financial liabilities		2,081	6,601
				Payable to related companies	23	847	372
				Trade and other payables	18	545,872	538,485
				Trade payables		406,576	388,653
				Sundry creditors		3,714	3,652
				Staff, remuneration payable		6,970	7,032
				Tax payables	20	25,418	16,626
				Advances from customers	13.1	103,194	122,522
				Short-term accruals		6,571	6,613
<b>TOTAL CURRENT ASSETS</b>		<b>745,730</b>	<b>800,277</b>	<b>TOTAL CURRENT LIABILITIES</b>		<b>595,488</b>	<b>640,034</b>
<b>TOTAL ASSETS</b>		<b>933,070</b>	<b>988,502</b>	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>933,070</b>	<b>988,502</b>

Accompanying notes 1 to 26, as well as the Appendix I, II and III, are part of the Consolidated Balance Sheet as 31 December 2021.



## GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

Consolidated income statement for years 2021 and 2020

(Thousand of Euros)

	Note	Year 2021	Year 2020
<b>CONTINUING OPERATIONS</b>			
Revenue	22.1	927,687	961,981
Change in inventories of finished goods and work	22.10	(4,122)	(1,282)
Work performed by the Group for its property, plant and equipment	7 y 9	2,970	597
Procurements	22.2	(656,723)	(669,129)
Cost of raw materials and other consumables used		(177,338)	(184,670)
Works performed by other companies		(476,685)	(480,686)
Impairment of goods held for resale, raw materials and other supplies	12.5	(2,700)	(3,773)
Other operating income	22.1	19,387	20,353
Non-core and other current income		19,323	20,303
Operating grants taking to income		64	50
Staff costs	22.3	(131,315)	(140,359)
Wages and salaries		(102,278)	(111,517)
Social charges		(29,037)	(28,842)
Other operating expenses	22.2	(115,916)	(123,242)
Outside services		(99,155)	(93,011)
Tributes		(5,315)	(5,991)
Impairment losses and changes in provisions for trade		(9,349)	(21,672)
Other operating expenses		(2,097)	(2,568)
Depreciation and amortisation charge	7, 9 y 10	(8,454)	(9,758)
Excessive provisions		969	3,733
Impairment and gains or losses on disposal of non-current assets	22.9	(309)	(523)
<b>PROFIT FROM OPERATIONS</b>		<b>34,174</b>	<b>42,371</b>
Finance income	22.7	3,691	12,865
On group companies and associates equity shares		74	12
Other financial instruments		3,617	12,853
Finance costs	22.8	(7,456)	(11,469)
On debts to third parties		(7,456)	(11,469)
Change in fair value of financial instruments		13	(143)
Exchange differences		(325)	(1,020)
Adjustment for inflation in hyperinflationary economies	2.3	69	(2,023)
Impairment and gains or losses on disposal of financial instruments	22.11	(4,367)	(4,443)
<b>FINANCIAL PROFIT</b>		<b>(8,375)</b>	<b>(6,233)</b>
Profit/(Loss) of companies accounted for using the equity method	11	(2,812)	(221)
<b>PROFIT/ (LOSS) BEFORE TAXES</b>		<b>22,987</b>	<b>35,917</b>
Income Tax	20	(9,124)	(13,858)
<b>PROFIT/ (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>13,863</b>	<b>22,059</b>
<b>PROFIT / (LOSS) ATTRIBUTABLE TO EXTERNAL PARTNERS</b>		<b>1,764</b>	<b>(694)</b>
<b>PROFIT / (LOSS) FOR THE YEAR</b>		<b>12,099</b>	<b>22,753</b>
<b>PROFIT PER SHARE:</b> (Note 5)			
Basic		0.19	0.35
Diluted		0.19	0.35

Accompanying notes 1 to 26 to the Annual Report and Appendix I, II and III form an integral part of the Consolidated Income Statement at 31 December 2021.

**GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSES**  
**FOR YEARS 2021 AND 2020**  
(Thousand of Euros)

	<u>Note</u>	Year 2021	Year 2020
<b>CONSOLIDATED PROFITS / (LOSSES) OF THE YEAR</b>		<b>13,863</b>	<b>22,059</b>
<b>Income and expenses recognised directly in equity</b>		<b>5,425</b>	<b>(8,815)</b>
-For cash flow hedges		13	(33)
-Translation differences		5,411	(8,810)
-Other		-	27
-Tax effect		1	1
<b>Transfer to income statement</b>		<b>2</b>	<b>38</b>
-For cash flow hedges		70	100
-Translation differences		-	-
-Other		(55)	(50)
-Tax effect		(13)	(12)
<b>TOTAL RECOGNISED INCOMES / (EXPENSES)</b>		<b>19,290</b>	<b>13,282</b>
a) Attributable to Parent		14,842	13,882
b) Attributable to minority interests		4,448	(600)

Accompanying notes 1 to 26 to the Annual Report and Appendix I, II and III form an integral part of the Consolidated Statement of Recognized Income and Expenses at 31 December 2021.

**GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR YEARS 2021 AND 2020**

(Thousand of Euros)

	Note	Share Capital	Issurance premium	Legal Reserve	Other reserves of the parent	Consolidated Reserves		Translation differences	Equity Adjustments	Profit of the year	Total Equity attributable to parent	Minority interests	Total Equity
						In consolidated companies	In associated companies						
<b>Balance at December 31, 2019</b>		<b>1,951</b>	<b>155,578</b>	<b>263</b>	<b>(196,999)</b>	<b>58,642</b>	<b>1,070</b>	<b>(47,564)</b>	<b>232</b>	<b>162,774</b>	<b>135,947</b>	<b>27,123</b>	<b>163,070</b>
Distribution of profit for year 2019:													
-To reserves		-	-	127	53,317	113,485	(4,155)	-	-	(162,774)	-	-	-
-Dividend payment		-	-	-	(6,503)	-	-	-	-	-	(6,503)	(216)	(6,719)
Other equity movements		-	(155,578)	-	155,578	2,338	(2,338)	-	-	-	-	(120)	(120)
Total recognized income/expenses year 2020		-	-	-	-	-	-	(8,887)	16	22,753	<b>13,882</b>	(600)	<b>13,282</b>
<b>Balance at December 31, 2020</b>		<b>1,951</b>	<b>-</b>	<b>390</b>	<b>5,393</b>	<b>174,465</b>	<b>(5,423)</b>	<b>(56,451)</b>	<b>248</b>	<b>22,753</b>	<b>143,326</b>	<b>26,187</b>	<b>169,513</b>
Distribution of profit for year 2020:													
-To reserves		-	-	-	39,286	(22,815)	(221)	-	-	(16,250)	-	-	-
-Dividend payment	14.4	-	-	-	-	-	-	-	-	(6,503)	(6,503)	(97)	(6,600)
Other equity movements		-	-	-	-	894	(894)	-	-	-	-	(60)	(60)
Total recognized income/expenses year 2021		-	-	-	-	-	-	2,732	11	12,099	<b>14,842</b>	4,448	<b>19,290</b>
<b>Balance at December 31, 2021</b>		<b>1,951</b>	<b>-</b>	<b>390</b>	<b>44,679</b>	<b>152,544</b>	<b>(6,538)</b>	<b>(53,719)</b>	<b>259</b>	<b>12,099</b>	<b>151,665</b>	<b>30,478</b>	<b>182,143</b>

Accompanying notes 1 to 26 to the Annual Report and Appendix I, II and III form an integral part of the Consolidated Statement of Changes in Equity at 31 December 2021.

## GRUPO EMPRESARIAL SAN JOSÉ, S.A. and Subsidiaries

### CONSOLIDATED CASH FLOW STATEMENTS FOR YEAR 2021 AND 2020

(Thousand of Euros)

	Note	Year 2021	Year 2020
<b>Cash flows from operating activities:</b>			
(+) Profit (Loss) before tax		22,987	35,917
(+) Depreciation and amortisation charge	7,9 y 10	8,454	9,758
(+/-) Changes in operating allowances		10,138	20,961
(-) Imputation of subsidies for the year		(64)	(50)
(-) Financial income	22.7	(3,691)	(12,865)
(+) Financial costs	22.8	7,456	11,469
(+/-) Exchange differences		256	3,043
(+/-) Result of changes in value of financial instruments		(13)	143
(+/-) Result of companies accounted for using the equity method		2,812	221
(+/-) Result of property, plant and equipment		309	523
(+/-) Impairment and gains or losses on disposals of financial investments	22.11	4,367	4,443
(+/-) Other gains or losses		822	1,813
<b>Total Cash Flows from operating activities</b>		<b>53,833</b>	<b>75,376</b>
<b>Other adjustments</b>			
(-) Income tax paid in the year		1,160	(10,513)
(+/-) (Increase) / Decrease in working capital		-	-
<u>Operating working capital assets</u>			
a) (Increase)/Decrease in inventories		6,187	2,505
b) (Increase)/Decrease in debtors and other receivables		(32,314)	(24,079)
c) (Increase)/Decrease in other current non financial assets		-	-
<u>Operating working capital liabilities</u>			
a) (Increase)/Decrease in trade payables		16,737	35,878
b) (Increase)/Decrease in other current non financial liabilities		-	-
(+/-) Other collections / (payments) due to operating activities		(14,725)	(4,682)
<b>1. TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>30,878</b>	<b>74,485</b>
<b>Investments:</b>			
(+) Intangible assets		(2,531)	(892)
(+) Property, plant and equipment and investment property		(3,941)	(1,923)
(+) Shares and other financial assets		(2,120)	(23,270)
<b>Total Investments</b>		<b>(8,592)</b>	<b>(26,085)</b>
<b>Dividends received</b>		<b>79</b>	<b>6</b>
<b>Disposals:</b>			
(+) Intangible assets		-	6
(+) Property, plant and equipment		89	4
(+) Shares and other financial assets		713	766
<b>Total Disposals</b>		<b>802</b>	<b>776</b>
<b>Other collections / (payments) due to financing activities</b>		<b>46,116</b>	<b>49,524</b>
<b>2. TOTAL NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>38,405</b>	<b>24,221</b>
<b>Other collections / (payments) due to treasury share transactions</b>			
		<b>(60)</b>	<b>-</b>
<b>Dividends paid</b>	14.4	<b>(6,600)</b>	<b>(6,719)</b>
<b>Increase / (decrease) in financial borrowings</b>			
Non current		(5,160)	7,661
Current		(45,014)	(35,992)
<b>Net interests:</b>		<b>(1,566)</b>	<b>3,241</b>
Received		2,639	9,512
Paid		(4,205)	(6,271)
<b>Other collections / (payments) due to financial activities</b>		<b>-</b>	<b>(1,029)</b>
<b>3. TOTAL NET CASH FLOWS FROM FINANCIAL ACTIVITIES</b>		<b>(58,400)</b>	<b>(32,838)</b>
<b>4. TOTAL NET CASH FLOWS FROM FINANCIAL ACTIVITIES</b>		<b>(730)</b>	<b>(13,570)</b>
<b>TOTAL CASH FLOWS FOR THE YEAR</b>		<b>10,153</b>	<b>52,298</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>			
		<b>285,343</b>	<b>233,045</b>
Changes in the year		10,153	52,298
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>295,496</b>	<b>285,343</b>

Accompanying notes 1 to 26 to the Annual Report and Appendix I, II and III form an integral part of the Consolidated Cash Flow Statement for year 2021

# Grupo Empresarial San José, S.A. and Subsidiaries

Consolidated notes  
for the year ended 31 December 2021

## **1 Activities of the Group**

### ***a) Incorporation***

Grupo Empresarial San Jose, S.A. (hereinafter "the Parent") was incorporated on 18 August 1987 for an unlimited period of time by virtue of a public deed executed in Pontevedra in the presence of Pontevedra notary, Rafael Sanmartin Losada, under number 1539 of his protocol.

At the Ordinary and Extraordinary General Shareholders Meeting of the Company held on 17 June 2008, it was agreed to change the corporate name into that of "Grupo Empresarial San Jose S.A." (former, "Udra, S.A."), which was duly formalised by means of a public deed dated 17 July 2009.

The Parent is registered in the Mercantile Register of Pontevedra on sheet 88 of the Companies book 586, entry no. 1 on page no. 8119. Holder of VAT identification number A-36.046.993.

Registered office is located in Pontevedra, at 44, Rosalia de Castro St. (Spain).

As of 20 July 2009, "Grupo Empresarial San Jose, S.A." was listed on the Spanish Stock Exchange Market.

### ***b) Legal framework***

The Parent is governed by its by-Laws, the Commercial Code, the Spanish Companies Law and other legislation applicable to companies of this type.

### ***c) Activities***

The activities carried on by the Parent and its investees (Grupo San Jose) are classified into the following business units:

- 1 Development of all forms of real estate construction.
- 2 Performance of all manner of public or private construction work, mainly buildings, road networks and hydraulic works.
- 3 Purchase and sale, administration, operation and any other similar activities in relation to all manner of rural or urban property.
- 4 Lease of all manner of assets.
- 5 Design, construction and management of electricity and renewable energy facilities.
- 6 Storage, distribution, purchase and sale and import of manufactured products.
- 7 Management and recruitment of personnel for all types of company, association and organisation.
- 8 Study, design, development and purchase and sale of all manner of electronic, computer, telecommunications and audio-visual components, products and systems.
- 9 Full maintenance of hospital facilities, maintenance of operating theatres and electro medical equipment, and manufacture and sale of integrated systems for operating theatres, ICUs and patient rooms.
- 10 Study, design and installation of air conditioning, heating, industrial cooling and plumbing facilities; purchase and sale or manufacture of all kinds of related mechanisms; to sell and act as representative for third-party products.

11. Healthcare: construction of hospital facilities and public and private healthcare maintenance services; electro medicine and gas facilities and maintenance.
- 12 Facilities and services: integral installation work, electrical, mechanical and hydraulic installation work, turnkey projects and special installation work, as well as the maintenance of all manner of other facilities not related to the healthcare industry such as industrial facilities, other properties, etc.
- 13 Infrastructure and transport: performance of infrastructure and transport studies, projects and installation work, including those relating to airports, ports, railways and other types of transport infrastructure.
- 14 Energy and environment: performance of studies and projects focused on the production and sale of energy and industrial maintenance, waste water treatment, installation of water treatment plants and other environmental activities.

Under no circumstances shall the company object be deemed to include activities the performance of which requires any type of administrative authorisation which the Company does not hold.

Also, the Parent may subscribe to, purchase or acquire by any other means shares and/or other equity interests in other public and private limited companies, even if their company object differs from that of Grupo Empresarial San Jose, S.A., and may form new public or private limited companies with other legal entities or individuals, whatever valid purpose or activity the newly formed companies may have.

Furthermore, Grupo Empresarial San Jose, S.A. is the Parent of the San Jose Group. Its main object is the management and control of all the business activities performed by the companies in which it has a material and lasting ownership interest.

Grupo Empresarial San José, S.A. has its registered office and fiscal address in Pontevedra, at 44, Rosalía de Castro St., and its headquarters in Tres Cantos (Madrid), at 11, Ronda de Poniente St.

The San Jose Group's activities are led by Grupo Empresarial San Jose, S.A. (a holding and real estate company), which in turns mainly participates in: Constructora San Jose, S.A. (construction), San Jose Consesiones y Servicios, S.A.U. (maintenance services), San Jose Energia y Medio Ambiente, S.A. (energy), and Desarrollos Urbansticos Udra, S.A.U. (urban development).

The specific lines of business of each subsidiary, jointly controlled entity and associate are disclosed in Appendixes I, II and III.

## **2 Basis of presentation of the consolidated financial statements and basis of consolidation**

### ***2.1 Regulatory framework and accounting principles***

These consolidated financial statements for 2021 of Grupo Empresarial San Jose, S.A. and Subsidiaries ("Grupo San Jose " or "the Group") are formally prepared by the Parent's directors, in accordance with International Financial Reporting Standards as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council ("EU-IFRSs"), taking into account all the mandatory accounting principles and rules and measurement bases in IFRSs, and, accordingly, they present fairly the Grupo San Jose'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 year then ended.

Grupo SANJOSE's consolidated financial statements were prepared from the accounting records of the Company and of the other Group entities. Each company prepares its individual financial statements in accordance with the accounting principles and rules in force in the country in which it operates and, accordingly, the required adjustments and reclassifications were made on consolidation to unify the policies used and to make them compliant with IFRSs.

The consolidated financial statements of Grupo SANJOSE and Subsidiaries for 2020, prepared in accordance with EU-IFRSs, were approved by the shareholders at the Annual General Meeting of Grupo Empresarial San Joes, S.A. (formerly named Udra, S.A.) held on 30 March 2021. Further, 2021 consolidated financial statements of the Group and the individual financial statements of the Group companies for the year have not yet been approved by the shareholders at the respective Annual General Meetings. However, the Parent's directors consider that the aforementioned consolidated financial statements will be approved without any changes.

### **Standards and interpretations applicable for the year**

Standards and interpretations adopted by the European Union and, if so, applied by the Group for the preparation of the accompanying consolidated financial statements for the year ended at 31 December 2021 are detailed as follows:

<b>Adopted for use within the EU</b>		Compulsory application as from:
<b>Amendments and/or understanding</b>		
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 Reform of reference interest rates – Stage II	Modifications related to the ongoing reform of the benchmarks (Stage II)	1 January 2021
Amendment of IFRS 4 Deferral of the application of IFRS 9	Clarifications to IFRS 9 up to 2023	1 January 2021
Amendment of IFRS 16 Leasing - improvement of leasing rates	Modification to extend the term of application of the practical solution of IFRS 16 foreseen for rental improvements related to COVID-19.	1 April 2021
Amendment of IFRS 3 Reference to the Conceptual Framework	IFRS 3 is updated to align the definitions of assets and liabilities in a business combination with those contained in the conceptual framework.	1 January 2022
Amendment to IAS 16 Income Earned Before Intended Use	The amendment prohibits reducing the cost of property, plant and equipment any income obtained from the sale of items produced while the entity is preparing its asset for its intended use.	1 January 2022
Amendment to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract	The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract and an allocation of other costs that are directly related to the fulfilment of the contract.	1 January 2022
Improvement IFRS 2018-2020	Amendment of IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022

Overall, the entry into force of these standards and interpretations has not led to significant impacts in these consolidated financial statements. In relation to those that will come into force in 2022, no relevant impacts are expected either.

#### **Non applicable issued standards and interpretations**

As of the date of issue of these consolidated financial statements, the following standards had been published by the IASB, yet their application was not compulsory either because they had not been adopted by the EU.:

<b>Non-adopted for use within the EU</b>		Compulsory application as from:
<b>New standards</b>		
IFRS 17 Insurance contracts and amendments	It replaces IFRS 4 and reflects the principles of registration, valuation, presentation and disclosure of insurance contracts so that the entity provides relevant and reliable information for allowing users to determine the effect that contracts have on financial statements.	1 January 2023
<b>Amendments and/or understanding</b>		
Amendment of IAS 1 Classification of liabilities as current or non-current	Clarifications regarding the presentation of liabilities as current or non-current.	1 January 2023

Amendment of IAS 1 Breakdown of accounting policies	Modifications that allow entities to properly identify the information on material accounting policies that must be disclosed in the financial statements	1 January 2023
Amendment of IAS 8 Definition Accounting Estimates	Modifications and clarifications on what should be understood as a change in accounting estimate.	1 January 2023
Amendment of IAS 12 Deferred taxes derived from assets and liabilities resulting from a single transaction	Clarifications on how entities must record the deferred tax that is generated in operations such as leases and decommissioning obligations.	1 January 2023
Amendment to IFRS 17 Insurance Contracts – Initial application of IFRS 17 and IFRS 9. Comparative information	Modification of the transition requirements of IFRS 17 for insurers that apply to IFRS 17 and IFRS 9 for the first time at the same time	1 January 2023

In general, the Group expects that the entry into force of the other standards and interpretations should not have a significant impact on the consolidated financial statements.

## **2.2 Responsibility for the information and use of estimates**

The information in these consolidated financial statements is the responsibility of the Directors of the Parent.

In the preparation of the accompanying consolidated financial statements estimates were occasionally made by management of the Group and of the consolidated companies to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- 1 The useful life of the property, plant and equipment and intangible assets (see Notes 4.2 and 4.3).
- 2 Measurement of goodwill arising on consolidation (see Note 4.1).
- 3 The budgetary estimates which are considered for the recognition of results on contracts to which the percentage of completion method is applied (construction and industrial areas, see Note 4.11).
- 4 The assessment of potential impairment losses of certain assets (see Notes 4.1, 4.2, 4.3, 4.4, 4.6, 4.7, 4.8 and 4.8).
- 5 The probability of occurrence and the amount of uncertain or contingent liabilities (see Note 4.16 and 4.17).
- 6 The fair value of certain financial instruments (see Note 4.8).
- 7 The fair value of assets and liabilities acquired in business combinations (see Notes 2.4 and 8).
- 8 The assessment of the recoverability of tax credits (see Note 4.15).
- 9 Management of financial risk (Note 19)
- 10 Judgments and assumptions considered in contracts under the IFRS 16 Leasing standard (see Note 4.5).
- 11 COVID-19 (see Note 2.7)

Although these estimates were made on the basis of the best information available at 31 December 2021 on the events analysed, events that might take place in the future might make it necessary to significantly change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the consolidated income statements for the years affected.

## **2.3 Currency**

These consolidated financial statements are presented in Euros, since this is the functional currency of the main economic environment where Grupo SANJOSE operates. Foreign operations are recognised in accordance with the policies established in Note 4.13.



The breakdown of the closing and average exchange rates of the period used to prepare the consolidated financial statements for 2021 is as follows:

Country	Currency	Year-end exchange rate	Average exchange rate
The United States /East-Timor	US Dollar (USD)	1.133	1.185
Argentina	Argentine Peso (ARS)	116.372	112.296
Mexico	Mexican Peso	23.275	24.101
Cape Verde	Cape Verde Escudo	110.265	110.265
Panama	Panamanian Balboa	1.133	1.185
Uruguay	Uruguayan Peso	49.861	50.921
Paraguay	Guaraní	7,808.240	7,956.146
Peru	Peruvian Sol	4.539	4.587
Chile	Chilean Peso (CLP)	955.640	898.281
Brazil	Brazilian Real	6.390	6.385
India	Indian Rupee	85.133	87.497
Nepal	Nepalian Rupee	134.920	140.360
United Arab Emirates	UAE Dirham	4.159	4.348
Colombia	Colombian Peso	4,560.960	4,437.988
Morocco	Morocco Dirham	10.353	10.536
Bolivia	Boliviano	7.605	7.969

Main balances and transactions in foreign currency correspond to those from Chile, Peru, Mexico, Argentina Cape Verde and Abu Dhabi. Note 6.2. of the accompanying consolidated financial statements includes total assets and revenue provided by companies with operating currency other than the Euro.

As of 31 December 2021, the Group had negative translation differences recorded by the Parent in equity amounting to EUR 53,719 thousand (EUR 56,451 thousand at 31 December 2020). The breakdown by currency is as follows:

		Thousands of euros	
Country	Currency	31.12.2021	31.12.2020
Argentina	Peso argentino	(19,674)	(25,691)
Paraguay	Guaraní	(3,951)	(5,921)
Perú	Soles peruanos	(5,369)	(6,611)
Chile	Peso chileno	(15,463)	(8,778)
Abu Dhabi	Dirham de Emiratos Árabes	(5,152)	(5,984)
Others	-	(4,110)	(3,466)

None of these countries, with the exception of Argentina, are considered to be hyper-inflationary economies as defined by IAS 29.

#### Hyper-inflationary economy

On 1 July 2018, as a result of reaching cumulative inflation in the year exceeding 100% during the last three years, Argentina has been declared a hyper-inflationary economy. Thus, terms under IAS 29 rule as from 31 December 2021 and 2020.

The inflation considered for this calculation in the year 2021 has been 50.9%. This index is extracted from the information published by the National Institute of Statistics and Censuses (INDEC), a public body, through the

publication of the Consumer Price Index that measures the variation in the prices of goods and services representative of consumer spending of homes.

Breakdown for the last years is as follows:

	31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021
Price index based	100.0	124.8	184.3	283.5	385.9	582.5
Annual variation	n/a	24.8%	47.7%	53.8%	36.1%	50.9%

Re-expression profits/(loss) recorded in the financial statements of companies with Argentine peso functional currency are included in the consolidated income statement under "Adjustment for inflation in hyper-inflationary economies". The effect on profit/(loss) of the adjustments for inflation of Group companies with Argentine peso functional currency, corresponding to year 2021, amounts to a benefit of EUR 69 thousand (amounts to a loss of EUR 2,023 thousand for year 2020).

The effect on equity of the revaluation of non-monetary items, that stands during year 2021 and 2020 at EUR 8,029 thousand and EUR 3,377 thousand, as well as the translation differences generated when the restated financial statements of subsidiaries in Argentina are converted into Euros, are recorded under "Translation differences in consolidated companies" under consolidated net assets of the Group.

## 2.4 Basis of Consolidation

### a) Subsidiaries

Subsidiaries are considered to be those over which the Parent Company has the capacity to exercise control, a capacity that is manifested when the Parent Company is exposed to, or has the right, to variable returns from its involvement in the investee and has the ability to influence these returns. through its power over it.

In application of IFRS 10 "Consolidated financial statements", the Parent Company controls an investee if and only if it meets all of the following elements:

- Power over the investee.
- Exposure or right to variable returns from their involvement in the investee.
- Ability to use its power over the investee to influence the number of returns.

The financial statements of the subsidiaries are fully consolidated with those of the Parent. Accordingly, all balances and effects of the transactions between consolidated companies were eliminated on consolidation.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are recognised 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 recognised as goodwill. Any deficiency in the cost of acquisition with respect to the fair values of the identifiable net assets acquired, that is, discount in the acquisition, is charged to income on the date of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the identifiable assets and liabilities recognised. The minority's share of:

- 1 The equity of their investees: It is presented within the Group's consolidated equity under "Minority Interests" in the consolidated balance sheet.
- 2 Differences are recorded under "Exchange rate differences" in the accompanying income statement.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated income statement from the beginning of the year to the date of disposal.

Appendix I to the consolidated financial statements details the subsidiaries included in consolidation and significant information thereon.

**b) Joint agreements**

"Joint ventures" are deemed to be ventures that are jointly controlled by two or more unrelated companies.

A joint venture is a contractual arrangement whereby two or more companies ("venturers") have interests in entities (jointly controlled entities) or undertake operations or hold assets so that strategic financial and operating decisions affecting the joint venture require the unanimous consent of the venturers.

The financial statements of multi-group entities are fully consolidated with those of the Parent in compliance with the participation method according to IFRS 11.

The Group develops its activity through its participation in joint ventures in Spain and overseas (different types of joint ventures), which are unincorporated entities without independent legal status, through which a partnership relationship is incorporated in order to develop a concrete service or project. In these cases, in which an individualised control of assets and liabilities is executed, as well as Similarly, interests in Spanish UTEs (unincorporated joint ventures), joint property entities and economic interest groupings were included in the accompanying consolidated financial statements in proportion to the Group's interest in the assets, liabilities, income and expenses arising from the transactions performed by these entities, and reciprocal asset and liability balances and income, expenses and profits or losses not realised with third parties were eliminated.

Assets and liabilities assigned by the Group to jointly controlled operations and the Group's share of the jointly controlled assets are recognised in the consolidated balance sheet classified according to their specific nature. Similarly, income and expenses of joint ventures is recognised in the consolidated income statement on the basis of its own nature.

Financial information provided by consolidated financial statements of the Group by multi-group companies, in aggregate, at 31 December 2021 and 2020 is as follows:

	Millions of Euros	
	31.12.2021	31.12.2020
Non-current assets	1.4	2.0
Current assets	96.8	132.0
Non-current liabilities	13.3	10.0
Current liabilities	79.0	110.0
Total income	65.3	156.6
Total expense	(56.4)	(136.9)

Appendix II and III to the consolidated financial statements detail the joint ventures included within the scope of consolidation and significant information thereon.

**c) Associates**

Associates are companies over which the Parent is in a position to exercise significant influence, but not effective control or joint management. It usually holds -directly or indirectly- 20% or more of the voting power of the investee.

In the consolidated financial statements, investments in associates are accounted for using the equity method, i.e., at the Group's share of net assets of the investee, after taking into account the dividends received there from and other equity eliminations. In the case of transactions with an associate, the related profits and losses are eliminated to the extent of the Group's interest in the associate, less any impairment of the individual investment.

Any excess of the acquisition cost with respect to the portion of the fair values of the identifiable net assets of the associated company attributable to the Group at the acquisition date is recognised as goodwill. Any deficiency in the cost of acquisition with respect to the portion of the fair values of the identifiable net assets of the associated company that the Group owns on the acquisition date is recognised in profit or loss in the acquisition period.

If as a result of losses incurred by an associate its equity were negative, the investment should be presented in the Group's consolidated balance sheet with a zero value, unless the Group is obliged to give it financial support.

Appendix II to the consolidated financial statements details the associates included in consolidation and significant information thereon.

*d) Changes in the scope of consolidation*

No changes in the scope of consolidation have taken place in years 2021 and 2020. In any case, main corporate transactions are detailed below:

1. On 7 July 2021, the investee "Fotovoltaica El Gallo 10, S.L." has carried out a capital reduction for a total amount of EUR 701 thousand of which EUR 582 thousand correspond to the Group.
2. On 8 April 2021, "Distrito Castellana Norte, S.A." has agreed on a capital increase for EUR 20,207 thousand. The Group, through its associate "Desarrollos Urbanísticos Udra, S.A.U.", has subscribed and paid up the totality of its shares, for a total value of EUR 2.021 thousand. Consequently, it maintains its 10% stake in the capital stock of the company "Distrito Castellana Norte, S.A.", having significant influence, to the extent that it maintains representation in its administrative body (see Note 2.4.c and 11).
3. During October 2021, the associate "Constructora San Jose Argentina, S.A." has carried out a capital increase for a total amount of 80 thousand Argentine pesos (approximately EUR 700 thousand). The Group has taken part in this transaction according to its 96.94% percentage participation, mainly through the capitalisation of previously existing debts.
4. On 25 October 2021, the investee company "Tecnocontrol Chile Ltda." has carried out a capital increase amounting to 770 million pesos (approximately EUR 822 thousand), having been fully subscribed by the Group.
5. On 25 October 2021, the investee company "Inversiones Sanjose Chile Ltda." has carried out a capital increase amounting to 7,677 million pesos (approximately EUR 8,193 thousand), having been fully subscribed by the Group.
6. On 25 October 2021, the investee company "Inversiones Viales Andina Ltda." has carried out a capital increase amounting to 7,601 million pesos (approximately EUR 8,080 thousand), having been fully subscribed by the Group.
7. On 7 October 2021, the investee company "Argentimo, S.A." has carried out a capital increase amounting to 165 million pesos (approximately EUR 1,449 thousand), having been fully subscribed by the Group.

During year 2020, the main changes with regard to companies within the scope of consolidation were as follows:

1. During the month of January 2020, the investee company "San José Maroc, S.A.R.L.A.U" was liquidated. This transaction has not had a significant effect on the accompanying consolidated income statement for year 2020 of the Group.
2. On 17 July 2020, the investee "Fotovoltaica El Gallo 10, S.L." has carried out a capital reduction for a total amount of EUR 701 thousand. As a consequence, the Group has reduced its participation in this company for EUR 582 thousand,
3. On 11 November 2020, "Distrito Castellana Norte, S.A." has agreed on a capital increase for EUR 7,742 thousand. The Group, through its associate "Desarrollos Urbanísticos Udra, S.A.U.", has subscribed and paid up the totality of its shares, for a total value of EUR 774 thousand. Consequently, the 10% participation percentage in its share capital was maintained (see Notes 2.4.c and 11).
4. During the month of December 2020, the investee company "San José Constructora Colombia S.A. was liquidated. This transaction has not had a significant effect on the accompanying consolidated income statement for year 2020 of the Group.
5. On 23 December 2020, the investee "Constructora San José Argentina. S.A." has carried out a capital increase for a total amount of 74,432 thousand Argentine pesos (approximately EUR 765 thousand). The Group has taken part in this transaction according to its percentage of participation, having increased the cost of participation in an amount of EUR 741 thousand, mainly through the capitalisation of previously existing debts.

6. During year 2020, the Group company "GSJ Soutions S: L." has established a branch office in Cape Verde. The purpose of this branch office is the development of the activity of the Group in said country.

## **2.5 Comparison of information**

Information recorded on the consolidated financial statements for year 2020 is provided for comparison purposes only with that provided as of the year ended 31 December 2021.

## **2.6 Changes in the accounting criteria**

Accounting criteria applied during year 2021 is the same as that implemented in year 2020.

During year 2021, no significant changes have been applied compared to those applied in year 2020.

## **2.7 COVID-19**

On 11 March 2020, the World Health Organisation elevated the public health emergency situation caused by the SARS-CoV-2 virus (COVID19) to an international pandemic.

The Government of Spain declared the state of alarm by publishing Royal Decree 463/2020 as of 14 March, and subsequently through Royal Decree-Law 926/2020, as of 25 October. The State of Alarm came to an end on 9 May 2021. Be what as it may, the current situation regarding the health crisis (epidemiological levels, progress in the vaccination process, gradual relaxation of restrictions, etc.) not so much in Spain where the outlook is positive, but rather in the other countries where the Group operates, invites us to remain cautious. The economic outlook for 2022 continues to be highly conditioned by uncertainty about the time horizon necessary to fully overcome the health crisis, as well as by the recovery measures established by the governments of the different countries.

The SANJOSE Group, in a coordinated manner in all the Group companies, analyses the situation and its evolution in order to apply the appropriate contingency plans, always within the framework of the recommendations established by the health authorities, having as a priority objective to guarantee the safety of employees and all those that may have a relationship with the Group, as well as to ensure the continuity of activities in a situation of maximum normality, in the current context.

Due to the Group's diversification in activity and geography, the impact of the pandemic has been limited, mainly reflecting a reduction in activity and margins with respect to forecasts, and an increase in provisions and impairment, yet not significant in any case. Albeit, this has entailed the need to act on the main estimates contemplated in the preparation of the consolidated financial statements for year 2021.

In particular, it should be noted:

- Regarding the level of activity, the impact of the Covid-19 crisis on Grupo SANJOSE has been limited, since there were no relevant interruptions in activity. Regarding the construction activity, as a general rule, the works have remained active. The temporary interruption and / or cancellation of contracts has existed, but in a totally exceptional way and agreed with the clients, having an insignificant impact on the net amount of the turnover for the semester and without, in general, new legal claims against third parties. Referring to the real estate activity, there has been a significant reduction in rental income in the property business during the year, while the main effect on the development business has been the delay in the planned construction, sale and delivery milestones.
- The pandemic has generated some inefficiencies in the supply chain and availability of productive resources, circumstances that inevitably have an impact on project costs, as well as on delivery times, which, despite being of little relevance, the Group has taken measures to adapt costs to new levels of activity. The Group estimates the recovery of execution and certification rates in the coming months to enable it to meet the initially expected returns.
- The financial situation at 31 December 2021 was very positive, having contracted new lines of working capital financing during year 2021. Thus, so far, the pandemic has not had a negative reflection on the Group's financial situation, and liquidity stress situations are not expected even in negative evolution scenarios (see Note 19).
- The Group includes in its estimates that affect the financial statements for the first semester of 2021 the effect of COVID-19:
  - o No further deterioration of the registered goodwill is foreseen.

- The Group evaluates the recoverability of its real estate assets (property, plant and equipment, real estate investments and real estate inventories) based on valuation reports from independent experts (see Notes 9, 10 and 12). According to said reports, a higher impairment amounting to EUR 869 thousand, was recorded in year 2021.
- The recoverable value of the main financial assets recorded as of 31 December 2021 has also been reviewed, with special attention to investments accounted for using the equity method (see Note 11). Likewise, in relation to trade accounts receivable, no significant default problems have been identified. There are no accounts receivable for materials of doubtful recoverability that are not impaired. Collection periods are kept in line with previous periods.
- Regarding the recorded deferred taxes, the assumptions about the recoverability of said assets have been updated as of 31 December 2021. The Covid-19 effect has had no impact on the recoverability of registered tax credits.
- The Group considers that the level of provisions recorded as of 31 December 2021 is adequate to cover all the risks considered probable.

For all of the above, taking into account the limited impact, the measures to ensure the assets undertaken as well as the existing liquidity gaps, the Group has prepared its consolidated six-monthly financial statements summarized under the going concern principle.

### **3 Distribution of the Parent's profit**

The Directors of the Parent Company will propose the General Shareholders' Meeting the recognition of EUR 2,964 thousand as 2021 profit to offset against "Loss of previous years" and "Distribution of dividends", according to the following detail:

	<b>Thousands of euros</b>
<b>Distribution base:</b>	
Year profit	2,964
<b>Distribution:</b>	
To other reserves	2,964

The Company has distributed dividends in the years 2020 and 2021, for a gross amount of EUR 0.10 per share, amounting to a total of EUR 6,502,608.30 each year.

### **4 Accounting principles and policies and measurement bases**

The accounting principles and policies and measurement bases used in preparing the Group's consolidated financial statements for 2021 were as follows:

#### **4.1 Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Any excess of the cost of the investments in the consolidated companies and associates over the corresponding underlying carrying amounts acquired, adjusted at the date of first-time consolidation, is allocated as follows:

- 1 If it is attributable to specific assets and liabilities of the companies acquired, increasing the value of the assets (or reducing the value of the liabilities) whose market values were higher (lower) than the carrying amounts at which they had been recognised in their balance sheets and whose accounting treatment was similar to that of the same assets (liabilities) of the Group: amortisation, accrual, etc.
- 2 If it is attributable to specific intangible assets, recognising it explicitly in the consolidated balance sheet provided that the fair value at the date of acquisition can be measured reliably.
- 3 The remaining amount is recognised as goodwill, which is allocated to one or more specific cash-generating units.

See Note 8 for details on the allotment of gains on from business of the Group.

Goodwill is only recognised when it has been acquired for consideration and represents, therefore, a payment made by the acquirer in anticipation of future economic benefits from assets of the acquired company that are not capable of being individually identified and separately recognised.

Goodwill acquired on or after 01 January 2005 is measured at acquisition cost and that acquired earlier is recognised at the carrying amount at 31 December 2004. In both cases, at the end of each reporting period goodwill is reviewed for impairment (i.e., a reduction in its recoverable amount to below its carrying amount) and, if there is any impairment, the goodwill is written down with a charge to "Impairment or Gains or Losses on Disposals of Non-Current Assets" in the consolidated income statement. Under IAS 36, Impairment of Assets, an impairment loss recognised for goodwill must not be reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Goodwill arising in the acquisition of companies with a functional currency other than the Euro is translated to Euros at the exchange rates prevailing at the date of the consolidated balance sheet.

Negative differences between the cost of equity investments of consolidated and associated entities with respect to the corresponding theoretical-accounting values acquired, adjusted on the date of first consolidation, qualify as negative goodwill and are recorded as follows:

- 1 If it is attributable to specific assets and liabilities of the companies acquired, increasing the value of the assets (or reducing the value of the liabilities) whose market values were higher (lower) than the carrying amounts at which they had been recognised in their balance sheets and whose accounting treatment was similar to that of the same assets (liabilities) of the Group: amortisation, accrual, etc.
- 2 The remaining amount is presented under "Other Operating Income" in the consolidated statement for the year in which the share capital of the subsidiary or associate is acquired.

#### **4.2 Other intangible assets**

The other intangible assets are identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed internally 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 recognised.

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

In both cases, the consolidated companies recognise any impairment loss on the carrying amount of these assets with a charge to "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the consolidated income statement. The criteria used to recognise the impairment losses on these assets and, where applicable, the recovery of impairment losses recognised in prior years is similar to those used for property, plant and equipment (see Note 4.4).

##### *Administrative concessions*

Administrative concessions are recognised as assets when they have been acquired by the Group for consideration in the case of concessions that can be transferred or for the amount of the expenses incurred to directly obtain the concession from the related public agency.

This item included concessions within CINIIF 12 and that correspond, mainly, to energy and environmental infrastructure investment by subsidiaries of Grupo SANJOSE and "Project finance" funding (limited funding applied to projects), either whenever the group or the grantor assume related risks. Cash flows generated by the involved companies and assets act as hedge.

Main features to be taken into consideration are as follows:

- Assets under concession regime are usually property of the Grantor.
- The Grantor controls or monitors the Concessionaire, as well as funding conditions and terms.

- Concessional Rights imply the monopoly exploitation of a service for a period of time according to concession terms. Upon completion of the concession period, real estate necessary for the provision of services becomes property of the concessional company
- Income derives from the provision of services can be received directly from customers or from the concessional company. Prices for services are usually established by the concessional company.

In general, there are two clearly marked stages, one in which the concessionaire provides construction or restoration services, according to level of the works pursuant to IAS 15 "Income from ordinary activities from contracts with clients for an intangible or financial asset, and a second stage in which maintenance and operation services of said infrastructure are provided in accordance with the given standard.

Intangible assets are recorded whenever risk is assumed by the concessionaire and financial assets are recorded if risk is assumed by the grantor, bearing the concessionaire the right to be paid for provided construction or improvement services. Royalties for awarding of concession regime are also recorded as assets.

The Group amortises these rights on a straight-line basis over the estimated term of the concession.

In the event of non-compliance, leading to the loss of the concession rights, the carrying amount of the concession is written off.

#### *Computer software*

Computer software may be contained in a tangible asset or have physical substance and, therefore, incorporate both tangible and intangible elements. These assets are recognised as property, plant and equipment if they constitute an integral part of the related tangible asset, which cannot operate without that specific software.

Computer software is amortised on a straight-line basis over three years from the entry into service of each application.

Computer system maintenance costs are charged to the consolidated income statement for the year in which they are incurred.

#### *Usage rights*

The Group classifies as intangible assets the usage rights of the plot of land on which the investee company "Fotovoltaica El Gallo 10, SL" operates and which is amortised on a linear basis, depending on the useful life of said rights, which serve the period of use of the plot of land, which is established in 25 years. The end of the leasing rights will be in 2036.

In both cases, rights have been valued in accordance with the costs incurred into at acquisition.

### **4.3 Property, plant and equipment and investment property**

#### *Property, plant and equipment*

Property, plant and equipment for own use is recognised at cost less any accumulated depreciation and any recognised impairment losses.

Replacements or renewals of complete items that lead to a lengthening of the useful life of the assets or to an increase in their economic capacity are recognised as additions to property, plant and equipment, and the items replaced or renewed are derecognised.

Periodic maintenance, upkeep and repair expenses are recognised in the income statement on an accrual basis as incurred.

Borrowing costs are only capitalised when significant investments in qualifying assets are made, which are those that take a substantial period of time to get ready for their intended use (see Note 4.12). Borrowing costs incurred to acquire property, plant and equipment for own use are charged to the consolidated income statement on an accrual basis and are not capitalised.



The Group works on their own assets are entered at the accumulated cost (external costs plus in-house costs), determined on the basis of in-house materials consumption and manufacturing costs, calculated using absorption rates similar to those used for the valuation of inventories

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value; the land on which the buildings and other structures stand has an indefinite useful life and, therefore, is not depreciated.

Property, plant and equipment depreciation charge is recognised in the consolidated income statement and is based on the application of the following depreciation rates, which are determined on the ground of the average years of estimated useful life of the various assets:

	Percentage Percentage
Buildings	2
Technical facilities	10
Machinery	15
Other fixtures, tools and furniture	12-33
Other items of property, plant and equipment	12-33

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment losses. Depreciation of these assets commences when the assets are ready for their intended use.

Assets held under finance leases are classified on the basis of their nature and are depreciated over their expected useful lives on the same basis as owned assets.

The consolidated companies assess at each reporting date whether there is any internal or external indication that an asset may be impaired (i.e., its carrying amount exceeds its recoverable amount). If so, the carrying amount of the asset is reduced to its recoverable amount and future depreciation charges are adjusted in proportion to the revised carrying amount and to the new remaining useful life, if the useful life must be re-estimated.

Similarly, if there is an indication of a recovery in the value of an item of property, plant and equipment, the consolidated companies recognise the reversal of the impairment loss recognised in prior years and adjust the future depreciation charges accordingly. Under no circumstances may the reversal of an impairment loss on an asset raise its carrying amount to above that which it would have had, had no impairment losses been recognised in prior years.

Facilities and equipment are recorded at their cost price less accumulated depreciation and any impairment loss recognised.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale price and the carrying amount of the asset and it is recorded under the consolidated income statement.

#### Investment property:

"Investment Property" in the consolidated balance sheet reflects the net values of land, buildings and other structures (whether they are owned by the Group or are being used by the Group under a finance lease) held either to earn rentals or for capital appreciation. At 31 December 2021, assets recognised under "Property Investment " relate mainly to office buildings, hotels, leisure centres, land and parking spaces and the items of property, plant and equipment associated with them, such as machinery and furniture, whether owned by the Group or held under finance lease.

The Group does not take part in the management of the lessee, nor in the risks associated therein. Otherwise, they qualify as tangible fixed assets.

Investment property is presented at acquisition or production cost, where appropriate, pursuant to the applicable legislation. The same measurement basis, depreciation methods, estimated useful lives and recognition criteria are used for investment property (see Note 10).

However, those property investments that meet the criteria to be classified as "Assets held for sale" are measured according to the rules applicable to non-current assets held for sale and discontinued operations.

There are no restrictions on the realisation of real estate investments, the collection of the income derived from them or the resources obtained by their disposal or disposal by other means, other than the amortisation of the mortgage loans that could be associated (see Note 16.2).

#### *Borrowing Costs*

The accounting treatment of borrowing costs is described in Note 4.12. In 2021 and 2020, the Group has not capitalised borrowing costs under "Property, plant and equipment" and "Investment Property" in the attached consolidated balance sheet.

#### **4.4 Asset impairment**

At the end of each year, or whenever it is deemed necessary, the value of assets is analysed to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the required write-down (if any). Where an identifiable asset does not generate cash flows independently, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In the case of cash-generating units to which goodwill or intangible assets with an indefinite useful life have been allocated, recoverability is systematically analysed at the end of each reporting period or whenever it is deemed necessary to perform such an analysis on the basis of the existing circumstances.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. In calculating the recoverable amount of property, plant and equipment and goodwill, the Group uses value in use in practically all cases.

To estimate value in use, the Group prepares future pre-tax cash flow estimates based on the most recent budgets approved by Group management. These budgets include the best estimates available of income and costs of the cash-generating units based on industry projections, past experience and future expectations.

These projections cover the coming five years and cash flows for the following years are estimated by applying zero growth rates. These cash flows are discounted to present value at a pre-tax rate which reflects the cost of capital of the business and the geographical area in which it is carried on. In order to calculate the rate, the current time value of money and the risk premiums generally used by analysts for the business and the geographical area are taken into account.

In the event that the recoverable amount is lower than the net book value of the asset, the corresponding provision is recorded for impairment loss for the difference under "Impairment and profit/(loss) from disposal of fixed assets" in the consolidated income statement.

With regard to the recoverable value of real estate assets, the Group uses the assessment of independent valuers (see Notes 4.6, 10 and 12.5).

As of 31 December 2021, and 2020, the Group has contracted the services of "Instituto de Valoradores, SA", issuing a valuation report of the Group's real estate assets (tangible fixed assets, real estate investments and real estate stocks), being its main features the following:

- Date of issuance, 31 December 2021 and 31 December 2020, respectively.
- The valuation criterion used depends on the nature and situation of each of the real estate assets valued. Specifically:
  - o Real estate investments: sale value and rental value in the market are taken as a basis, which consist mainly of capitalising the current and / or potential net income of each property and updating future flows.
  - o Completed projects, land and plots of land: valuation method by comparison (for finished products) and residual dynamic method (basically, for land and plots of land and ongoing projects). Under the Residual Method, the residual value of property is obtained by discounting the cash flows calculated on the basis of projected expenses and income at the established rate by taking into account the period until these flows

are realised. The total cash receipts deemed to have been received prior to the valuation date are added to this amount in order to obtain the total value. The discount rate used is that which represents the average annual return on the project, without taking borrowings into account, that an average developer would obtain from a development similar to that analysed.

This discount rate is calculated by adding the risk premium (determined by evaluating the risk of the development, taking into account the property asset to be constructed, its location, liquidity, construction period and investment required) to the risk-free interest rate. When the determination of the cash flows takes into account borrowings, the aforementioned risk premium is increased in proportion to the percentage of the borrowings (degree of leverage) attributed to the project and the habitual interest rates in the mortgage market.

Also, in the valuation of given plots of land, purchase-sale transactions that would have occurred in the area, are taken as a reference for comparison purposes.

In any case, valuation criteria were performed as defined by the Royal Institution of Chartered Surveyors (RICS) and in accordance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC), which group together international and European asset valuation institutions. For the calculation of the current value, acceptable discount rates are used for a potential investor, reasonable with those applied by the market for properties of similar features, use and location.

During the last few years, there have been no significant changes in the assessment criteria used.

No valuation limitations are contemplated other than those usual in this type of valuation reports.

In accordance with IFRS 13, in relation to the valuation hierarchy, in general, the real estate assets held by the Group are classified under Level 3. During 2021, there were no transfers of assets between the different classification levels.

The fair value of real estate assets depends, among others, on the exchange rate at the valuation date, as well as on the interest rate curve (mainly the Euro and the Argentine peso). At 31 December 2021, changes in the value of financial instruments of the Group due to changes in interest rates is not significant. However, as a result of the sharp devaluation of the Argentine peso (see Note 2.3), the valuation of the Group's real estate assets in Argentina has been affected: the total amount of the valuation of the Group's real estate assets in Argentina has been reduced during year 2021 in EUR 1.9 million (a EUR 2.2 million decrease in 2020, mainly due to the devaluation of the Argentinean Peso).

## **4.5 Leases**

A contract contains a lease when the lessor transfers control of an identifiable underlying asset for a certain period of time in exchange for a consideration. An asset is identifiable when it is explicitly specified in the contract or implicitly when it is made available to the client. However, if the supplier has the right to replace the asset during the period of use, that is, when it has alternative assets and can economically benefit from such substitution, the asset is not considered identifiable and therefore the contract will not contain a lease.

### *4.5.1 Lessee perspective: rights of use identified in lease agreements*

When the Group companies act as lessees, as a result of the application of IFRS 16 "Leases", as of 1 January 2019 all leasing operations (except for certain exceptions for being of a reduced amount or duration) in which The Group acts as a lessee, generate the accounting of an asset for the right of use, registered by nature primarily as a material asset, and as a liability for the future payment obligations incurred into. The liability will be recorded at the current value of the future cash flows of each lease and the asset for an equivalent amount adjusted for any advance payment paid. Subsequently, the right-of-use asset is valued at cost less accumulated depreciation and impairment losses; and adjusted for any new measurement of the lease liability resulting from a modification or revaluation of the lease.

Right-of-use assets are depreciated on a straight-line basis over the useful life of the asset or the lease term, whichever is less.

Lease payments are discounted using the interest rate implicit in the lease or, when it is not possible to obtain this rate easily, the incremental interest rate of the indebtedness of the Group entity set put in the lease agreement. The lease liability is increased by the accrued financial expenses and decreases by the amount of the lease payments made. The value of the liability is recalculated when changes occur in the terms of the lease, in the

valuation of the purchase option, in the amounts expected to be paid under the residual value guarantee or when future lease payments are modified as consequence of changes in the indices or types used for its calculation.

The lease period begins when the lessor makes the underlying asset available to the lessee for its use. The lease period used in the valuation is the non-cancellable period of the lease. The early cancellation option maintained only by the lessor is not considered in the determination of the lease period. Therefore, the determination of the lease period requires the application of judgement by the Group's management and has a significant impact on the valuation of the assets by right of use and the liabilities for leasing. In the case of short-term lease contracts and contracts in which the underlying asset is of low value, the Group recognises the lease payments corresponding to these contracts as expenses in a linear manner during the term of the lease (see Note 22.6).

To determine the lease term, the non-revocable period of the contract is taken into account plus the periods covered by the option to extend the lease, if the lessee is reasonably certain that this option will be exercised. In this regard, the available historical information has been taken into account as indicated in paragraph B.40 of IFRS 16, having materialised this general criterion in a specific standard by which, in those leases of assets linked to construction works or contracts of provision of services, in which the duration of the lease is less than the duration of the contract, it is presumed that the extension option will be exercised until the termination date of the contract.

#### *4.5.2 Landlord perspective: operating leases*

The accounting for lease contracts where the Group companies act as lessor has not been affected by the application of IFRS 16, applying the following criteria:

##### *Operating Leases*

When the consolidated companies act as the lessor, they present the acquisition cost of the leased asset under "Property, Plant and Equipment". These assets are depreciated using a policy consistent with the lessor's normal depreciation policy for similar items and lease income is recognised in the income statement on a straight-line basis.

## **4.6 Inventories**

"Inventories" in the consolidated balance sheet reflects the assets that the consolidated companies:

- Hold for sale in the ordinary course of business.
- Are in the process of constructing or developing for such sale.
- Expect to consume in the production process or in the provision of services.

Inventories are stated at the lower of acquisition or production cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and production overheads, including the costs that have been incurred in bringing the inventories to their present location and condition at the point of sale. Trade discounts, rebates and other similar items are deducted in determining the cost of purchase.

The cost of inventories sold or applied to the production process is calculated using the weighted average method. Net realisable value is the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

##### *Agricultural stocks*

Biological assets shall be recorded at their fair value less the estimated costs at the point of sale, as long as it can be reliably determined. For assets lacking prices or securities set by the market and not reasonably reliable, the cost shall be valued according to their cost minus accumulated depreciation and accumulated losses due to impairment.

In any case, for agricultural products, at the time of harvesting or gathering, they shall be valued at their fair value less the estimated costs at the point of sale.

### *Real estate inventories*

Consequently, land and other property held for sale or for inclusion in a property development in the ordinary course of the Group's business and not for capital appreciation or to earn rentals are treated as inventories.

Land is stated at acquisition cost, plus the costs of demolishing buildings and other expenses related to the acquisition (non-recoverable taxes, registration expenses, etc.). The Group does not capitalise the borrowing costs incurred on the loans obtained to finance the purchase of land to the carrying amount thereof during the period between its acquisition and the date on which the construction begins, which is when they are transferred to "Developments under construction".

"Developments under construction" includes the land development costs incurred up to year-end and the costs of construction or acquisition of real estate developments, increased by the expenses directly allocable to them (costs of construction subcontracted to third parties, fees inherent to construction and project management fees), in addition to the reasonable portion of the costs indirectly allocable to the related assets, to the extent that these costs correspond to the development period, and the borrowing costs incurred during the construction period. During years 2021 and 2020, no borrowing costs have been capitalised to "Inventories".

The Group assesses the net realisable value of the inventories at the end of each period and recognises the appropriate loss if the inventories are overstated (see Note 4.4.). When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed.

Further, at 31 December 2021 and 2020, "Inventories" includes advances to suppliers amounting to EUR 10,153 thousand and EUR 11,047 thousand, respectively (see Note 12).

### *Issuance rights*

Issuance rights are recorded in the consolidated balance sheet as of the date of arising rights. They are recorded as follows:

#### *Initial recognition*

Issuance rights shall be valued at acquisition price or production cost. In the case of rights available for free or for a price substantially below market value, said rights shall be recorded at acquisition market price thereof at the time of purchase.

Issuance rights arising from the National Allocation plan shall be recorded at the beginning of the natural year.

#### *Subsequent recognition*

After their recognition as assets, issuance rights shall be valued at acquisition price or production cost and are not subject to depreciation.

Provisions for their lower value at the end of each year shall be recorded as long as recorded carrying value in book may not be recoverable.

Expenses related to the emission of greenhouse gases accrue as greenhouse gases are rendered. A provision for risks and related costs shall be recorded as liabilities in the consolidated balance sheets until settlement of the same by delivering relevant issuance rights.

## **4.7 Trade receivables and customer advances**

Trade receivables do not earn interest and are recognised at the fair value of the consideration given, reduced by the estimated non-recoverable amounts (see Note 13.1).

The amount of customer advances received prior to the recognition of the sale of the buildings is recognised under "Current Liabilities - Trade and Other Payables" in the consolidated balance sheet (see Note 18.2).

#### 4.8 Financial Instruments

Financial instruments are recognised when the Group becomes an obligated party of the legal contract or business in accordance with its provisions. As of 1 January 2018, the Group classifies its financial assets according to terms under IFRS 9 "Financial Instruments".

The criterion for classifying financial assets will depend both on the way in which an entity manages its financial instruments (its business model) and on the existence and characteristics of the contractual cash flows of financial assets. Based on the foregoing, the asset will be measured at amortised cost, at fair value through changes in other comprehensive income or at fair value with changes in profit or loss, as follows:

- If the objective of the business model is to maintain a financial asset for the purpose of collecting contractual cash flows and, according to the terms of the contract, cash flows are received on specific dates that exclusively constitute principal payments plus interest on said principal, financial assets will be valued at amortised cost.
- If the business model is aimed both at obtaining contractual cash flows and their sale and, according to the terms of the contract, cash flows are received on specific dates that exclusively constitute payments of the principal plus interest on said principal, financial assets will be valued at fair value with changes in other comprehensive income (equity).

Out of these scenarios, the outstanding assets will be valued at fair value with changes in profit or loss. All equity instruments (for example, stocks) are valued by default in this category. This is because their contractual flows do not comply with the characteristic of being only payments of principal and interest. Financial derivatives are also classified as financial assets at fair value through profit or loss, unless they are designated as hedging instruments.

For valuation purposes, financial assets must be classified in one of the following categories, with the accounting policies of each of them being the following:

- 1 Financial assets at amortised cost: these assets are recorded after their initial recognition at amortised cost according to the effective interest rate method. Said amortised cost will be reduced by any impairment loss. They will be recorded under the consolidated income statement profit for the period when the financial asset is derecognised or has been impaired, or due to exchange differences. Interest calculated using the effective interest method is recognised in the income statement under "financial income".
- 2 Financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss are recognised initially and subsequently at fair value, without including transaction costs, which are charged to the consolidated income statement. Gains or losses arising from changes in fair value are included in the income statement under "Changes in the fair value of financial instruments" in the period in which they originated. Any dividend or interest is also carried to financial profit/(loss).
- 3 Debt instruments at fair value through profit or loss: They are subsequently accounted for at fair value, recognising the changes in fair value in "Other comprehensive income". Interest income, impairment losses and foreign exchange differences are recognised in the consolidated income statement. When sold or derecognised, the cumulative fair value adjustments recognised in "Other comprehensive income" are included in the consolidated income statement as "other financial income / (expense)".

##### *Impairment of financial assets*

The impairment model is applicable to financial assets valued at amortised cost that include the item "Customers and other receivables".

The impairment model is based on a dual valuation approach, under which there will be a provision for impairment based on the expected losses over the next 12 months or based on the expected losses over the entire life of the asset (IFRS 9, P.5.5.3 and P.5.5.5). The fact that determines the passage from the first approach to the second is that there is a significant worsening in the credit quality.

Notwithstanding the provisions of paragraphs 5.5.3 and 5.5.5, the Group will always calculate the value correction for losses in an amount equal to the expected credit losses throughout the life of the asset in the case of:

- (a) Trade receivables or contract assets arising from transactions that are within the scope of IFRS 15 and that:
  - (i) do not have a significant financing component (or when the entity applies the practical solution in relation to contracts of one year or less) in accordance with IFRS 15); or

(ii) have a significant financing component in accordance with IFRS 15, if the Group has adopted the accounting policy of calculating the allowance for losses in an amount equal to the expected credit losses throughout the life of the asset.

(b) Lease receivables arising from transactions that are within the scope of IFRS 16, if the entity has adopted the accounting policy of calculating the allowance for losses in an amount equal to the expected credit losses during the entire life of the asset.

#### *Financial Liabilities*

Main financial liabilities held by the Group companies are financial liabilities at maturity that are valued at their amortized cost. Financial liabilities held by the Group companies are classified as:

- 1 Bank loans and other loans: loans obtained from banks and other lenders are recorded at the amount received, net of the costs incurred in the transaction.

Subsequently, financial debts are valued at amortised cost. Any difference between the income obtained (net of the transaction costs) and the reimbursement value is recognised to profit/(loss) over the life of the debt according to the effective interest rate method.

Financial debt is eliminated from the consolidated balance sheet when the obligation specified in the contract has been paid, cancelled or expired. The difference between the carrying amount of a financial liability that has been cancelled or assigned to another item and the consideration paid, including any assigned asset different from the cash or liability assumed, is recognised in the income statement as other financial income or expenses.

The exchange of debt instruments between the Group and the counterparty or the substantial modifications of the liabilities initially recognised, are accounted for as a cancellation of the original financial liability and the recognition of a new financial liability, provided that the instruments have substantially different conditions. The Group considers that the conditions are substantially different if the present value of the discounted cash flows under the new conditions, including any commission paid net of any commission received, and using the original effective interest rate to make the discount, differs at least at 10 percent of the discounted present value of the cash flows that still remain of the original financial liability.

If the exchange is recorded as a cancellation of the original financial liability, the costs or fees are recognised in the consolidated income statement forming part of the profit/(loss) of the same. Otherwise, amended cash flows are discounted at the original effective interest rate, recognising any difference with the previous carrying amount in profit or loss. In addition, costs or commissions adjust the carrying amount of the financial liability and are amortised by the amortised cost method during the remaining life of the modified liability.

The Group recognises the difference between the carrying amount of the financial liability or a part of it that is cancelled or assigned to a third party and the consideration paid, including any assigned asset different from the cash or liability assumed in profit or loss.

- 2 Trade payables and other payables: payables originated by traffic operations are initially recorded at fair value and, subsequently, are valued at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when the obligations they generate have been extinguished.

#### **4.9 Treasury Shares of the Parent**

Equity instruments are classified in accordance with the content of the contractual arrangements. Equity instruments issued by the Parent are recognised in consolidated equity at the proceeds received, net of direct issue costs.

Grupo SANJOSE did not hold any treasury shares at 31 December 2021 and 2020. Likewise, no transactions involving treasury shares were carried out during years 2021 and 2020.

#### **4.10 Derivative financial instruments and hedge accounting**

The Group contracts OTC derivative financial instruments to secure risks arising from future activities, transactions and cash flows. Mainly, changes in interest rate types. Within the framework of these transactions, the Group contracts financial instruments for economic hedging.

Derivatives are initially recognised at fair value on the date on which the derivative contract is signed and subsequently they are revalued at their fair value at balance sheet date. The accounting for subsequent changes in fair value depends on whether the derivative has been designated as a hedging instrument and, if so, on the nature of the item being hedged.

At the beginning of the hedge relationship, the Group documents the economic relationship between the hedging instruments and the hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset the changes in the cash flows of the hedged items. The Group documents its risk management objective and strategy for undertaking its hedging transactions.

The effective part of the changes in the fair value of the derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The loss or profit related to the ineffective part is recognised immediately as gain or loss under other income or other expenses.

Gains or losses corresponding to the effective portion of the change in the intrinsic value of option contracts are recognised in the cash flow hedge reserve in equity. Changes in the time value of option contracts that are related to the hedged item ("aligned time value") are recognised within other comprehensive income in the costs of the hedge reserve in equity.

When forward contracts are used to hedge forecasted transactions, the Group generally designates only the change in the fair value of the forward contract related to the cash component as the hedging instrument. Gains or losses corresponding to the effective portion of the change in the intrinsic value of option contracts are recognised in the cash flow hedge reserve in equity. Changes in the item in the term of the contract related to the hedged item are recorded under other comprehensive income in the costs of the hedge reserve within equity. In some cases, the gains or losses corresponding to the effective part of the change in the fair value of the full-term contract are recognized in the cash flow hedge reserve in equity.

The Company only maintains cash flow hedges. Profit or loss of the financial instrument is recorded under net equity and is registered at the corresponding income statement in which the element is classified as hedging financial instrument. Yet if the elements do not qualify as financial asset or liability, arising amounts would be recorded as cost of the said assets or liability.

The accounting of hedges is interrupted when the hedging instrument expires, or is sold, terminated or exercised, or fails to meet the criteria for accounting of hedges. At that time, any cumulative profit or loss, corresponding to the hedging instrument that has been recorded in equity, remains within equity until the anticipated transaction occurs. When the operation that is being hedged is not expected to occur, the accumulated net gains or losses recognised in equity are transferred to the net profit/(loss) for the period.

Derivatives implicit in other financial instruments or in major contracts are recorded separately as derivatives only when their risks and characteristics are not closely related to the main contracts and provided that those principal contracts are not valued at fair value through recognition in the statement of consolidated comprehensive profit/(loss) of changes in fair value.

In the case of the derivative financial instruments arranged by the Group that meet the aforementioned requirements for classification as a cash flow hedge, the changes in the fair value in 2021 were recognised under "Equity - Valuation Adjustments" in the accompanying consolidated balance sheet (see Note 14.6).

Changes in the fair value of the derivative financial instruments arranged by the Group that do not fully meet the aforementioned requirements for classification as a hedge were recognised under "Changes in Fair Value of Financial Instruments" in the consolidated income statement (see Note 17).

To determine the fair value of the interest rate derivatives (IRSs), the Group uses an in-house IRS valuation model where the inputs are the Euribor market curves and long-term swap rates to establish the fair value of the interest rate derivative structures. In order to calculate the fair value of option-based derivatives (collars), the Group uses Black-Scholes option pricing models and variations thereon, taking as an input the implied volatility in the markets for the corresponding strikes and times to expiry.

IFRS 13, Measurement of Fair Value, became into force on 1 January 2013 and shall be mandatory for financial years commencing upon said date. Its applicability was approved by UE Regulation 1255/2012 as of 11 December, applicable to the Group because the Parent is a listed company.

The new accounting standard IFRS 13 considers credit risk in the measurement of fair value. Pursuant to IFRS 13, fair value is defined as the price to be charged for selling an asset or to be paid for transferring a liability at a market transaction at measurement date (for example, starting price) regardless said price has been estimated or corresponds to market conditions.



IFRS 13 indicates that fair value of assets and liabilities shall include credit risk of the entity itself and of its counterparty. This principle affects derivative financial instruments of Grupo SANJOSE.

For calculating fair value of derivative financial instruments, the Group has applied several methods which include current and future exposure, possibility of default and potential loss in the event of default. Consequently, CVA (Credit Value Adjustment) or credit risk of the counterparty and DVA (Debt Value Adjustment) or its own credit risk are defined.

Total exposure of derivatives is determined by the market, taking into consideration interest rate changes, exchange rate changes and any other changes subject to market conditions.

Possibility of default has been based on credit spread of financing of Grupo SANJOSE, verifying it is similar to that of similar companies and therefore it is a market reference.

Further, for the adjustment of credit risk, total exposure of the Company to counterparties has been taken into consideration. In the event of counterparties with credit information, credit spreads are provided by CDS (Credit Default Swaps) listed on the stock exchange; companies lacking credit information use reference information available. At 31 December 2021, the Group has exchange rate swap contracts (Cross Currency Swaps), for a total nominal amount of EUR 379 thousand, maturing in the short term. At 31 December 2020, the Group also had interest rate swap contracts (IRS-Collars) for a nominal amount of EUR 3,211 thousand. The negative impact on the consolidated net equity of the Group of the changes in fair value resulting from these arrangements at the end of 2021 and 2020 was EUR 83 thousand and EUR 67 thousand, respectively.

#### **4.11) Recognition of revenue and expenditure**

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Income and expenses are recognised when control of the good or service is transferred to the customer.

In application of IFRS 15, the Group identifies and separates the different commitments to transfer a good or service contemplated in a contract. This implies the separate recognition of income from each of the obligations that could be identified individually within the same main contract.

Likewise, the Group estimates the price of each of the contracts that have been identified taking into account, in addition to the initial price agreed in the contract, the amount of the variable consideration, the time value of money (in the cases in which it is considered that there is a significant financing component) and non-monetary considerations.

Some of the particularities existing in the activities carried out by the Group are detailed below:

##### **4.11.1 Construction activity**

In general, the performance obligations that the Group performs in the construction activity are satisfied over time and not at a specific moment, since the client simultaneously receives and consumes the benefits provided by the performance of the company as the service is provided.

The Group recognises income, generally, in accordance with the "Input-based method", as described in IFRS 15, as a progress grade procedure. The Group recognises total contract costs incurred into and income from said contracts, and reasonably assured sales relating to completed construction work.

Contract costs are recognised on an accrual basis, recording as expense any costs actually incurred into in completed construction units and costs which may be incurred into in the future but must be charged to the construction units that have been currently completed. Likewise, an expected loss on the construction contract is recognised as an expense immediately.

Any works performed not included in the main contract, at the request of the client, such as refurbishments, additions and modifications of the work, income is recorded following the same method of that used for the main work, provided it is technically justified and approved, and there is no doubt about its subsequent approval. In accordance with the provisions of IFRS 15, P.21.b. the Group accounts for the aforementioned modification as if it was a part of the existing contract, if the goods are not different or differentiated and, therefore, form part of a single performance obligation that was partially satisfied on the date of the contract modification.

Different Group companies with construction or project execution activity are provided with the necessary and sufficient internal control system for the identification and differentiation of the components of total revenue budget (main contract, amendment, complementary and claims) and the approval level (not approved, with technical approval, with technical and economic approval).

The application of this method for the recognition of the outcome of construction contracts is combined with the preparation of a budget for each construction contract detailed by construction unit which is used as a key management tool in order to closely follow up, for each construction unit, any variances between budgeted and actual figures.

Further, the application of IFRS 15 requires an increase in the level of acceptance by the client in relation to the recording of income from modifications to the original contract. With regards to contracts with ongoing negotiations to obtain the client's approval, their status is required to be advanced so as to determine whether it is highly probable that the entry record will not be reversed in the future. Additionally, in these cases, the recognition of income by the Group is recorded by applying the limitations corresponding to variable consideration established by IFRS 15 P.57. In case of approval of the modification without the amount being defined, the income is estimated as a variable consideration, only as long as the probability criteria and of no significant reversion of the income in the future are met.

It should be noted that the IFRS 15 standard includes requirements in relation to "variable consideration as incentives", as well as the accounting of claims and variations as contractual modifications that imply a higher threshold of probability of recognition. According to the standard, income is recognised when it is highly probable that there will not be a significant reversal of income for these modifications. Likewise, in the event that the contracts include price revision clauses, the revenues that represent the best estimate of the future chargeable amount are recorded, under the same probability criteria established for the variable consideration.

In the event that the amount of production at origin, valued at the certification price, of each of the works is greater than the certified amount up to the date of the statement of financial position, the difference between both amounts corresponds to contractual assets that are included under the category of "Executed production outstanding certification" within the item "Trade debtors and other receivables" under current assets of the consolidated statement of financial position.

If the amount of production at origin is less than the amount of the certifications issued, the difference corresponds to contractual liabilities that are collected under "Customer advances", under "Trade payables and other payables" of current liabilities in the consolidated statement.

In relation to the aspects included in the previous paragraph, it should be noted that the Group has registered under the item "Customers for sales and provision of services" in the consolidated statement of financial position, balances associated with "Certified production outstanding collection" as well as balances related to "Production executed outstanding certification".

In relation to incremental costs, bidding and contract costs, these can only be capitalised if both are expected to be recovered and that neither would have taken place if the contract had not been obtained or if they were inherent to the delivery of a project.

In the event that the total expected result of a contract is less than that recognised in accordance with the revenue recognition rules discussed above, the difference is recorded as a provision for negative margins.

Income and expense relating to construction services or improvement of infrastructure are recorded in the consolidated financial statements as construction margin.

#### *4.11.2 Real estate promotion activity and urban developments*

The main activity carried out by the Real Estate Division is the sale of houses and land. Revenue from this activity is recognised when the risks and rewards of ownership of the goods have been transferred to the buyer which usually is the date on which the public deed is executed. In this regard:

- a. Sales of properties and land and the related costs are recognised in the consolidated income statement when substantially all the risks and rewards of ownership have been transferred, i.e., when the properties are delivered and the sale is executed in a public deed. The deliveries of cash by the customers as payments on account, from the date of the signing of the private agreement to the date on which the sale is executed in a public deed, are recognised under "Trade Payables" on the liability side of the consolidated balance sheet.
- b. The sales of building plots on which the Group has acquired the obligation with the local authorities to carry out urban development work, which affects all the building plots under the urban development plan, and which

cannot be considered to be carried out specifically for the owners of the parcels sold, are broken down into two items: the sale of the building plot and the sale of the urban development work associated therewith.

The revenue relating to the sale of the building plot is recognised when substantially all the risks and rewards of ownership have been transferred, usually when the property is delivered and the sale is executed in a public deed.

The revenue attributable to the sale of the urban development work (which is determined on the basis of the projected costs of the urban development work as a whole, calculated in proportion to the square metres of the building plot sold with respect to the total square meters of the urban development work plus the estimated profit margin on the sale) is recognised when the urban development work has been substantially completed, at which time a provision is recognised for the estimated costs to be incurred in completing the work.

- c. Rental income is recognised on an accrual basis and incentive-related income and the initial costs of lease agreements are allocated to income on a straight-line basis.
- d. Asset exchange transactions. An asset exchange transaction is an acquisition of property, plant and equipment or intangible assets in exchange for the delivery of other non-monetary assets or of a combination of monetary and non-monetary assets.

The assets received in an exchange transaction are recognised at their fair value, provided that it can be considered that the exchange has commercial substance and that the fair value of the asset received, or otherwise of the asset given up, can be reliably measured. The fair value of the asset received is taken to be the fair value of the asset given up plus, where applicable, the fair value of any monetary consideration paid in exchange, unless there is clearer evidence of the fair value of the asset received.

Asset exchange transactions that do not meet the above-mentioned requirements, the asset received is recognised at the carrying amount of the asset given up plus the amount of any monetary consideration paid or committed on the acquisition.

Income relating to the derecognition of assets given up in an asset exchange transaction is recognised when substantially all the risks and rewards of ownership of the asset have been transferred to the counterparty in the exchange, with the value assigned to the asset received being recognised as the balancing entry.

Amounts collected or instrumented in notes and bills under contracts executed at the balance sheet date in relation to properties not yet delivered are recognised under "Trade Payables" or "Other Non-Current Liabilities" on the liability side of the accompanying consolidated balance sheet, depending on whether they fall due in less than or more than one year, respectively.

#### *4.11.3 Energy activity*

Sales of electricity or any other type of energy, together with the supplements associated with it, are recorded as income at the time of delivery to the customer, at which time the obligations of the performance of the quantities supplied during the period are satisfied.

Generation activity in regulated markets and in projects with PPA (Power Purchase Agreement) or long-term power supply contracts, energy prices and their supplements have a pre-established price. For those projects that sell energy without this type of contract, the sale price of the energy and its complements vary throughout the project depending on the quoted prices per MWh of the market (pool) at each moment.

#### *4.11.4 Concessions & Services activities*

Revenue from provision of services is recognised using the percentage of completion method, whereby revenue is easily estimated.

Group companies follow the procedure of recognising the value at sale price of the service provided during said period as income each year, once the obligation to perform or transfer the good or service committed to the customer has been satisfied, which generally, coincides with the transfer of control over said transferred good or services, provided that it is covered by the main contract signed with the client or by modifications or additional ones approved by the client, or those services that, although not approved, are deemed highly probable to be recovered.

Price revisions recognised in the initial contract signed with the client are recognised as income at the time of accrual, regardless of whether they have been approved annually by the client, considering that they are committed in the contract.

#### **4.11.5 Other revenue and expenditure**

- Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash flows over the expected life of the financial asset to that asset's carrying amount.
- Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.
- Government grants related to property, plant and equipment are recognised in the consolidated balance sheet as deferred income when the Group has satisfied the conditions established for their award and, consequently, there are no reasonable doubts as to their collection. These grants are allocated to income, with a credit to "Other Operating Income" in the consolidated income statement, systematically over the years of useful life of the assets, for which the grants were provided.

Grants awarded for the purpose of covering or financing expenses incurred by the Group are recognised as income in the periods in which the related expenses are incurred once the conditions have been met.

- An expense is recognised in the consolidated income statement when there is a decrease in the future economic benefit related to a reduction of an asset, or an increase in a liability, which can be measured reliably. This means that an expense is recognised simultaneously to the recording of the increase in a liability or the reduction of an asset.
- An expense is recognised immediately when a disposal does not produce future economic benefits nor meets accounting criteria to be recorded as an asset.
- Likewise, an expense is recognised when a liability is incurred and no asset is recognised, as in the case of a liability relating to a guarantee

#### **4.12 Borrowing Costs**

Borrowing costs directly attributable to the construction or production of property developments or investment property, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. If borrowings have been obtained specifically for the construction of such assets, the interest and the other capitalised finance charges relate to the actual costs incurred in the year, less the income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets. To the extent that funds have been borrowed generally, the amount of borrowing costs eligible for capitalisation is determined by applying the capitalisation rate that relates to the weighted average of the borrowing costs applicable to the average borrowings outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

However, the capitalisation of borrowing costs is suspended during extended periods in which active development of a qualifying asset is suspended.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred, on an accrual basis, using the effective interest method.

#### **4.13 Currency**

The Group's functional currency is the Euro. Therefore, all balances and transactions denominated in currencies other than the euro are deemed to be "foreign currency balances and transactions".

On consolidation, the balances in the financial statements of the consolidated companies with a functional currency other than the Euro are translated to Euros as follows:

1. Assets and liabilities are translated to Euros at the exchange rates prevailing on the balance sheet date.
2. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly.
3. Equity is translated at the historical exchange rates.
4. Any translation differences arising are classified separately in equity. Such translation differences are recognised as income or as expenses in the year in which the foreign operation is realised or disposed of.

Goodwill arising on the acquisition of a foreign company is treated as an asset of the foreign company and is translated at the closing rate. Goodwill and fair value adjustments generated in the acquisition of a foreign entity are considered assets and liabilities of the foreign entity and are converted according to the current rate at closing date.

The detail of the main companies which contribute assets and liabilities denominated in currencies other than the Euro is as follows:

Company	Address	Activity
Constructora San José Cabo Verde, S.A.	Cape Verde	Construction
Branch office of Constructora Udra, Ltda. in Cape Verde	Praia (Cape Verde)	Construction
Constructora San José Argentina, S.A.	Buenos Aires (Argentina)	Construction
Tecnoartel Argentina, S.A.	Buenos Aires (Argentina)	Maintenance and facilities
Carlos Casado, S.A.	Buenos Aires (Argentina)	Agricultural productions
Branch office of Constructora San José in Argentina	Buenos Aires (Argentina)	Construction
Hospes Brasil Participaciones e Empreendimientos Ltda.	Brazil	Construction and Real Estate Development
Aprisco Salvador Inv. Hoteleiros e Imobiliários, Ltda.	Brazil	Construction and Real Estate Development
Concesionaria San Jose Tecnocontrol, S.A.	Santiago de Chile (Chile)	Hospital Construction and Management
San José Tecnologías Chile Limitada	Chile	Construction
Tecnocontrol Chile Limitada	Chile	Industrial maintenance
Inversiones San José Chile, Ltda.	Santiago de Chile (Chile)	Investment and real estate
Inversiones San José Andina, Ltda.	Santiago de Chile (Chile)	Investment and real estate
San Jose India Infrastructure & Construction Private Limited	New Delhi (India)	Construction
San José Construction Group, Inc	Washington (USA)	Construction
Inmobiliaria 2010, S.A.	Lima (Peru)	Construction and Real Estate
San José Inmobiliaria Perú, S.A.C.	Lima (Peru)	Construction
San José Perú Constructora, S.A.	Lima (Peru)	Construction
Parsipanny Corp. S.A.	Uruguay	Agricultural productions
Rincon S.A.G.	Paraguay	Agricultural productions
Agropecuaria de El Chaco, S.A.	Paraguay	Agricultural productions
Casado Agropecuaria, S.A.	Paraguay	Agricultural productions
Puerta de Segura, S.A.	Uruguay	Industrial, Trade
Branch office of Constructora San José, S.A. in Nepal	Nepal	Construction
Branch office of Constructora San José, S.A. in Timor	Timor	Construction
Branch office of Constructora San José, S.A. in Mexico	Mexico	Construction
Branch office of Constructora San José, S.A. in Peru	Peru	Construction
Branch office of Constructora San José, S.A. in Abu Dhabi	Abu Dhabi	Construction
SJ Contracting, LLC.	Abu Dhabi	Construction
Consortio Hospital Carlos Cisternas de Calama, S.A.	Chile	Construction
Sociedad Concesionaria Rutas del Loa	Chile	Construction
San José Nuevos Proyectos Salud Limitada	Chile	Construction

None of these countries, with the exception of Argentina (see Note 2.3), are considered to be hyper-inflationary economies as defined by IAS 29.

#### **4.14 Profit (Loss) from operations**

"Profit (Loss) from Operations" in the consolidated income statement includes the profits and losses from the Group companies' ordinary operations, excluding the financial loss and the share of results in associates.

#### **4.15 Income tax**

The income tax expense of the Spanish companies and the taxes of a similar nature applicable to the consolidated foreign companies are recognised in the consolidated income statement, except when they arise from a transaction whose results are recognised directly in equity, in which case the related tax is also recognised in equity.

The income tax expense represents the sum of the current tax expense and the changes in the deferred tax assets and liabilities recognised (see Note 20).

The difference, if any, between the taxable profit or tax loss and the tax income or expense recognised is treated as a deferred tax asset or liability, as applicable. A deferred tax liability is one that will generate a future obligation for the Group to make a payment to the related tax authorities. A deferred tax asset is one that will generate a right for the Group to a refund or to make a lower payment to the related tax authorities in the future.

The Group's liability for current income tax is calculated using tax rates which have been approved on the balance sheet date.

Tax assets relating to tax credits and tax relief and tax loss carry forwards are amounts that, after performance of the activity or obtainment of the profit or loss giving entitlement to them, are not deducted for tax purposes in the related tax return until the conditions for doing so established in the related tax regulations are met. The Group considers it probable that they will be deducted in future periods.

Deferred tax assets and liabilities are taxes expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the related tax bases used in the calculation of the taxable profit or tax loss. Deferred tax assets and liabilities are accounted for using the balance sheet liability method and are measured by applying to the related temporary difference or tax asset the tax rate that is expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences. A deferred tax liability is recognised for taxable temporary differences arising from investments in subsidiaries and associates and from interests in joint ventures, except when the Group is able to control the reversal of the temporary differences and it is probable that these differences will not reverse in the foreseeable future.

Notwithstanding the foregoing:

- 1 Deferred tax assets arising from temporary differences, tax credits, tax relief and tax loss carry forwards, if any, are recognised to the extent that it is considered probable that the consolidated companies will have sufficient future taxable profits against which they can be utilised; and
- 2 No deferred tax liabilities are recognised for non-deductible goodwill arising on an acquisition.

The deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

Since 1 January 2006, the Parent forms an integral part of the consolidated tax group. At 31 December 2021, the following SANJOSE group companies filed consolidated tax returns, acting "Grupo Empresarial San Jose, S.A." as the head of the consolidated tax group:

Constructora San José, S.A.

Cartuja Inmobiliaria, S.A.U.

Desarrollos Urbanísticos Udra, S.A.U.

Inmobiliaria Americana de Desarrollos Urbanísticos, S.A.U.

Tecnocontrol Instalaciones, S.L.U.

Tecnocontrol Sistemas de Seguridad, S.A.U.

Tecnocontrol Servicios, S.A.U.  
Basket King, S.A.U.  
Arserex, S.A.U.  
Comercial Udra, S.A.U.  
Udramedios, S.A.U.  
Cadena de Tiendas, S.A.U.  
Trendy King, S.A.U.  
Outdoor King, S.A.U.  
Athletic King, S.A.U.  
Vision King S.A.U.  
Running King, S.A.U.  
Enerxías Renovables de Galicia, S.A.  
Xornal de Galicia, S.A.U.  
San José Concesiones y Servicios, S.A.U.  
San José Energía y Medioambiente, S.A.U.  
Poligeneraciones parc de L'Alba, S.A.  
Xornal Galinet, S.A.U.  
GSJ Solutions, S.L.U.  
Fotovoltaica el Gallo 10, S.L.

Further, as from 1 January 2015, the associate "Erainkuntza Birgaikuntza Artapena, S.L.U." has become the Parent of a consolidation tax group under the tax regime of the Basque Country, which also includes "Alexín XXI, S.A.U." within its scope of consolidation:

#### **4.16 Provisions**

When preparing its consolidated financial statements, the San Jose Group made a distinction between:

1. Provisions: credit balances covering present obligations at the balance sheet date arising from past events which could give rise to a loss for the companies, which is certain as to its nature but uncertain as to its amount and/or timing; and
2. Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated companies.

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 recognised in the consolidated financial statements, but rather 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 cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

Main provision of the Group by type are as follows:

##### **4.16.1 Provisions for completion of construction projects and warranty costs**

Provisions for the completion of construction projects are recognised for the estimated amount required to meet the expenses necessary for the completion of the property developments in progress when these developments have been substantially completed, and the cost thereof is transferred to "Completed Buildings". Provisions for warranty costs required under Spanish regulations governing real estate companies are recognised at the date of sale of the relevant products, based on the best estimate of the expenditure required to settle the Group's liability



(see Note 15). However, the Group has taken out insurance policies to cover the potential risks arising from the ten-year warranty.

#### **4.16.2 Litigation and/or claims in process**

At the end of 2021 certain litigation and claims were in process against the consolidated companies arising from the ordinary course of their operations. The Group's legal advisers and the Parent's directors consider that the outcome of litigation and claims will not have a material effect on the consolidated financial statements for the years in which they are settled.

#### **4.17 Termination benefits**

Under the legislation in force in each case, the Spanish consolidated companies and certain Group companies located abroad are required to pay termination benefits to employees terminated without just cause. There are no redundancy plans making it necessary to recognise a provision in this connection.

Also, the Company has recognised sufficient provisions under "Other Current Liabilities" on the liability side of the accompanying consolidated balance sheet at 31 December 2021 to meet the contract termination costs of temporary employees in accordance with legal provisions.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

#### **4.18 Classification of current assets and liabilities**

In the consolidated balance sheet, assets and liabilities expected to be recovered, used or settled within twelve months from the balance sheet date are classified as current items, except for inventories, which are presented in full under "Current Assets" in the consolidated balance sheet, since it is expected that they will be realised in the normal course of the building plot and property sale business, and the liabilities associated with inventories (borrowing costs and customer advances), which are presented under "Current Liabilities" in the consolidated balance sheet, regardless of their maturity. Prior to year-end, if a liability does not give the Group an unconditional right to defer the settlement for at least twelve months from the balance sheet date, the liability is classified as a current item (see Note 16).

The Group holds financial liabilities which are classified as current liabilities in the consolidated balance sheet, since they are subject to the financing of current property assets (see Note 16.2).

#### **4.19 Transactions with associates**

Grupo San Jos executes all transactions with associates at market price. In addition, transfer prices are borne appropriately, and therefore, Company Directors believe there are any significant risks in this regard for any potential substantial liabilities arising in the future.

#### **4.20 Assets of natural environment**

Assets of natural environment are those which are used for the Group's business activity and whose main goal is to minimise environmental impact and protection of the environment, as well as the reduction and elimination of future pollution.

Grupo SANJOSE considers the preservation of the environment and sustainable development as fundamental premises within its strategic lines of business.

Due to the type of activity carried out by the Group Companies, as well as the concern and awareness measures carried out internally to minimize the possible environmental impact, the Group has no expenses, assets, provisions or contingencies of an environmental nature. that could be significant in relation to the net worth, the financial situation and its results (see Note 25).

#### **4.21 Consolidated cash flow statement:**

The following terms are used in the consolidated cash flow statements, which was prepared using the indirect method, with the meanings specified:

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 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.
4. Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group companies that are not operating activities.

## **5 Earnings per share**

### **5.1 Basic earnings per share**

Basic earnings per share are calculated by dividing the net profit attributable to the Group (after tax and minority interests) by the weighted average number of shares outstanding during the year, excluding the average number of treasury shares held in the year. Accordingly:

	Year 2021	Year 2020	Changes
Net profit/(loss) for the year attributable to the Parent (thousands of Euros)	12,099	22,753	(10,654)
Weighted average number of shares (shares)	65,026,083	65,026,083	-
Basic profit/(loss) per share (Euros/Share)	0.19	0.35	(0.16)

### **5.2 Diluted earnings per share**

There is no potential dilutive effect derived from stock options, warrants, convertible debt or other instruments as of 31 December 2021 and 31 December 2020.

## **6 Segment information**

### **6.1 Basis of segmentation**

According to IFRS 8, operating segments are components of an entity for which separate financial information is available that is regularly evaluated by the highest authority in making operating decisions to decide how to allocate resources and to evaluate performance.

The business lines described below were established on the basis of the organisational structure of Constructora San Jose, S.A and Subsidiaries 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.

In years 2021 and 2020, the Grupo engaged mainly in the following major lines of business, which were the basis for the Group's primary segment reporting:

- 1 Construction (civil engineering, building construction and industrial works).
- 2 Property and urban development.
- 3 Energy activity
- 4 Concessions and Services

Likewise, income and expenses that cannot be specifically attributed to any operating line, as well as consolidations adjustments are recorded under "Other".

On the other hand, the Group's operations are located mainly in Spain, the United States, Latin America (Argentina, Peru, Paraguay, Chile, Brazil and Mexico), Africa (Cape Verde), Asia (India and United Arab Emirates) and other European countries (Portugal).

## 6.2 Basis and methodology for segment reporting

Ordinary income attributed to a segment corresponds to the income contributed to the Group by the different units included in said segment, as well as the corresponding proportion of ordinary income from joint businesses consolidated by the proportional integration method.

Additionally, within the financial profit/(loss), income from interest and dividends, benefit from the disposal of investments or from operations of redemption or extinction of debt, as well as the ordinary income by segments, the participation in the profit/(loss) of associated entities and businesses groups that are consolidated by the equity method, recognised by the units that are integrated in each of the segments, are included.

Segment expense is expense resulting from the segment's operating activities that are directly attributable to the segment. Segment expense includes the share of the expenses of proportionately consolidated joint ventures.

The segment's results are presented before any adjustments relating to the consolidation process, which are included in the "Consolidation Adjustments" column.

Segment assets and liabilities are those directly related to the operations of the segments and include the proportional part relating to joint ventures. Segment liabilities do not include income tax liabilities.

Segment information about these businesses is presented below.:

### Year 2021:

	Thousands of Euros					
	Construction	Real estate and property development	Energy	Concessions and Services	Adjustments and other	TOTAL
Net Revenues:						
External sales	829,276	17,193	11,481	47,493	22,244	927,687
Inter-segment sales	8,281	-	-	4,669	(12,950)	-
<b>Net Revenues:</b>	<b>837,557</b>	<b>17,193</b>	<b>11,481</b>	<b>52,162</b>	<b>9,294</b>	<b>927,687</b>
<b>EBITDA</b>	<b>37,809</b>	<b>3,640</b>	<b>2,387</b>	<b>2,890</b>	<b>7,660</b>	<b>54,386</b>
Amortisation	(6,209)	(131)	(1,121)	(384)	(609)	(8,454)
Provisions	(10,777)	(347)	70	(108)	(287)	(11,449)
Impairment and Profit/(Loss) after disposal	(187)	-	(112)	(10)	-	(309)
<b>PROFIT/(LOSS) FROM OPERATIONS</b>	<b>20,636</b>	<b>3,162</b>	<b>1,224</b>	<b>2,388</b>	<b>6,764</b>	<b>34,174</b>
Financial income	1,474	269	-	1,756	192	3,691
Financial costs and similar expenses	(5,137)	(185)	(308)	(987)	(839)	(7,456)
Translation differences and other	7,820	(1,414)	(1)	2,018	(13,102)	(4,679)
Adjustment for inflation in hyperinflationary economies	(399)	(737)	-	-	1,205	69
Profit/(loss) from associates	(3,522)	723	-	-	(13)	(2,812)
<b>Profit/(Loss) before tax</b>	<b>20,872</b>	<b>1,818</b>	<b>915</b>	<b>5,175</b>	<b>(5,793)</b>	<b>22,987</b>

Year 2020:

	Thousands of Euros					
	Construction	Real estate and property development	Energy	Concessions and Services	Adjustments and other	TOTAL
Net Revenues:						
External sales	846,512	8,568	10,804	71,025	25,072	961,981
Inter-segment sales	21,068	-	-	1,507	(22,575)	-
<b>Net Revenues:</b>	<b>867,580</b>	<b>8,568</b>	<b>10,804</b>	<b>72,532</b>	<b>2,497</b>	<b>961,981</b>
<b>EBITDA</b>	<b>52,458</b>	<b>474</b>	<b>3,637</b>	<b>10,058</b>	<b>8,156</b>	<b>74,783</b>
Amortisation	(6,363)	(367)	(1,131)	(1,300)	(597)	(9,758)
Provisions	(19,415)	(1,911)	57	(179)	(683)	(22,131)
Impairment and Profit/(Loss) after disposal	(486)	-	(81)	43	1	(523)
<b>PROFIT/(LOSS) FROM OPERATIONS</b>	<b>26,194</b>	<b>(1,804)</b>	<b>2,482</b>	<b>8,622</b>	<b>6,877</b>	<b>42,371</b>
Financial income	4,837	436	-	7,629	(37)	12,865
Financial costs and similar expenses	(7,432)	2,026	(322)	(1,950)	(3,791)	(11,469)
Translation differences and other	96,529	(485)	-	534	(102,184)	(5,606)
Adjustment for inflation in hyperinflationary economies	489	(607)	-	-	(1,905)	(2,023)
Profit/(loss) from associates	1,076	(1,207)	-	-	(90)	(221)
<b>Profit/(Loss) before tax</b>	<b>121,693</b>	<b>(1,641)</b>	<b>2,160</b>	<b>14,835</b>	<b>(101,130)</b>	<b>35,917</b>

Sales between segments are made at market prices, amounting to EUR 12,950 thousand and EUR 22,575 thousand during 2021 and 2020, respectively. Additionally, under the item "Adjustments and others", during years 2021 and 2020, an amount of EUR 9,294 thousand and EUR 2,497 thousand, respectively, is included in relation to sales corresponding to other segments.

The Group presents its results in accordance with generally accepted accounting standards (see Note 2.1). However, directors believe that certain alternative performance measures (MARs) reflect the true and fair view of its financial information and provide useful additional financial information used in the management of the business and that shall be considered to adequately assess performance of the group.

Among others, the Group identifies EBITDA as MARs, defining it as the gross operating result, calculated from operating income, excluding depreciation, provisions and impairment provided or reverted during the period, as well as the result from disposal of fixed assets.

Information regarding the amount of assets and liabilities contributed to the Group by the defined segments is as follows:

Year 2021:

	Thousands of Euros					
	Construction	Real estate and property development	Energy	Concessions and Services.	Adjustments and other	TOTAL
<b>Balance sheet:</b>						
<b>Non-current assets:</b>						
Intangible assets	2,289	1,601	17,645	-	6,095	27,630
Property, plant and equipment	14,597	1,439	8,735	698	48,667	74,136
Real estate investments	-	13,982	-	-	3	13,985
Deferred tax assets	10,151	1,754	4,060	1,984	11,039	28,988
Other	5,038	21,013	9,349	15,718	(8,517)	42,601
<b>Current assets:</b>						
Inventories	10,309	65,047	127	-	7,144	82,627
Receivables	303,229	5,409	1,803	19,831	16,643	346,915
Other current assets	1,395	104	50	682	34	2,265
Short-term financial investments	7,900	470	1	10,039	17	18,427
Cash and cash equivalents	223,284	14,186	7,277	37,759	12,990	295,496
<b>Total Assets</b>						
In Spain	345,915	60,365	32,524	20,974	41,457	501,235
In foreign countries	232,277	64,640	16,523	65,737	52,658	431,835
<b>Total Assets</b>	<b>578,192</b>	<b>125,005</b>	<b>49,047</b>	<b>86,711</b>	<b>94,115</b>	<b>933,070</b>
<b>Non-current liabilities:</b>						
Long-term payables	2,832	93,006	2,804	59	2,091	100,792
Deferred tax liabilities	9,005	4,785	1,403	1,942	752	17,887
Other non-current liabilities	23,087	626	1,572	9,840	1,635	36,760
<b>Current liabilities:</b>						
Short-term debts	6,520	92	1,379	1,096	3,504	12,591
Trade payables	505,339	6,304	2,330	22,367	9,532	545,872
Other current liabilities	23,414	2,413	772	5,437	4,989	37,025
<b>Total Liabilities</b>						
In Spain	376,516	90,864	10,257	13,077	18,132	508,846
In foreign countries	193,681	16,362	3	27,664	4,371	242,081
<b>Total Liabilities</b>	<b>570,197</b>	<b>107,226</b>	<b>10,260</b>	<b>40,741</b>	<b>22,503</b>	<b>750,927</b>
<b>Additions to fixed assets:</b>						
In Spain	3,974	1,443	399	45	23	5,884
In foreign countries	1,441	-	2,253	82	573	4,349
	<b>5,415</b>	<b>1,443</b>	<b>2,652</b>	<b>127</b>	<b>596</b>	<b>10,233</b>

Year 2020:

	Thousands of Euros					
	Construction	Real estate and property development	Energy	Concessions and Services	Adjustments and other	TOTAL
<b>Balance sheet:</b>						
<b>Non-current assets:</b>						
Intangible assets	2,482	1,601	15,856	-	6,096	26,035
Property, plant and equipment	16,450	-	9,064	833	45,055	71,402
Real estate investments	-	11,560	-	-	324	11,884
Deferred tax assets	9,906	1,611	1,460	2,464	11,476	26,917
Other	12,113	15,090	3,482	24,192	(2,890)	51,987
<b>Current assets:</b>						
Inventories	18,100	64,625	-	3	6,555	89,283
Receivables	311,627	2,708	1,536	12,871	17,921	346,663
Other current assets	2,655	14	45	373	39	3,126
Short-term financial investments	8,157	-	1	69,033	(1,329)	75,862
Cash and cash equivalents	235,569	18,124	4,897	20,022	6,731	285,343
<b>Total Assets</b>						
In Spain	330,158	19,908	32,591	12,859	72,578	468,094
In foreign countries	286,901	95,425	3,750	116,932	17,400	520,408
<b>Total Assets</b>	<b>617,059</b>	<b>115,333</b>	<b>36,341</b>	<b>129,791</b>	<b>89,978</b>	<b>988,502</b>
<b>Non-current liabilities:</b>						
Long-term payables	9,049	90,995	4,227	110	3,686	108,067
Deferred tax liabilities	9,088	4,237	1,419	10,095	357	25,196
Other non-current liabilities	30,561	651	1,400	11,457	1,623	45,692
<b>Current liabilities:</b>						
Short-term debts	24,920	1,919	1,609	33,465	(3,741)	58,172
Trade payables	514,314	3,150	1,861	10,045	9,115	538,485
Other current liabilities	29,577	2,614	795	5,451	4,940	43,377
<b>Total Liabilities</b>						
In Spain	373,757	90,627	11,311	7,855	9,770	493,320
In foreign countries	243,752	12,939	-	62,768	6,210	325,669
<b>Total Liabilities</b>	<b>617,509</b>	<b>103,566</b>	<b>11,311</b>	<b>70,623</b>	<b>15,980</b>	<b>818,989</b>
<b>Additions to fixed assets:</b>						
In Spain	2,775	-	323	206	731	4,035
In foreign countries	2,727	9	275	77	323	3,411
	<b>5,502</b>	<b>9</b>	<b>598</b>	<b>283</b>	<b>1,054</b>	<b>7,446</b>

As of 31 December 2021, the item "Adjustments and others" includes assets and liabilities of the Group's productive units not included within the operational segmentation amounting to EUR 71,320 thousand and EUR 6,451 thousand, respectively.

There are no significant non-operating assets.

Of the total amount of the additions of fixed assets during years 2021 and 2020, an amount of EUR 3,768 thousand and EUR 5,221 thousand refers to the application of IFRS 16 "Leases" (see Note 22.6), mainly located in the "Construction" segment in both Spain and abroad, for amounts of EUR 2,499 thousand and EUR 1,271 thousand, respectively (EUR 2,440 thousand and EUR 1,959 thousand at 31 December 2020).

The following table provides breakdown on several consolidated balances of the Group according to geographical distribution of arising entities:

	Thousands of Euros					
	Net Revenue		Total assets		Additions to property, plant and equipment and investment property	
	2021	2020	2021	2020	2021	2020
Spain	678,346	603,105	501,231	468,094	5,884	4,035
Portugal	129,926	131,120	70,359	68,148	876	1124
Cape Verde	3,142	16,352	14,352	20,568	-	206
Argentina	6,796	5,518	42,148	31,584	141	554
Paraguay	4,881	2,248	51,440	46,476	555	201
Bolivia	-	-	10	9	-	-
The United States	-	-	8,407	2,560	30	30
Peru	21,053	12,271	41,918	49,659	8	13
Brazil	-	-	9,234	4,788	-	-
Panama	-	-	43	33	-	-
France	-	-	228	226	-	-
Germany	-	-	1,027	27	-	-
Chile	72,289	82,868	125,561	175,222	2,663	786
India	546	1,209	3,477	8,857	38	3
Abu Dhabi	7,572	103,537	56,689	103,720	38	484
Nepal	-	-	91	786	-	-
Timor	-	-	1	1	-	-
Morocco	-	-	-	-	-	-
Mozambique	-	-	89	65	-	-
Colombia	-	-	-	-	-	-
Mexico	3,126	3,748	6,201	7,095	-	10
Malta	10	5	564	584	-	-
<b>TOTAL</b>	<b>927,687</b>	<b>961,981</b>	<b>933,070</b>	<b>988,502</b>	<b>10,233</b>	<b>7,446</b>

Note 2.3 of the accompanying consolidated Notes includes a list of the main countries where the Group operates in a currency other than the Euro. From total assets at 31 December 2021 and 2020, EUR 359,661 thousand and EUR 451,423 thousand, respectively, correspond to assets in foreign currency. Likewise, from total revenue for years 2021 and 2020 the activity developed in said countries amounts to EUR 119,405 thousand and EUR 227,751 thousand, respectively.

## 7 Intangible assets

This item includes investments associated to the Group's concessions and licences.

The detail in the consolidated balance sheets at 31 December 2021 and 2020 is as follows:

### Year 2021:

	Thousands of euros					
	Balance at 31/12/2020	Additions / Provisions	Disposals	Tranfers	Translation differences	Balance at 31/12/2021
Concessions	22,138	278	-	-	-	22,416
Patents, licences and trade marks	275	2,253	-	-	(98)	2,430
Other intangible assets	7,311	-	-	-	(256)	7,055
<b>Total expense</b>	<b>32,210</b>	<b>2,531</b>	<b>-</b>	<b>-</b>	<b>(354)</b>	<b>31,901</b>
Concessions	(8,087)	(531)	-	-	-	(8,618)
Patents, licences and trade marks	-	-	-	-	-	-
Other intangible assets	(5,096)	(132)	-	-	255	(4,973)
<b>Total Accumulated Amortisation</b>	<b>(14,633)</b>	<b>(663)</b>	<b>-</b>	<b>-</b>	<b>255</b>	<b>(13,591)</b>
<b>Total Accumulated Impairment (Note 22.9)</b>	<b>(490)</b>	<b>(174)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(664)</b>
<b>Net carrying amount</b>	<b>17,577</b>	<b>1,694</b>	<b>-</b>	<b>-</b>	<b>(99)</b>	<b>17,646</b>

Year 2020:

	Thousands of euros					
	Balance at 31/12/2019	Additions / Provisions	Disposals	Tranfers	Translation differences	Balance at 31/12/2020
Concessions	24,319	199	(2,888)	508	-	22,138
Patents, licences and trade marks	-	275	-	-	-	275
Other intangible assets	7,891	1	-	(508)	(73)	7,311
<b>Total expense</b>	<b>32,210</b>	<b>475</b>	<b>(2,888)</b>	<b>-</b>	<b>(73)</b>	<b>29,724</b>
Concessions	(10,279)	(662)	2,888	(34)	-	(8,087)
Patents, licences and trade marks	-	-	-	-	-	-
Other intangible assets	(4,354)	(805)	-	34	29	(5,096)
<b>Total Accumulated Amortisation</b>	<b>(14,633)</b>	<b>(1,467)</b>	<b>2,888</b>	<b>-</b>	<b>29</b>	<b>(13,183)</b>
<b>Total Accumulated Impairment (Note 22.9)</b>	<b>-</b>	<b>(490)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(490)</b>
<b>Net carrying amount</b>	<b>17,577</b>	<b>(1,482)</b>	<b>-</b>	<b>-</b>	<b>(44)</b>	<b>16,051</b>

Main additions during 2021 and 2020 refer to expenses incurred into in the promotion and development of wind and photovoltaic farms, mainly in Spain and Chile.

Likewise, in 2020, the contracts for the maintenance and sale of energy of the Institut Català de la Salut expired, and the fixed assets, property of the Group, required for the provision of services, were removed from the balance sheet, amounting to EUR 2,888 thousand, which were fully amortised, thus not reflecting any result in the attached consolidated income statement.

During year 2020, the Group transferred to the item "Concessions" the costs associated with the concession contract for the maintenance and sale of energy signed by the Ute District Heating of San Sebastián with the City Council of that town for a total amount of EUR 508 thousand, consisting mainly of the right to use the technical facilities and all the elements necessary for the provision of the service, to be amortised on a straight-line basis over a total period of 15 years.

Additionally, at 31 December 2021, main intangible assets of the Group are as follows:

- Elements of construction and technical installations that constitute the cold & heat polygeneration plant of the company "Poligeneración Parc de l'Alba ST-4, SA", located in the Partial Plan "Directional Centre of Cerdanyola del Valleys" (Barcelona), recorded for a net cost at 31 December 2021 and 2020 of EUR 12,260 thousand and EUR 12,728 thousand, respectively. The Group has been granted a loan in the form of project finance, the amount pending repayment at 31 December 2021 amounts to a total of EUR 3,661 thousand (EUR 4,741 thousand in 2020) (see Note 16.1), the plant acting as a guarantee of the financing received.
- Leasing rights for a period of 25 years, arising from the stake of the Group in "Fotovoltaica el Gallo 10, S.L." referred to the use of land where the PV plant is located are recorded at 31 December 2021 and 2020 for a total amount of EUR 1,921 thousand and EUR 2,052 thousand, respectively.

At 31 December 2021 there are no significant investment commitments in intangible assets.

## **8 Goodwill on consolidation**

Breakdown of the item "Consolidation goodwill" in the consolidated balance sheet, based on the companies that originated it as of 31 December 2021 and 2020, is as follows:

	Thousands of Euros	
	31.12.2021	31.12.2020
Cartuja Inmobiliaria, S.A.U.	600	600
San José Perú Inmobiliaria, S.A.	1,601	1,601
Constructora San José, S.A.	7,662	7,662
Others	121	121
<b>Total</b>	<b>9,984</b>	<b>9,984</b>



According to the estimates and projections available to the Directors of the Group, the estimated revenue attributable to the Group of these companies adequately supports the carrying amount of goodwill allocated to the relevant registered CGUs. Likewise, the sensitivity of executed impairment tests allows deviations of key hypothesis (increase of sales, operating margin and discount rates) within standardised margin, without identifying impairment.

The most important goodwill is that referring to the associate "Constructora San José, S.A", representing 77% total goodwill of the Group. At 31 December 2021, the key assumptions on which the Group's management has based its cash flow projections for the valuation of the cash generating unit (CGU) representing this society, are as follows:

- Consolidation of economic recovery in the target areas, both domestic and international.
- Diversification of the portfolio at geographical level: consolidation of the increase in the international market in the coming years.
- Sales: total construction revenue is distributed among countries where the Group operates, based on the current activity and contracted portfolio (short and medium term) and the guidelines established in the business plan Group (medium and long term), assuming an average annual growth of total construction activity for the period of [3-6] %.
- For the discount of the projected cash flows a rate based on the weighted average cost of capital (WACC) is calculated. The Group uses a risk-free rate taking as reference the 5-year bond, depending on the location, and a market premium based on recent studies of long-term premiums used by analysts for the business and geographical areas where it operates. At 31 December 2021, the discount rate used by the Group in the UGE of "Constructora San José, S.A." is 6.5%.
- A 0% growth rate envisaged in perpetuity is considered.
- EBITDA margin relatively stable in the short term, standing at levels of 5.0%, increasing in the medium and long term, stabilising at levels of 6.0%
- Potential capital gains from the sale of real estate assets or income and benefits of urban development activity have not been considered in this cash generating unit.

Forecasts used by the Management are in accordance with the Business Plan of Grupo SANJOSE, in accordance with the most recent business projections, which take into account the situation of the contracted portfolio, the historical evolution of the last years, as well as the situation of financial stability that has characterised the Group during the last years and, specially, after the repayment in year 2019 of the syndicated financial debt of the Group (see Note 16.3).

Likewise, revenue and margin projections have been draft using external resources from recognised international prestige, such as the International Monetary Fund, and information regarding plans for public investment in infrastructure in the coming years of the main countries where the Group operates.

The result of the impairment test of goodwill associated with CGU, conducted by the Group's management team at year-end 2021, shows a significant surplus of the recoverable amount over the carrying amount of the CGU, and basis said calculation in pessimistic scenarios that contemplate a reduction of 3 and 2.5 percentage points in growth and margin for the coming years, respectively, and an increase in the applied discount rate of 0.5 percentage points, without having to record any deterioration.

Further, the Group has recorded under the consolidated balance sheet at 31 December 2021 the following consolidation differences arising from the purchase operations with a position of dominance:

- Derived from the purchase of the group company "Carlos Casado SA" in 2008, and the subsequent domain position, the Group recorded as increased value of land under "Property, plant and equipment" of the consolidated balance sheet the surplus with respect to the price paid compared to the carrying value in books of the purchased price purchase allocation (PPA). At 31 December 2021, the amount recorded amounts to EUR 17,532 thousand.
- The Group also records a PPA, as higher cost of real estate inventories, as a result of the operations related to the takeover of the investee companies, "Zivar, Inversiones Inmobiliarias, SA". At 31 December 2021, the amount recorded stands at EUR 2,441 thousand.

## **9 Property, plant and equipment**

Changes in 2021 and 2020 under "Property, Plant and Equipment" in the consolidated balance sheet were as follows:

Year 2021:

	Thousands of Euros					
	Balance at 31/12/2020	Additions / Provisions	Disposals	Transfers	Translation differences and other	Balance at 31/12/2021
<b>Cost:</b>						
Land and buildings	64,035	1,179	(2,279)	1,027	4,075	68,037
Plant and machinery	44,884	3,755	(4,101)	68	382	44,988
Other items of property, plant and equipment	28,459	1,325	(94)	26	363	30,079
Ongoing property, plant and equipment	485	1,443	-	(455)	4	1,477
<b>Total expense</b>	<b>137,863</b>	<b>7,702</b>	<b>(6,474)</b>	<b>666</b>	<b>4,824</b>	<b>144,581</b>
<b>Accumulated amortisation:</b>						
Land and buildings	(9,664)	(2,136)	640	-	(306)	(11,466)
Plant and machinery	(31,157)	(4,271)	4,034	-	(351)	(31,745)
Other items of property, plant and equipment	(25,584)	(1,324)	76	-	(346)	(27,178)
<b>Total Accumulated Amortisation</b>	<b>(66,405)</b>	<b>(7,731)</b>	<b>4,750</b>	<b>-</b>	<b>(1,003)</b>	<b>(70,389)</b>
<b>Total Accumulated Impairment (Note 22.9)</b>	<b>(56)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(56)</b>
<b>Net carrying amount</b>	<b>71,402</b>	<b>(29)</b>	<b>(1,724)</b>	<b>666</b>	<b>3,821</b>	<b>74,136</b>

Year 2020:

	Thousands of Euros					
	Balance at 31/12/2019	Additions / Provisions	Disposals	Transfers	Translation differences and other	Balance at 31/12/2020
<b>Cost:</b>						
Land and buildings	65,743	1,630	(422)	-	(2,916)	64,035
Plant and machinery	40,229	4,454	(3,491)	4,846	(1,154)	44,884
Other items of property, plant and equipment	33,267	557	(217)	(4,684)	(464)	28,459
Ongoing property, plant and equipment	356	321	-	(150)	(42)	485
<b>Total expense</b>	<b>139,595</b>	<b>6,962</b>	<b>(4,130)</b>	<b>12</b>	<b>(4,576)</b>	<b>137,863</b>
<b>Accumulated amortisation:</b>						
Land and buildings	(8,162)	(1,876)	159	-	215	(9,664)
Plant and machinery	(25,691)	(5,232)	2,512	(3,729)	983	(31,157)
Other items of property, plant and equipment	(28,772)	(1,139)	223	3,717	387	(25,584)
<b>Total Accumulated Amortisation</b>	<b>(62,625)</b>	<b>(8,247)</b>	<b>2,894</b>	<b>(12)</b>	<b>1,585</b>	<b>(66,405)</b>
<b>Total Accumulated Impairment (Note 22.9)</b>	<b>(22)</b>	<b>(34)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(56)</b>
<b>Net carrying amount</b>	<b>76,948</b>	<b>(1,319)</b>	<b>(1,236)</b>	<b>-</b>	<b>(2,991)</b>	<b>71,402</b>

The main movement in this item during 2021 is that corresponding to the application of IFRS 16 regarding rental contracts, in the following terms: i) additions to property, plant and equipment for new contracts amounting to EUR 3,761 thousand; ii) reductions in fixed assets, due to maturities and/or cancellations amounting to EUR 5,718 thousand (see Note 22.6).

Outstanding additions for the year correspond mainly to investment in machinery and technical facilities incurred into by the Group for the development of its construction.

The main movement in this item during 2020 is the one corresponding to the application of IFRS 16 in the following terms: i) additions of property, plant and equipment for new contracts amounting to EUR 5,221 thousand; ii) reductions in fixed assets, due to maturities and / or cancellations amounting to EUR 3,586 thousand (see Note 22.6).

Outstanding additions for the year correspond mainly to investment in machinery and technical facilities incurred into by the Group for the development of its construction.

At 31 December 2021 and 2020, investment hold in foreign countries by the Group, detailed by associate is as follows:

	Thousands of Euros			
	31/12/2021		31/12/2020	
	Cost	Accum. Amort.	Cost	Accum. Amort.
Portugal	5,075	(4,277)	5,321	(3,449)
Argentina	2,289	(1,979)	1,460	(1,049)
Paraguay	49,829	(2,190)	44,595	(1,862)
Cape Verde	4,749	(3,911)	4,749	(3,414)
Chile	2,023	(1,331)	2,192	(1,266)
India	218	(166)	172	(89)
Perú	2,415	(2,260)	2,529	(2,166)
Abu Dhabi	4,337	(4,054)	4,701	(4,234)
México	71	(64)	68	(55)
Other countries	1,326	(1,273)	1,284	(1,228)
<b>TOTAL</b>	<b>72,332</b>	<b>(21,505)</b>	<b>67,071</b>	<b>(18,812)</b>

"Land and buildings" mainly includes a net amount of EUR 47,263 thousand and EUR 42,055 thousand as of 31 December 2021 and 2020, respectively, corresponding to lands of the group through its investee "Carlos Casado, SA", mainly agricultural land in the Paraguayan Chaco. The fair value of these assets, according to an external valuation carried out by an independent expert, exceeds their net book value.

At 31 December 2021 there are no properties classified as property, plant and equipment in mortgage guarantee. Fair value of own use buildings at 31 December 2021 and 2020 amounts to EUR 24.7 million and EUR 21.6 million, respectively, according to estimates carried by independent valuers (Savills España, S.A.). Carrying net cost at 31 December 2021 and 2020 amounts to EUR 10.7 million and EUR 8.8 million, respectively.

At 2021 and 2020 year-end, there were fully amortised items in use, with a total cost amounting to EUR 32.6 million and EUR 30.2 million, respectively.

At year-end 2021 the Group does not hold significant investment commitments in property, plant and equipment.

The Group takes out insurance policies to cover the possible risks to which its investment property is subject. The Parent's directors consider that the insurance coverage arranged is sufficient.

## **10 Investment property:**

The detail of "Investment Property" and changes therein in 2021 and 2020 is as follows:

Year 2021:

	Thousands of Euros				
	Balance at 31/12/2020	Additions / Provisions	Transfers	Translation differences	Balance at 31/12/2021
<b>Cost:</b>					
Land and buildings	29,445	-	(665)	8,959	37,739
Plant and machinery	2,826	-	-	889	3,715
Furniture, tools and other items	426	-	-	146	572
<b>Total expense</b>	<b>32,697</b>	<b>-</b>	<b>(665)</b>	<b>9,994</b>	<b>42,026</b>
<b>Accumulated amortisation:</b>					
Buildings	(17,276)	(60)	-	(6,133)	(23,469)
Technical facilities	(2,826)	-	-	(889)	(3,715)
Furniture, tools and other items	(426)	-	-	(146)	(572)
<b>Total Accumulated Amortisation</b>	<b>(20,528)</b>	<b>(60)</b>	<b>-</b>	<b>(7,168)</b>	<b>(27,756)</b>
<b>Total Accumulated Impairment (Note 22.9)</b>	<b>(285)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(285)</b>
<b>Net carrying amount</b>	<b>11,884</b>	<b>(60)</b>	<b>(665)</b>	<b>2,826</b>	<b>13,985</b>

Year 2020:

	Thousands of Euros				
	Balance at 31/12/2019	Additions / Provisions	Transfers	Translation differences	Balance at 31/12/2020
<b>Cost:</b>					
Land and buildings	27,810	9	3,389	(1,763)	29,445
Plant and machinery	3,062	-	-	(236)	2,826
Furniture, tools and other items	465	-	-	(39)	426
<b>Total expense</b>	<b>31,337</b>	<b>9</b>	<b>3,389</b>	<b>(2,038)</b>	<b>32,697</b>
<b>Accumulated amortisation:</b>					
Buildings	(18,251)	(41)	-	1,016	(17,276)
Technical facilities	(3,057)	-	-	231	(2,826)
Furniture, tools and other items	(462)	(3)	-	39	(426)
<b>Total Accumulated Amortisation</b>	<b>(21,770)</b>	<b>(44)</b>	<b>-</b>	<b>1,286</b>	<b>(20,528)</b>
<b>Total Accumulated Impairment (Note 22.9)</b>	<b>(25)</b>	<b>(66)</b>	<b>(194)</b>	<b>-</b>	<b>(285)</b>
<b>Net carrying amount</b>	<b>9,542</b>	<b>(101)</b>	<b>3,195</b>	<b>(752)</b>	<b>11,884</b>

The main movement during 2021 corresponds to the transfer to property, plant and equipment of land for agricultural use, recorded at a cost of EUR 665 thousand, which the Group owns through its participation in the Casado Group.

During 2020, the Company has recorded as an increase in investment property items for a total cost of EUR 3,195 thousand, which at 31 December 2019 were previously recorded under "Inventories" (see Note 12.1).

The cost of the investment property at 31 December 2021 and 2020 includes approximately EUR 9.1 million and EUR 7.5 million, relating to the carrying amount of the land relating thereto.

**Use or nature of the investment property**

Substantially all of the Group's investment property relates to properties earmarked for lease, located mainly in Argentina: Avellaneda, Quilmes and La Tablada Shopping Centres.

The detail of the use or nature of the Group's investment property devoted to leasing purposes at 31 December 2021 and 2020 is as follows:

Lease purpose	2021		2020	
	Surface for lease (m2)	Percentage	Surface for lease (m2)	Percentage
Administrative buildings	287	0%	287	0%
Shopping Centres	180,161	98%	183,462	98%
Other	2,502	2%	2,777	2%
	<b>182,949</b>	<b>100%</b>	<b>186,526</b>	<b>100%</b>

### Mortgaged investment property

At 31 December 2021 and 2020, certain real estate assets are recorded under "Land and Construction Work" in the accompanying consolidated balance sheet for a total net cost amounting to EUR 1,900 thousand and EUR 1,923 thousand, respectively, which act as mortgage hedge for banking borrowings. During the month of February 2022, the Group has fully amortised in advance said financing (see Note 16.2).

### Income and expenses from rental of investment property

The Group has commercial premises, office building and car park spaces had been leased out to third parties under operating leases.

The detail, by maturity, of the lease payments payable to the Group under the operating leases and subleases contracted for by the Group with third parties at 31 December 2021 and 2020 is as follows:

Term	Thousands of Euros	
	Year 2021	Year 2020
Up to a year	664	665
From one to five years	2,555	2,091
More than five years	1,373	1,391
	<b>4,592</b>	<b>4,147</b>

Calculation has not taken into consideration increase of CPI and, regarding variable rate contracts, amount for year 2021 has been considered.

Total property rental income of the Group for years 2021 and 2020 amounts to EUR 1,150 thousand and EUR 1,091 thousand recorded under "Provision of services" in the accompanying consolidated income statement.

### Insurance policy

The Group takes out insurance policies to cover the possible risks to which substantially all its inventories are subject. The Parent's Directors consider insurance coverage arranged to be sufficient.

### Fair value of the investment property

Each year the Group commissions studies from independent valuers to determine the fair values of its investment property at the balance sheet date.

At 31 December 2021 and 2020, the fair value of real estate investments of the Group arising from the above-mentioned studies amounts to EUR 88.0 million and EUR 83.7 million, respectively. Said amount, at 31 December 2021 and 2020, includes EUR 44.2 million and EUR 44.5 million, respectively, corresponding to real estate investments of investees of the Group.

In view of the aforementioned valuation report, in 2021 and 2020 no valuation adjustments of assets registered by the Group as real estate investments was disclosed.

## 11 Investment in associates and joint ventures

At 31 December 2021 and 2020, this item includes the participation of the Group in associates and joint ventures. The Group's most significant investments in associates were as follows:

	Thousands of Euros	
	31.12.2021	31.12.2020
Cresca, S.A.	330	285
Pinar de Villanueva, S.L.	148	198
Distrito Castellana Norte, S.A. (DCN)	16,262	14,527
Panamerican Mall, S.A. (PM)	1,671	351
CSJ GVK Projects and Technical SS. P.L.	290	4,234
<b>Total net</b>	<b>18,701</b>	<b>19,595</b>

The changes, by company, in "Investments Accounted for Using the Equity Method" in 2021 and 2020 are as follows:

### Year 2021:

	Thousands of Euros					
	Balance at 31/12/2020	Profit/(Loss) for the year	Additions / Disposals (Note 2.4.d)	Dividends received	Translation differences	Balance at 31/12/2021
Cresca, S.A.	285	(14)	-	-	59	330
Pinar de Villanueva, S.L.	198	(50)	-	-	-	148
Distrito Castellana Norte, S.A.	14,527	(286)	2,021	-	-	16,262
Panamerican Mall, S.A.	351	1,060	-	-	260	1,671
CSJ GVK Projects ´n Technical SS. P.L.	4,234	(3,522)	-	-	(422)	290
<b>Total</b>	<b>19,595</b>	<b>(2,812)</b>	<b>2,021</b>	<b>-</b>	<b>(103)</b>	<b>18,701</b>

### Year 2020:

	Thousands of Euros					
	Balance at 31/12/2019	Profit/(Loss) for the year	Additions / Disposals (Note 2.4.d)	Dividends received	Translation differences	Balance at 31/12/2020
Cresca, S.A.	307	(90)	-	-	68	285
Pinar de Villanueva, S.L.	498	(300)	-	-	-	198
Distrito Castellana Norte, S.A.	14,510	(757)	774	-	-	14,527
Panamerican Mall, S.A.	696	(150)	-	-	(195)	351
CSJ GVK Projects ´n Technical SS. P.L.	4,284	1,076	-	-	(1,126)	4,234
<b>Total</b>	<b>20,295</b>	<b>(221)</b>	<b>774</b>	<b>-</b>	<b>(1,253)</b>	<b>19,595</b>

The main movement in years 2021 and 2020 corresponds to the increase in the cost of the stake "Distrito Castellana Norte, SA", derived from the two capital increases in said investee company, which have been fully subscribed and paid up according to its stake by the Group (see Note 2.4).

The associate "Distrito Castellana Norte, S.A." has as main business activity the urban development of the plot of land comprising the area of the "Extension of the Castellana" in Madrid with regard to real estate action plans known so-called APR 08.03 and APE 05.27 in the municipality of Madrid. Grupo SANJOSE has participated in this company since its constitution, on 25 November 1993. On 29 July 2019, the Plenary Session of the Madrid City Council provisionally unanimously approved the urban project, so-called "Madrid Nuevo Norte" and, finally, on 25 March 2020, the Governing Council of the Community of Madrid definitively approved what will be the most important urban action in the coming years.

Appendix II includes a list of the main ownership interests in associates, detailing name, country and participation percentage. The Group does not consider very relevant the impact on assets, profit or net equity of its participation in these companies. However, next is listed financial information of the main associates of the Group:

At 31 December 2021

	Millions of Euros		
	DCN	PM	GSJ GVK
Non-current assets	6.4	395.8	-
Current assets	168.9	5.2	5.6
<b>Total Assets</b>	<b>175.3</b>	<b>401.0</b>	<b>5.6</b>
Non-current liabilities	0.5	106.3	-
Current liabilities	9.0	17.4	5.0
<b>Total Liabilities</b>	<b>9.5</b>	<b>123.7</b>	<b>5.0</b>
Income from ordinary activities	0.6	22.3	1.1
Profit/(Loss) from continued operations	(2.9)	(21.2)	(7.0)
Profit/(Loss) for the year	(2.9)	(21.2)	(7.0)

At 31 December 2020

	Millions of Euros		
	DCN	PM	GSJ GVK
Non-current assets	6.1	333.8	-
Current assets	158.3	5.4	25.5
<b>Total Assets</b>	<b>164.4</b>	<b>339.2</b>	<b>25.5</b>
Non-current liabilities	0.5	72.0	-
Current liabilities	15.4	15.0	17.0
<b>Total Liabilities</b>	<b>15.9</b>	<b>87.0</b>	<b>17.0</b>
Income from ordinary activities	0.0	15.1	2.5
Profit/(Loss) from continued operations	(4.3)	1.7	2.2
Profit/(Loss) for the year	(4.3)	1.7	2.2

A summary of the financial information of the main investees included within the accounting records of the Group is provided next:

At 31 December 2021

	Millions of Euros		
	DCN	PM	CSJ GVK
Total net equity	165.8	277.3	0.6
% ownership of Grupo SANJOSE	10.00%	20.00%	50.00%
Net carrying amount of the stake (NCV)	16.6	55.5	0.3
Amendments of the NCV and other	-	(53.8)	-
<b>Cost of the Groups' stake</b>	<b>16.6</b>	<b>1.7</b>	<b>0.3</b>

At 31 December 2020

	Millions of Euros		
	DCN	PM	CSJ GVK
Total net equity	148.5	252.2	8.5
% ownership of Grupo SANJOSE	10.00%	20.00%	50.00%
Net carrying amount of the stake (NCV)	14.9	50.4	4.4
Amendments of the NCV and other	-	(50.0)	-
<b>Cost of the Groups' stake</b>	<b>14.9</b>	<b>0.4</b>	<b>4.4</b>

The Group proceeds to homogenise the financial information of the associated companies prior to its consideration. The main effect is that referred to "Panamerican Mall, S.A.", a company that values its investment assets according to the "fair value" criterion.

## 12 Inventories

The detail in the consolidated balance sheets at 31 December 2021 and 2020 is as follows:

Year 2021:

	Thousands of Euros					
	Balance at 31/12/2020	Additions	Disposals	Transfers	Translation differences and other	Balance at 31/12/2021
Acquired property	5,004	-	(20)	-	-	4,984
Land and plots of land	62,156	14	-	-	2,380	64,550
Goods	2,759	10,321	(11,749)	-	-	1,331
Raw materials and other supplies	3,278	3,777	(2,062)	(1,611)	82	3,464
Developments under construction						
- Short-cycle developments under construction	6,761	5,608	(9,516)	2,508	(500)	4,861
- Large-cycle developments under construction	8,925	-	-	(2,508)	-	6,417
Other current inventory	2,995	3,273	(60)	(2,070)	292	4,430
Completed construction works	6,284	-	(834)	-	-	5,450
Other finished products	53	582	(4,248)	3,681	4	72
Advances to suppliers	11,047	11,062	(12,201)	-	245	10,153
Impairment losses on inventories	(19,979)	(3,177)	48	-	23	(23,085)
<b>Total</b>	<b>89,283</b>	<b>31,460</b>	<b>(40,642)</b>	<b>-</b>	<b>2,526</b>	<b>82,627</b>

Year 2020:

	Thousands of Euros					
	Balance at 31/12/2019	Additions	Disposals	Transfers	Translation differences and other	Balance at 31/12/2020
Acquired property	8,393	-	-	(3,389)	-	5,004
Land and plots of land	64,003	202	(70)	(604)	(1,375)	62,156
Goods	2,260	14,024	(13,926)	401	-	2,759
Raw materials and other supplies	4,184	1,303	(2,166)	236	(279)	3,278
Developments under construction						
- Short-cycle developments under construction	18,035	4,536	(3,909)	(8,905)	(2,996)	6,761
- Large-cycle developments under construction	-	-	-	8,925	-	8,925
Other current inventory	3,269	3,211	(3,237)	(433)	185	2,995
Completed construction works	8,026	-	(1,742)	-	-	6,284
Other finished products	445	1,224	(1,964)	380	(32)	53
Advances to suppliers	18,525	25,733	(32,154)	-	(1,057)	11,047
Impairment losses on inventories	(17,261)	(4,233)	1,087	194	234	(19,979)
<b>Total</b>	<b>109,879</b>	<b>46,000</b>	<b>(58,081)</b>	<b>(3,195)</b>	<b>(5,320)</b>	<b>89,283</b>



## 12.1 Acquired property

Main changes recorded under this item correspond to deed of assignment in payment as collection of default rate. The ultimate purpose of the Group is to allocate these properties for sale to third parties in the normal course of operations. Main assets are the following:

- Housing units in Promópolis, in Seville
- Car parking spaces and housing units in Puerto Llano, Ciudad Real.
- Car parking spaces and housing units in Mairena de Aljarafe, Seville.

## 12.2 Land and plots of land

This account balance corresponds to the acquisition price of several plots of land in their final phase or under urban management at 31 December 2021 and 2020 basically for residential purposes (even though there are also institutional or industrial plots). The Group has planned to allocate them to direct sale or property development by Group companies.

At 31 December 2021, this item includes mainly the following plots of land:

1. Plot of land in La Tablada, Seville, with a total surface of 149,619 sqm.
2. Urban plots of land Las Arenas and RP-9 Jalón industrial, both in Valladolid, with a surface amounting to 225.000 m<sup>2</sup>.
3. La Catalana and Pueblo Mediterráneo urban plots of 3,965 and 9,532 m<sup>2</sup>, respectively, located in Vicálvaro (Madrid) and Manilva (Málaga).
4. A plot of land in Salvador de Bahía, Brazil, devoted to residential purposes, with a total surface amounting to 30.285 m<sup>2</sup>
5. La Tablada, located in Buenos Aires – Argentina, for residential and commercial purposes, with as total surface amounting to 808,102 sqm and a buildable surface amounting to 1,650,000 sqm.
6. Rustic plot of land in Herdade da Palheta, in the Concello de Redondo (Portugal) of 2,997,750 m<sup>2</sup> of surface.

At 31 December 2021 and 2020, the Group does not hold land as mortgage hedges.

At 31 December 2021, the Group has a land portfolio with a total area of approximately 4.5 million m<sup>2</sup>, approximately 23% of which is qualified land. The breakdown, according to location, is as follows:

	31.12.2021
Spain	14.5%
Portugal	66.8%
Argentina	18.0%
Brazil	0.7%
<b>TOTAL</b>	<b>100%</b>

### Land purchase commitments

At 31 December 2021 and 2020, the Group has not signed any promise or option contracts to purchase land and plots.

The advance payments made to suppliers refer, in their entirety, to payments on account made by the Group to its suppliers in the ordinary course of construction activity, mainly in Abu Dhabi, Portugal and Chile, amounting to EUR 4.5 million, EUR 1.6 million and EUR 1.1 million euros, respectively.

### 12.3 Ongoing development

This item mainly includes the real estate inventories corresponding to the “NOVAVISTA Condominium” development that the Group builds and promotes in Lima, Peru. Said urban development was started in year 2018. It includes 10 stages, having started during 2019 the delivery of homes in the first phases. During year 2021, housing units were delivered with a net cost of EUR 9,452 thousand.

Additionally, the item “Other inventories in progress” mainly includes inventories in progress related to agricultural activity, amounting to EUR 4,430 thousand and EUR 2,995 thousand as of 31 December 2021 and 2020, respectively.

### 12.4 Completed works

The main property developments included under this item refer to not sold items of the following property developments:

- 111 housing units in Larrein” located in Vitoria- Gasteiz property of the Group company “Alexin XXI, S.L.U”.
- “Borinbizcarra” and “62 housing units in Mariturri”, for “Eraikuntza, Birgaikuntza Artapena, S.L.U.” EBA)
- “Quinta do Moleao (Lagos)” of the branch office in Portugal of “Constructora San José, S.A.”.

During year 2021 and 2020, there were sales for a total amount of EUR 1,045 thousand and EUR 1,729 thousand, of housing units and car park spaces of the Larrein and Boronbizkarra urban developments (Vitoria).

At 31 December, 2020, the Group had constructed buildings, amounting to EUR 3,709 thousand, which were mortgaged as collateral for the repayment of mortgage loans. During 2021, the Group fully amortised in advance said loans. Consequently, at 31 December 2021, the Group does not have constructed buildings delivered as collateral for mortgage loans (see Note 16.2).

The item “Other completed inventories” mainly includes completed inventories related to agricultural activity, amounting to EUR 72 thousand and EUR 53 thousand as of 31 December 2021 and 2020, respectively.

#### Commitment to sell property developments in progress and completed buildings

At 31 December 2021 and 31 December 2020, the Group had entered into private agreements and reservation documents for the sale of property developments in progress and completed buildings at that date, for a total amount of EUR 7,538 thousand and EUR 8,474 thousand. At 2021 and 2020-year-end said date, the Group had received advances from the related customers totalling EUR 1,798 thousand and EUR 2,376 thousand, respectively.

### 12.5 Impairment of inventories

Detail of inventories at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	31.12.2021	31.12.2020
Goods	355	423
Acquired property	1,903	1,558
Land and plots of land	18,228	17,727
Completed construction works	222	271
<b>TOTAL</b>	<b>20,708</b>	<b>19,979</b>

Additionally, during year 2021, the Group has recorded an impairment amounting to EUR 2,377 thousand, referring to inventories of raw materials and other supplies. Said impairment remains at 31 December 2021.

Each year the Group commissions studies from independent valuers to determine the fair values of its investment property at the balance sheet date (see Note 4.4.)

At 31 December 2021 and 2020, the fair value of the Group's inventories based on the aforementioned study amounted to EUR 137.7 thousand and EUR 145.9 million, respectively, recording an impairment in 2021 amounting to EUR 869 thousand (EUR 4,233 thousand in 2020) (see Note 22.2).

### 12.6 Insurance policy

The Group takes out insurance policies to cover the possible risks to which substantially all its inventories are subject. The Parent's Directors consider insurance coverage arranged to be sufficient.

### 12.7 Issuance rights

"Raw materials and other supplies" includes the greenhouse gas emission rights of the Group company "Poligeneració Parc de l'Alba ST-4, SA", the total cost being as of 31 December 2021 and 2020 of EUR 1,421 thousand and EUR 445 thousand euros, respectively.

Additionally, as of 31 December 2021 and 2020, the Group has recorded a short-term provision amounting to EUR 130 thousand and EUR 18 thousand, corresponding to the emissions made for which, at that date, it did not have purchased emission rights (see Note 15).

During year 2021, the Group has proceeded to the redemption before the Public Administration of the emission rights corresponding to the CO2 emissions of year 2020, for a total amount of EUR 461 thousand.

## 13 Financial Assets

### 13.1 Trade and other receivables

This item of the accompanying consolidated balance sheet includes the current value of the amounts pending collection from sales and services rendered by Group companies, and which are the basis of the consolidated operating result.

The detail of Trade receivables for sales and services at 31 December 2021 and 31 December 2020 is as follows:

	Thousands of Euros	
	31.12.2021	31.12.2020
Progress billings receivable and trade receivables for sales and provision of services	187,500	192,435
Executed works pending billing (OEPC)	53,860	58,057
Retentions for guarantees	72,161	67,671
Customers, discounted instruments	27,652	21,163
Impairment (Note 15)	(32,334)	(33,505)
<b>Total</b>	<b>308,839</b>	<b>305,821</b>
Advances (Note 18.2)	(103,194)	(122,522)
<b>Total net accounts receivable</b>	<b>205,645</b>	<b>183,299</b>

The Group management considers that the carrying amount of trade and other receivables approximates their fair value.

"Amounts to be billed for executed works (OEPC)" includes the work performed during the year but not yet billed to customers, which is recognised as period revenue in accordance with the method of recognition of revenue for completed construction work (completion of the works), based on the percentage of completion method used by the Group detailed in Note 4.11. To the extent that the accounting criterion adopted by the Group for the recording of sales revenue, for the purpose of calculating the degree of progress, takes into account as total revenue the part of the budget of the work / project duly justified and technically approved, and on which there is no doubt regarding its approval, the amount of the TPRB corresponds entirely to production executed to date associated with properly signed and valid contracts. The amount of the OEPC is made up of the contribution of a large number of works and

without, in general, there being any work that contributes a significant amount. The average duration of the Group's works contracts is between 1 and 2 years.

The current liabilities "Advances" item from the consolidated balance sheet at 31 December 2021 and 2020 includes EUR 83,974 thousand and EUR 93,393 thousand corresponding to "Amounts to be billed for work performed", which are recognised as reduced revenue in accordance with the method of recognition of revenue based on the percentage of completion method (see Note 18.2).

At 31 December 2021 and 2020, the Group does not have loans from clients allocated to financial institutions without recourse.

The Group does not have a significant concentration of credit risk. The amount pending collection from customers at 31 December 2021 and 2020, is very fragmented, between a large number of counterparties and customers, without, in general, there being any customer with a significant amount receivable.

Breakdown of trade receivables from Public Sector Customer and Private Sector Customers at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	31.12.2021	31.12.2020
Public Sector Customers	95,027	87,418
Private Sector Customers	213,812	218,403
	<b>308,839</b>	<b>305,821</b>

A part of trade receivables relates to transactions with Public Entities and, mainly, with the State Central Authority. Therefore, the Company considers that credit risk is very low. Regarding private sector customers, the Company has strengthened during the last years the risk policy procedure from contracting (valuation and rating of potential customers, payment requirements, etc.) till regular revision and analysis of the global position and individual analysis of most customers. The result of this analysis is the provision for doubtful collections that covers the estimate of expected loss.

Average collection period for trade receivables is approximately 69 and 64 days for years 2021 and 2020 and no significant changes have been experimented during the same.

The Group has a credit risk management department responsible for mainly the following tasks:

- To analyse the creditworthiness of potential customers, and take part in the procurement process.
- To identify the level of commercial risk (credit) assumed with every client.
- To control deviations that may occur in the established limits.
- To manage any collection incidents reported by the Finance Department.

Usually, the efforts are mainly focused on preventive tasks. The aim of the Group is to identify situations of default. Said analysis is performed on an individual basis.

### 13.2 Cash and cash equivalents

"Cash and Cash Equivalents" includes the Group's cash and short-term deposits with an original maturity of three months or less. Net carrying value is similar to fair value, without restriction on their availability.

Breakdown at 31 December 2021 and 2020 is as follows.

	Thousands of Euros	
	31.12.2021	31.12.2020
Other cash equivalents	49,442	35,587
Cash	269	293
Banks and credit entities	245,785	249,463
<b>Total cash and other cash equivalents</b>	<b>295,496</b>	<b>285,343</b>

Out of the total balance of this item, EUR 41,853 thousand and EUR 70,758 thousand correspond to joint ventures (see Annex III) at 31 December 2021 and 2020, respectively.

### 13.3 Other current financial assets

This item includes bank deposits, short-term deposits with a maturity of more than three months and other current loans.

At 31 December 2021 and 2020, it mainly includes the following:

- the amounts derived from short-term deposits, amounting to EUR 7,314 thousand and EUR 20,710 thousand, at 31 December 2021 and 2020, respectively.
- The part to be collected in the short-term amounting to EUR 7,816 thousand, referring to the transactional agreement reached with the Chilean Ministry of Public Works by the company of the Group "Sociedad Concesionaria San José-Tecnocontrol, SA", in November 2020 and that refers to the liquidation of the construction stage of the Maipú and La Florida hospitals, in Santiago de Chile (see Note 13.4.2).
- Further, at 31 December 2020, short term receivables from the Chilean Ministry of Public Works were included for an amount of EUR 36,353 thousand, corresponding to the last instalment pending collection, registered in the Group company "Sociedad Concesionaria San José-Tecnocontrol, SA", of the remuneration for the construction phase of the Maipú and La Florida hospitals, in Santiago de Chile, in application of the financial asset model under FRSC 12, since it is a concession in which the Group does not assume demand risk, having been collected on 31 March 2021. During years 2021 and 2020, finance income arising from the update of said items has been recorded (see Note 22.7).

### 13.4 Non-current financial assets and loans to related companies

The detail of "Loans to related companies" and "Other financial assets" in the accompanying consolidated balance sheet at 31 December 2021 is as follows:

	Thousands of Euros			
	Investments available for sale	Investments until maturity	Impairment	Total
<b>Balance at 31 December 2019</b>	<b>7,657</b>	<b>63,502</b>	<b>(19,865)</b>	<b>51,294</b>
Entries or provisions	379	24,834	(3,969)	21,244
Transfers	-	(36,733)	-	(36,733)
Translation differences	(29)	(4,157)	1,581	(2,605)
Disposals, withdrawals or redundancies	-	(808)	-	(808)
<b>Balance at 31 December 2020</b>	<b>8,007</b>	<b>46,638</b>	<b>(22,253)</b>	<b>32,392</b>
Entries or provisions	97	1,498	(177)	1,418
Transfers	-	(19,830)	11,995	(7,835)
Translation differences	(12)	(1,767)	(77)	(1,856)
Disposals, withdrawals or redundancies	-	(219)	-	(219)
<b>Balance at 31 December 2021</b>	<b>8,092</b>	<b>26,320</b>	<b>(10,512)</b>	<b>23,900</b>

#### 13.4.1 Financial assets at fair value through profit or loss

This item includes basically representative investments in equity securities of entities. From total impairment recorded at 31 December 2021 and 2020, EUR 6,004 thousand and EUR 5,838 thousand, respectively, correspond to investments held for sale (see Note 22.11).

Net cost at which interest ownership of the Group is recorded, by associate, at 31 December 2021 and 2020, is as follows:

Company	Thousands of Euros	
	31.12.2021	31.12.2020
Bodegas Altanza, S.A.	736	736
Oryzon Gernomics, S.A. (*)	819	891
Others	533	542
	<b>2,088</b>	<b>2,169</b>

(\*) Company listed in the Stock Exchange of Spain.

#### 13.4.2 Held-until maturity financial assets

This item mainly includes credits and collection rights with third parties. Carrying net cost at 31 December 2021 and 2020 amounts to EUR 21,812 thousand and EUR 30,223 thousand, respectively. From total impairment recorded at 31 December 2021 and 2020, EUR 4,508 thousand and EUR 16,415 thousand, respectively, correspond to investments held for sale.

At 31 December 2021 and 2020, it mainly includes the following:

- The part to be collected in the longterm amounting to EUR 7,955 thousand and EUR 15,753 thousand at 31 December 2021 and 2020, referring to the transactional agreement reached with the Chilean Ministry of Public Works by the company of the Group "Sociedad Concesionaria San José-Tecnocontrol, SA", in November 2020 and that refers to the liquidation of the construction stage of the Maipú and La Florida hospitals, in Santiago de Chile (see Note 13.3).

By virtue of the aforementioned agreement, which was approved by an arbitration commission, the Chilean Ministry of Public Works was obliged to pay the amount of 944.1 thousand UF (approximately EUR 31.5 million), through four annual instalments of equal amount, the first three on 15 December, 2020, 2021 and 2022, respectively, and the fourth instalment on 15 July 2023. At 31 December 2021, the Group has been paid the first to instalments. This deferral will accrue interest at the rate set by the local authorities for forward operations.

Likewise, this item includes the Group's collection right against customers, derived from long-term debt renegotiation procedures, or due to discrepancies outstanding the resolution in a judicial or arbitration proceeding. Special mention deserves the following:

- Collection right for a total amount of EUR 8,677 thousand and EUR 9,496 thousand, as of 31 December 2021 and 31 December 2020, respectively, against the Chilean Ministry of Public Works, as a result of the termination of the contract and execution of the guarantee at the first request, which was maintained with the company of the Group "Sociedad Concesionaria San Jose Rutas del Loa, SA", in Chile.

During years 2021 and 2020, the variation was due exclusively to the evolution of the exchange rate.

Based on the analysis of the recoverability of said debt carried out by the Group, the application of IFRS 9, the impairment recorded at 31 December 2021 and 2020 amounts to EUR 1,584 thousand and EUR 1,733 thousand, respectively. Further, as of 31 December 2021 and 2020, the Group has recorded a provision for possible liabilities that may arise from this contract, for EUR 7,683 thousand and EUR 8,407 thousand, respectively (see Note 15).

- Long-term collection right related to the "Improvement of the Checca-Mazocruz section highway", in Peru, amounting to EUR 4,006 thousand and EUR 4,110 thousand at 31 December 2021 and 2020, respectively, as a consequence of the unilateral termination of the contract by the client, notified in the month February 2020. The Group considers that the reasons alleged by the client for the termination of the contract are unfounded, and has started the arbitration procedure provided for in the contract itself.

Based on the analysis of the recoverability of said debt carried out by the Group, the impairment recorded associated with the same at 31 December 2021 and 2020 amounts to EUR 1,441 thousand and EUR 1,478 thousand, respectively. Further, as of 31 December 2021 and 2020, the Group has recorded a provision for possible liabilities that may arise from the contract, for EUR 2,943 thousand and EUR 3,008 thousand, respectively (see Notes 13.1 and 15). In relation to this contract, guarantees have been granted for faithful performance amounting to EUR 6 million.

- Further, it included at 31 December 2020 EUR 11,730 thousand against the Civil Aviation Authority of Nepal (CAAN), as a result of the unilateral termination of the contract by the client and execution of the guarantees at the first request, referred to the construction contract for the improvement of the infrastructures in the Simikhot

and Rara airports, in Nepal Based on the analysis of the recoverability of said debt carried out by the Group, based on the application of IFRS 9, the impairment recorded associated with the same at said date amounts to the debt itself. On 3 December 2020, the arbitration award on the dispute maintained on the execution of the contract was notified, partially estimating both the claims of Constructora San José, SA, and those of Aviation Authority of Nepal (CAAN), resulting in a payment in favour of the Aviation Authority of Nepal (CAAN), amounting to EUR 2.2 million, that had been provisioned at 2020 year-end so the Group has derecognised both, the receivable and th impairment. During the first half of 2021, the arbitration award has been settled (see Note 15).

## **14 Net equity**

### **14.1 Share Capital**

At 31 December 2021 and 2020, share capital of the Parent was represented by 65,026,083 shares of EUR 0.03 par value each.

At 20 July 2009, Parent Company shares can be listed on the Continuous Market, with a market value of EUR 12.86 per share. The closing and mean quote for the last quarter of the year has been EUR 4.90 and EUR 4.32 for year 2021 and EUR 4.49 and 4.40 for year 2020, respectively.

At 31 December 2021, the shareholder with a stake exceeding 10% in the share capital of the Parent Company was Mr. Jacinto Rey González, with a direct and effective participation of 24,952% and 48.292%, respectively

### **14.2 Issuance fee**

The Capital Companies Act expressly allows the use of the balance of the share issue premium to increase the share capital of the entities which it is registered in and does not establish any specific restriction regarding the availability of said balance. During year 2020, the Company has applied unrestricted reserves, for an amount of EUR 155,578 thousand, to fully offset losses from previous years.

At 31 December 2021, the Company does not have issuance premium.

### **14.3 Legal reserve**

Under the Consolidated Spanish Companies Act, 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 can 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 2020, legal reserve was fully provided.

### **14.4 Distribution of dividends**

At 31 December 2021 there are no restrictions on the distribution of dividends.

The Parent has distributed dividends in years 2021 and 2020, for a total of EUR 6,502,608.30 each year.

### **14.5 Consolidated reserves**

Breakdown at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	31.12.2021	31.12.2020
Parent reserves	45,069	5,783
Consolidation reserves		
-From consolidated companies	152,544	174,465
-From companies considered equivalent	(6,538)	(5,423)
<b>TOTAL</b>	<b>191,075</b>	<b>174,825</b>

The breakdown, by company, of the balance of "Consolidated reserves" in the consolidated balance sheets, after taking into account the effect of consolidation adjustments, is as follows:

*Net profit/(loss) for the year attributable to the Parent by Subsidiaries*

	Thousands of Euros			
	2021		2020	
	Reserves	Profit/(Loss) for the year	Reserves	Profit/(Loss) for the year
Grupo Empresarial San José, S.A.	29,139	5,381	(20,294)	5,157
SJB Melrose	(5,054)	(5)	(5,078)	24
Constructor subgroup	181,541	6,964	214,321	16,134
Comercial subgroup	8,685	1,621	8,296	1,358
Udra Medios subgroup	(15,043)	118	(14,974)	(69)
San José Concessions y Servicios subgroup	3,550	570	3,383	169
San José Energía y Medio Ambiente subgroup	(5,398)	(99)	(5,514)	116
Cadena de Tiendas, S.A.U.	26	53	26	-
GSI Solutions, S.L.U.	167	308	82	85
	<b>197,613</b>	<b>14,911</b>	<b>180,248</b>	<b>22,974</b>

*Net profit/(loss) and reserves attributable to the Parent by companies accounted for valued using the equity method:*

The breakdown, by company, of the balance of this account in the consolidated balance sheets, after taking into account the effect of the valuation adjustments, and of the translation differences recognised in equity as a result of the valuation process, is as follows:

Company	Thousands of Euros			
	2021		2020	
	Reserves	Profit/(Loss) for the year	Reserves	Profit/(Loss) for the year
Distrito Castellana Norte, S.A.	(3,631)	(286)	(2,874)	(757)
Panamerian Mall, S.A.	(2,026)	1,060	(1,876)	(150)
Pinar de Villanueva, S.L.	(6,224)	(50)	(5,924)	(300)
Cresca, S.A.	(347)	(14)	(257)	(90)
CSJ GVK Projects y Technical SS. P.L.	5,690	(3,522)	5,508	1,076
	<b>(6,538)</b>	<b>(2,812)</b>	<b>(5,423)</b>	<b>(221)</b>



#### 14.6 Valuation adjustments

"Valuation adjustments" in the consolidated balance sheet includes the net amount of fair value adjustments of certain derivative instruments (see Notes 4.10 and 17) due to the application of IAS 9.

#### 14.7 Treasury Shares of the Parent

At 31 December 2021 and 2020 the Group did not hold any treasury shares neither had executed transactions with treasury shares during 2021 and 2020.

#### 14.8 Minority interests

At 31 December 2021 the of "Minority Interests" and "Profit (Loss) Attributable to Minority Interests" of consolidated companies is as follows:

Company	Thousands of Euros	
	Total minority interests	Profit/(Loss) for the year attributed to minority
Constructor subgroup	28,626	1,741
Udra Medios subgroup	(238)	2
San José Energía y Medio Ambiente subgroup	2,090	21
	<b>30,478</b>	<b>1,764</b>

The main amount assigned to minority shareholders is that it derives from the participation of the Constructor Group in the company "Carlos Casado, S.A.", a company in which the Group has a 52.19% interest. At 31 December 2021, the investee company contributes non-current and current assets to the Group in the amount of 49.6 and 8.8 million euros, respectively, with the amount of non-current and current liabilities amounting to 1.7 and 2.5 million euros, respectively. During the 2021 financial year, it contributed sales revenues amounting to 4.9 million euros, with the result for the year being 1.3 million euros.

Changes under this item during years 2021 and 2020 are as follows:

	Thousands of Euros	
	2021	2020
<b>Opening balance</b>	<b>26,187</b>	<b>27,123</b>
Profit/(Loss) for the year	1,764	(694)
Translation differences	2,684	94
Dividends	(97)	(216)
Adjustments attributable to minority interests and other	(60)	(120)
<b>Closing balance</b>	<b>30,478</b>	<b>26,187</b>

#### 14.9 Capital management

The Group's capital management focuses on achieving a financial structure that optimises the cost of capital while maintaining a solid financial position. This policy reconciles the creation of value for the shareholder with access to financial markets at a competitive cost in order to cover both debt refinancing requirements and investment plan financing needs not covered by the funds generated by the business.

As an indicator for capital management, the Directors of the Group consider the level of leverage, taking into account this ratio as the quotient of net financial debt and equity.

At 31 December 2021 and 2020, the amount of the above-mentioned parameter is as follows:

	Thousands of Euros	
	31.12.2021	31.12.2020
Non-current bank borrowings and other financial liabilities (Note 16)	100,792	108,067
Current bank borrowings and other financial liabilities (Note 16)	12,591	58,172
Other current financial assets (Note 13.3)	(16,554)	(75,084)
Cash and cash equivalents (Note 13.2)	(295,496)	(285,343)
<b>Total net</b>	<b>(198,667)</b>	<b>(194,188)</b>
<b>Net equity</b>	<b>182,143</b>	<b>169,513</b>

To the extent that the Group has a positive net cash position at 31 December 2021 and 2020, the leverage ratio is zero.

The Group presents its results in accordance with generally accepted accounting standards (see Note 2.1). However, directors believe that certain alternative performance measures (MARs) reflect the true and fair view of its financial information and provide useful additional financial information used in the management of the business and that shall be considered to adequately assess performance of the group.

Among other, the Group identifies as MAR the net financial debt (DFN), defining it as the total amount of bank and non-bank financial debt, including financial leasing creditors and the valuation of obligations associated with financial derivative instruments, recorded under "Other current financial assets" and "Cash and cash equivalents" in the current assets of the balance sheet.

#### 14.10 Equity situation of the Parent

At 31 December 2021 and 2020, the Parent records a positive net equity amounting to EUR 49,984 thousand and EUR 53,523 thousand, respectively, representing 30.5% and 31.6% of the subscribed and paid-up capital.

## 15 Provisions

The detail and movement during 2021 and 2020 of the main items under the accompanying consolidated balance sheet of the Group including recorded provisions are as follows:

	Thousands of Euros			
	Operating insolvences (Note 13)	Other operating provisions	Long term provisions	Total
<b>Balance at 31 December 2020</b>	<b>33,505</b>	<b>36,392</b>	<b>44,924</b>	<b>114,821</b>
Net impairment	1,175	(4,412)	10,247	7,010
Applications	(993)	(2,669)	(12,592)	(16,254)
Transfers and other	(1,366)	(312)	(6,836)	(8,514)
Translation differences	13	608	207	828
<b>Balance at 31 December 2021</b>	<b>32,334</b>	<b>29,607</b>	<b>35,950</b>	<b>97,891</b>

#### Other operating provisions

The operating provisions, recorded under the item "Short-term provisions" as current liabilities in the accompanying consolidated balance sheet, include the estimated amounts to deal with possible contingencies that arise in the normal development of the business: completion of works and post-sale, works with negative budgeted margin, etc.

Likewise, the amount of the Group's greenhouse gas emissions during years 2021 and 2020 for which it does not have emission rights purchased as of 31 December 2021 and 2020, standing at EUR 130 thousand and EUR 18 thousand, respectively, is included (see Note 12.7).

### **Non-current provisions**

This item mainly includes provisions to cover possible contingencies that may arise in the Group, arising from litigation and court proceedings, mainly as a result of the development of its activity

It is worth noting the provisions that the Group has recorded in relation to the judicial and / or arbitration proceedings related to construction contracts resolved unilaterally by clients, for a total amount of EUR 9.480 thousand and EUR 12,924 thousand, at 31 December 2021 and 2020, respectively (see Note 13.4).

The Directors of the Parent consider that the probability of an outcome of litigation and claims to occur are insignificant to justify the registration of additional provisions. The Directors of the Parent consider that the probability of an outcome of litigation and claims to occur are insignificant to justify the registration of additional provisions. The directors of the different companies within Grupo SANJOSE consider that present provisions are enough to deal with the current processes of litigation and claims or will not have a material effect on the consolidated financial statements.

## **16 Bank borrowings and debt instruments and other marketable securities**

The breakdown of said items in the consolidated balance sheet at 31 December 2021 and 2020 is as follows:

Year 2021:

	Thousands of Euros		
	Debts and accounts payable	Derivatives	Total
<b>Non-current financial liabilities:</b>			
Bank borrowings (Note 16.1)	5,806	-	<b>5,806</b>
Other financial liabilities (Note 16.4)	94,986	-	<b>94,986</b>
<b>Total non-current</b>	<b>100,792</b>	-	<b>100,792</b>
<b>Current financial liabilities:</b>			
Bank borrowings (Note 16.1)	10,510	-	<b>10,510</b>
Other financial liabilities (Note 16.4)	2,081	-	<b>2,081</b>
<b>Total current</b>	<b>12,591</b>	-	<b>12,591</b>

Year 2020:

	Thousands of Euros		
	Debts and accounts payable	Derivatives	Total
<b>Non-current financial liabilities:</b>			
Obligations and other securities (Note 16.3)	-	-	-
Bank borrowings (Note 16.1)	12,325	-	12,325
Derivatives (Note 17)	-	-	-
Other financial liabilities (Note 16.4)	95,742	-	95,742
<b>Total non-current</b>	<b>108,067</b>	<b>-</b>	<b>108,067</b>
<b>Current financial liabilities:</b>			
Obligations and other securities (Note 16.3)	33,081	-	33,081
Bank borrowings (Note 16.1)	18,403	-	18,403
Derivatives (Note 17)	-	87	87
Other financial liabilities (Note 16.4)	6,601	-	6,601
<b>Total corriente</b>	<b>58,085</b>	<b>87</b>	<b>58,172</b>

The detail of the variation existing in year 2021 in the total amount of financing received is as follows:

	Thousands of Euros							
	31.12.2020	IFRS16 effect	Cash flows	Transfers	Changes in fair value	Changes in the scope	Translation differences	31.12.2021
<b>Non-current financial liabilities:</b>								
Bank borrowings (Note 16.1)	12,325	-	(5,306)	(1,211)	(48)	-	46	5,806
Other financial liabilities (Note 16.4)	95,742	(2,478)	146	(200)	1,786	-	(10)	94,986
<b>Total non-current</b>	<b>108,067</b>	<b>(2,478)</b>	<b>(5,160)</b>	<b>(1,411)</b>	<b>1,738</b>	<b>-</b>	<b>36</b>	<b>100,792</b>
<b>Current financial liabilities:</b>								
Obligations and other securities (Note 16.3)	33,081	-	(31,781)	-	166	-	(1,466)	-
Bank borrowings (Note 16.1)	18,403	-	(9,743)	1,211	138	-	501	10,510
Derivatives (Note 17)	87	-	(74)	-	(13)	-	-	-
Other financial liabilities (Note 16.4)	6,601	(755)	(3,890)	200	-	(105)	30	2,081
<b>Total current</b>	<b>58,172</b>	<b>(755)</b>	<b>(45,488)</b>	<b>1,411</b>	<b>291</b>	<b>(105)</b>	<b>(935)</b>	<b>12,591</b>

Breakdown by maturity at 31 December 2021 is as follows:

	Thousands of euros				
	Year 2022	Year 2023	Year 2024	Year 2025 and followings	TOTAL
Bank borrowings (Note 16.1)	10,510	3,912	1,682	212	16,316
Derivatives (Note 17)	-	-	-	-	-
Other financial liabilities (Note 16.4)	2,081	375	-	94,611	97,067
<b>TOTAL</b>	<b>12,591</b>	<b>4,287</b>	<b>1,682</b>	<b>94,823</b>	<b>113,383</b>

**16.1 Bank borrowings**

Breakdown at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	31.12.2021	31.12.2020
<b>Non-current:</b>		
Finance leasing	4	31
Bank loans and credit facilities	5,393	11,626
Mortgage loans secured by inventories (Notes 10, 12 and 16.2)	409	668
<b>Total non-current</b>	<b>5,806</b>	<b>12,325</b>
<b>Current:</b>		
Finance leasing	55	88
Payables from discounted notes and bills	1,016	11,981
Bank loans and credit facilities	9,308	4,613
Total mortgage loans secured by inventories (Notes 10, 12 and 16.2)	131	1,808
<b>Total current</b>	<b>10,510</b>	<b>18,490</b>
<b>TOTAL</b>	<b>16,316</b>	<b>30,815</b>

All these loans bear interest at a rate tied to EURIBOR plus a market spread.

At 31 December 2021, Bank borrowings and loans" under non-current and current liabilities includes mainly:

- EUR 2,521 thousand and EUR 1,140 thousand, respectively (EUR 3,661 thousand and EUR 1,080 thousand at 31 December 2020) corresponding to Project finance, granted for the construction, commissioning and operation of the Plant and the facilities of the Group company Poligeneraci Parc de LAIba ST-4, S.A.'s Policy Project (see Note 7). Said plant acts as collateral for credit facilities.

EUR 2,533 thousand and EUR 4,999 thousand, respectively (EUR 7,533 thousand and EUR 2,467 thousand at 31 December 2020), corresponding to the ICO guarantee loan for an amount of EUR 10,000 thousand contracted on 18 June 2020 by the Group company "Constructora San José, SA". Maturing in three years and with a grace period of one additional year, at a variable interest rate referenced to Euribor plus a market differential.

At 31 December 2021, the Group has credit lines contracted for a total of EUR 14,000 thousand, maturing in 2022, and at a variable interest rate referenced to Euribor plus a market spread. having no amount drawn down to date (EUR 11,981 thousand at 31 December 2020).

The detail by maturity of debts with credit institutions as of 31 December 2021, is as follows:

	Thousands of euros				
	Year 2022	Year 2023	Year 2024	Year 2025 and followings	TOTAL
Finance lease	55	4	-	-	59
Payables from discounted notes and bills	1,016	-	-	-	1,016
Bank loans and credit facilities	9,308	3,774	1,546	73	14,701
Mortgage loans secured by inventories (Notes 10, 12 y 16.2)	131	134	136	139	540
<b>TOTAL</b>	<b>10,510</b>	<b>3,912</b>	<b>1,682</b>	<b>212</b>	<b>16,316</b>

At 31 December 2021, the joint ventures which the Group companies participate in contribute balances arranged in discount lines amounting to EUR 1,016 thousand. At 31 December 2020, JVs did not provide bank financing.

During years 2021 and 2020, no breach of financial obligations has been recorded.

## 16.2 Mortgage loans

At 31 December 2021, the Group's mortgage loans refer entirely to the financing of real estate inventories: "Parking spaces and commercial premises in Legazpi (Madrid)" recorded under the Group's consolidated current assets for a total net cost of EUR 1,900 thousand (see Note 10).

These mortgage loans bear annual interest at a market rate, which in 2021 ranged from 1.95% to 2.00%.

During the month of February 2022, the Group has fully amortised in advance said financing (see Note 10).

### **16.3 Obligations and other securities**

On 24 March 2015 the Group issued bond in the capital market of Chile, through its associate "Sociedad Concesionaria San José-Tecnocontrol, S.A." relying on Banco Itaú Chile as finance advisor. Total emission amounted to EUR 6,302 thousand UF (nearly EUR 223,684 thousand). Said bonds were used for the early repayment of the syndicated loan granted to the Group in Chile in 2011 for the financing of the construction of the hospitals of Maipú and La Florida in Chile (see Note 13.4.1).

It is repaid on an annual basis by equal instalments of 1,014 thousand UF, with maturity on 30 June 2021, with an average interest rate amounting to 3.1%. Said transaction had been guaranteed, with an average annual rate of 4.0%. During June 2021, the Company has paid the sixth instalment.

### **16.4 Other financial liabilities**

The item "Other non-current financial liabilities" mainly includes the amount of the financial debt granted by the company "Merlin Properties Socimi, S.A." as part of the purchase price paid in the partial sale of the Group's stake in its investee company "Distrito Castellana, Norte, S.A." (see Note 11), signed on 31 October 2019, for the amount of EUR 86,397 thousand, with a single 20-year maturity and an annual 2% fixed interest rate, payable at maturity, having provided the participation of the Castellani current 10% that the Group owns in the company "Distrito Castellana Norte, SA" as collateral (see Note 11) .

At 31 December 2021 and 2020, the debt arising from the loan amounts to EUR 89,564 thousand and EUR 88,117 thousand, respectively. The variation in year 2021 is due to accrued financial expenses pending payment net of the applicable tax withholding.

Likewise, this item includes the financial debt recorded by the Group in application of the provisions of IFRS 16 "Leases", for a total amount of EUR 2,675 thousand and EUR 5,908 thousand at 31 December 2021 and 2020, respectively (see Note 22.6). Future cash outflows not reflected in the valuation of lease liabilities which the Group is potentially exposed to are not significant as of 31 December 2021 and 2020.

Additionally, this item includes EUR 4,828 thousand and 8,318 thousand at 31 December 2021 and 2020, respectively, corresponding to debts of companies of the Group with minority shareholders for the for acquisition of property assets and the development of the activity.

## **17 Derivative Financial Instruments**

The Group contracts OTC derivative financial instruments with national and international high credit rating banks.

To determine the fair value of interest rate derivatives (Fixed Rate Swaps or structures with options), the Group uses cash flow discounts based on assumptions established by the Euro interest rate curve according to market conditions at the date of measurement.

At 31 December 2021, derivative financial instruments of Grupo SANJOSE are mainly Interest Rate Swaps and cross-currency swaps.

For determining the fair value of financial derivatives, the Group applies an assessment method based on the discount of flows under implicit forward curve rates.

Interest rate derivatives contracted by the Group and effective at 31 December 2021 and 2020, together with their fair values at said date, are the following:

Year 2021:

Company	Financial Instrum.	Maturity	Thousands of Euros		
			Initial par value	Remaining par value at 31.12.2021	Balance at 31.12.2021
<b>Efficient Hedges:</b>					
Trendy King, S.A.U.	CCS-GBP	15/03/2022	180	180	4
Trendy King, S.A.U.	CCS-GBP	15/03/2022	82	82	2
Trendy King, S.A.U.	CCS-GBP	23/05/2022	82	82	1
Trendy King, S.A.U.	CCS-GBP	16/08/2022	35	35	2
<b>TOTAL</b>			<b>379</b>	<b>379</b>	<b>9</b>

Year 2020:

Company	Financial Instrum.	Maturity	Thousands of Euros		
			Initial par value	Remaining par value at 31.12.2020	Balance at 31.12.2020 (Note 16)
<b>Efficient Hedges:</b>					
Trendy King, S.A.U.	CCS-GBP	15/02/2021	108	108	4
Trendy King, S.A.U.	CCS-GBP	15/03/2021	112	112	-
Trendy King, S.A.U.	CCS-GBP	16/02/2021	508	508	(18)
Trendy King, S.A.U.	CCS-GBP	15/04/2021	67	67	-
Trendy King, S.A.U.	CCS-GBP	15/06/2021	417	417	(10)
Trendy King, S.A.U.	CCS-GBP	15/06/2021	411	411	(4)
Trendy King, S.A.U.	CCS-GBP	15/02/2021	56	56	-
Trendy King, S.A.U.	CCS-GBP	16/08/2021	277	277	1
Poligeneració Parc de l'Álba ST-4, S.A.	IR Swap	15/12/2021	15,541	1,255	(55)
<b>TOTAL</b>			<b>17,497</b>	<b>3,211</b>	<b>(82)</b>

Assets and liabilities as hedge financial instruments include the changes in the measurement of fair value of hedge financial instruments. At 31 December 2021, the instruments contracted by the Group companies are cross-currency swaps, linked to elements of the assets and/or liabilities of the consolidated balance sheet, as well as to highly probable forecast transactions. All of them meet the requirements of IFRS 9 to be designated as hedged items within a hedging relationship.

The Group records as equity the change in fair value of hedge accounting financial instruments. At 31 December 2021, the adjustment in equity for the fair values of Hedge Elements, net of taxes, is positive amounting to EUR 83 thousand (at 31 December 2020 it was negative, amounting to EUR 67 thousand).

During 2021 and 2020, EUR 70 thousand and EUR 100 thousand before tax have been recycled from Equity in the income statement to higher Interests and procurement costs as financial liabilities' interests were registered or purchases were carried out in a covered currency.

**Classification of financial instruments**

Regarding assets and liabilities measured at fair value, the Group follows hierarchy set out by IFRS 13 for their classification pursuant to input used for their measurement and market conditions:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs taxes, is are unobservable inputs for the asset or liability.

According to IFRS 13, the hierarchy categorises the inputs used in valuation techniques of assets and liabilities into three levels. (Level 1, Level 2, Level 3). The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs

Derivatives of the Group are classified as Level 2. On a residual basis, as of 31 December 2021, the Group classified as Level 1 the investment made in shares of an investee (see Note 11).

No transfers from Level 1 to Level 2 have taken place during year 2021. Neither had taken place inputs or outputs of Level 3 at 31 December 2020.

## **18 13.1 Trade and other payables**

### **18.1 Trade payables**

"Trade and other payables" includes mainly the amounts outstanding for trade purchases and any related costs, as well as advances from customers (see Note 18.2).

The Group management considers that the carrying amount of trade and other receivables approximates their fair value.

Breakdown for years 2021 and 2020 is as follows:

	Miles de Euros	
	31/12/2021	31/12/2020
Trade payables for sales and services		
-in Euros	156,885	145,314
-in foreign currency	61,532	85,956
Notes payable	188,159	157,383
<b>Total</b>	<b>406,576</b>	<b>388,653</b>

### **Information on deferred payments to suppliers. Third supplementary provision. "Information duties" of Act 15/2010 on 5 July.**

In relation to the information required by the third additional provision of Law 15/2010, of 5 July, modified through the second final provision of Law 31/2014, of 3 December, the average payment period to suppliers of the Spanish companies of the Group during years 2021 and 2020, as well as the balance of payments made and pending as of 31 December 2021 and 2020: is provided herein:

	Year 2021	Year 2020
<b>Average payment term to suppliers (days)</b>	<b>52</b>	<b>49</b>
Ratio of paid transactions (days)	52	49
Ratio of outstanding transactions (days)	54	48
Total payments made (Thousands of Euros)	683,914	550,373
Total outstanding payments (Thousands of Euros)	254,561	216,713

In accordance with the ICAC Resolution on 29 January 2016, on the information to be incorporated into the financial statements in relation to the average period of payment to suppliers in commercial operations, for the calculation of the average period of payment to suppliers, commercial operations corresponding to the delivery of goods or services accrued during the year have been taken into consideration.

For the sole purpose of giving the information provided in this Resolution, suppliers are considered to be commercial creditors for debts with suppliers of goods or services, included in the "Suppliers" and "Sundry payables" items of the current liabilities of the balance sheet.



The Directors of the Company have not considered the balance of payments made during the year to Group companies domiciled abroad, considering that said balances and transactions are outside the scope of the law.

According to Act 15/2010 as of 5 July, amendment of Act 3/2004 on 29 December on default payment measures, maximum payment time in 2012 is 60 days as from 1 January 2013.

A significant part of the Group's transactions is with public sector customers, such as States, Autonomous Communities, City Halls, Local Agencies and other public authorities, which usually pay in longer periods than the established by Law. Due to this, the Group sometimes has payment deadlines which exceed the payment periods set out by law. However, the Group follows the overall practices within the sector, following common sense and not abusing their powers pursuant to Article 3 Act 3/2004.

## **18.2 Customer advances**

This item relates fundamentally to the advances received from the buyers of the properties relating to the developments in progress or advances for the sale of real estate assets.

Real estate advances at 31 December 2021 and 2020 amount to EUR 1,798 thousand and EUR 2,376 thousand, respectively, and relate fundamentally to the advances received from the buyers for the properties relating to the developments in progress or completed developments at year-end, whose completion and/or delivery are scheduled for subsequent years (see Note 12.4).

Additionally, the advances received from clients to finance the progress of the works are recorded, amounting to EUR 17,422 thousand and EUR 26,753 thousand, as of December 31, 2021 and 2020, respectively. Advances are reduced based on the certification issued by the Group's companies for work carried out, in accordance with the provisions of the contracts with customers (usually between 5 and 10% of the amount of the certifications issued). During 2021, there has been a total reduction in the advances received amounting to EUR 9,660 thousand, derived from certifications issued during the year.

At 31 December 2021 and 2020 this item includes "Amounts Billed in Advance for Construction Work" totalling EUR 83,974 thousand and EUR 93,303 thousand, respectively, (see Note 13.1) which relate to progress billings issued during the year for construction work yet to be performed and which are not recognised as revenue for the period in accordance with the method of recognition of revenue for completed construction work, based on the percentage of completion method used by the Group, described in Note 4.11.

Advances received from customers are recorded to finance the advancement of the works amounting to EUR 17,422 thousand and EUR 26,753 thousand at 31 December 2021 and 2020.

## **19 Risk exposure**

### **19.1 Exposure to credit risk**

The Group is not exposed to significant credit risk, since its customers and the institutions in which cash placements are made or with which derivatives are arranged are highly solvent entities, in which counterparty risk is not significant.

The Group's main financial assets are cash and cash equivalents, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is mainly attributable to trade receivables. The amounts are reflected in the consolidated balance sheet net of provisions for expected loss, estimated by the Group's Management. The amount of financial assets recognised in the consolidated financial statements, net of possible impairment losses, represents the Group's maximum exposure to credit risk, excluding guarantees or other credit improvements provided.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparts are banks with high credit ratings assigned by international credit rating agencies.

The Group does not have a significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Group, depending on the business sector, took out credit insurance enabling it to reduce commercial credit risk arising from transactions with debtors.

The Group monitors credit management and has specific procedures in place in this connection, setting terms and conditions for the acceptance of orders and regularly monitoring orders.

### 19.2 Exposure to interest rate risk

Interest rate risks arises from changes in the future cash flows from variable rate borrowings (or with current maturity) as a result of changes in market interest rates.

The objective of interest rate risk management is to mitigate the impact on borrowing costs arising from fluctuations in interest rates. Given the low level of leverage referenced to a variable interest rate, derivatives have not been contracted (see Notes 16 and 17).

The sensitivity of profit and equity of the Group to changes in the interest rate at 31 December 2021, considering the existing hedging instruments and financing fixed rate is as follows (considering fluctuations of fifty basic points in applicable interest rates):

(in Millions of Euros)	Variation scenarios	
	- 50 bp	+ 50 bp
Impact on the total profit/(loss) for the year	0.1	(0.1)
Impact on Equity	(0.1)	0.1

### 19.3 Exposure to exchange rate risk

The policy of the Group is to use its own currency for activity developed abroad. However, whenever this may not be possible, the Group hedges exchange rate risk with financial derivatives.

Its foreign currency risk exposure relates to its investments in the companies detailed in Note 4.13, and which are financed in local currency.

Exchange rate and equity sensitivity at 31 December 2021, considering the existing hedging instruments and a fixed interest rate, is as follows (considering fluctuations of fifty basic points in applicable interest rates):

(in Millions of Euros)		Impact on the profit/(loss) for the year		Impact on Equity	
Country	Currency	-5%	5%	-5%	5%
Chile	CLP	0.3	(0.4)	(3.5)	3.9
Argentina	ARS	-	(0.1)	(1.4)	1.6
Mexico	MEX	0.1	(0.1)	(0.2)	0.3
Peru	PEN	0.1	(0.1)	(1.2)	1.3
Abu Dhabi	AED	(0.9)	1.0	0.5	(0.5)
<b>TOTAL</b>		<b>(0.4)</b>	<b>0.3</b>	<b>(5.8)</b>	<b>6.6</b>

### 19.4 Exposure to liquidity risk

The Group pursues the prudent management of the liquidity risk based on the maintenance of sufficient cash and marketable securities, availability of financing through a sufficient level of committed credit facilities and sufficient capacity to settle market positions. The Group calculates its cash requirements through a 12-month cash budget.

The detail of payment obligations derived from the Group's financial liabilities as of 31 December 2021, based on their maturity, using undiscounted amounts, is as follows:

	Thousands of Euros				
	Year 2022	Year 2023	Year 2024	Year 2025 and followings	Total
Bank borrowings	10,631	3,824	1,561	69	16,086
Finance leasing	57	4	-	-	61
Other financial liabilities	2,360	658	289	123,915	127,221
<b>Total financial debt</b>	<b>13,047</b>	<b>4,486</b>	<b>1,850</b>	<b>123,984</b>	<b>143,368</b>

At 31 December 2021 and 2020, the Group records a positive working capital amounting to EUR 150.2 million and EUR 160.2 million, what guarantees its feasibility regarding all current financial liabilities included within the accompanying consolidated balance sheet.

In addition to the discount lines (see Note 16.1), as of 31 December 2021, the Group had contracted confirming lines for a total amount of EUR 105,000 thousand, being the amount drawn down as of that date EUR 75,071 thousand (EUR 57,461 thousand at 31 December 2020) These confirming lines are considered trade balances as there are no relevant variations in the term or payment of interest.

## **20 Taxation**

The Group companies file individual tax returns in accordance with the tax legislation in force in each country. With regard to Spain, the San Jose Group, composed of Grupo Empresarial San Jose, S.A. as the Parent and all the Spanish subsidiaries in which it holds a direct or indirect ownership interest of at least 75%, files income tax statements under the special taxation regime with number 002/06 (See Note 4.15).

For each of the consolidated companies, income tax is calculated on the basis of the accounting profit or loss determined by application of generally accepted accounting principles, which does not necessarily coincide with the taxable profit or tax loss.

At 31 December 2021, the following SANJOSE group companies filed consolidated tax returns, acting "Grupo Empresarial San Jose, S.A." as the head of the consolidated tax group:

Constructora San José, S.A.  
 Cartuja Inmobiliaria, S.A.U.  
 Desarrollos Urbanísticos Udra, S.A.U.  
 Inmobiliaria Americana de Desarrollos Urbanísticos, S.A.U.  
 San José Concesiones y Servicios, S.A.U.  
 Tecnocontrol Instalaciones, S.L.U.  
 Tecnocontrol Sistemas de Seguridad, S.A.U.  
 Tecnocontrol Servicios, S.A.U.  
 Comercial Udra, S.A.U.  
 Basket King, S.A.U.  
 Arserex, S.A.U.  
 Trendy King, S.A.U.  
 Outdoor King, S.A.U.  
 Athletic King, S.A.U.  
 Vision King S.A.U.  
 Running King, S.A.U.  
 Udramedios, S.A.U.  
 Xornal de Galicia, S.A.U.  
 Xornal Galinet, S.A.U.  
 San José Energía y Medioambiente, S.A.U.

Poligeneració Parc de L'Alba ST-4, S.A.

Enerxías Renovables de Galicia, S.A.

Cadena de Tiendas, S.A.U.

GSJ Solutions, S.L.U.

Fotovoltaica el Gallo 10, S.L.

Further, as from 1 January 2015, the associate "EBA, SL." has become the Parent of a consolidation tax group under the tax regime of the Basque Country, which also includes the following company within its scope of consolidation: Alexín XXI, S.A.U.

### **20.1 Years open for review by the tax authorities**

Grupo Empresarial San Jose, S.A. and the subsidiaries forming the consolidated tax group have the last four years and 2017 open for review.

Except for these companies and periods, the other Group companies have the last four years open for review for all the main taxes applicable to them.

With regard to corporation tax, according to the new regulations the right of the Spanish administration to initiate the verification procedure of the paid, offset or outstanding quotas or any deductions applied or to be applied in future is extended to ten years as from 10 Years the day following that on which the statutory deadline for filing them or for the year or taxable period in which the right was generated to offset such quotas or apply such deductions, being therefore only subject to review deductions and tax losses generated since 2011.

With respect to the other subsidiaries that are either not domiciled in Spain or do not form part of the consolidated tax group, the years open for review are in accordance with the maximum periods established in the legislation applicable in each country of residence, existing years open for review in Chile on some companies of the Group in said country. Tax inspections have not been started in the outstanding countries during year 2021.

Pursuant to available information, the Parent's Directors consider that no additional material liabilities will arise as a result of future audits of the years open for review.

### **20.2 Income tax**

Income tax is calculated for each unit integrating the Group, in compliance with tax regulations for each country. Applicable tax rates for each country where the Group operates are as follows:

<b>Country</b>	<b>Applicable tax rate</b>
Spain	25%
Peru	30.0%
Cape Verde	22.0%
Portugal	24%
Chile	27%
Mexico	30%
India	25.6%
Abu Dhabi	0%
Malta	35%
Paraguay	10%
Argentina	25% -35%

The balance of "Income Tax" in the accompanying consolidated income statement for 2021 and 2020 was determined as follows:

	Thousands of Euros	
	2021	2020
<b>Profit/(Loss) before tax</b>	<b>22,987</b>	<b>35,917</b>
Increases at individual companies	39,211	46,835
Decreases at individual companies	(6,411)	(21,451)
Adjustment for inflation in hyperinflationary economies	(69)	2,023
Equity method	2,812	221
Offset of prior years' tax losses	(6,510)	(49)
<b>Taxable profit</b>	<b>52,020</b>	<b>63,496</b>
Less taxable profit of companies not resident in Spain	(21,849)	(32,831)
Less taxable profit excluded from accounting records	-	-
<b>Tax loss of consolidated group resident in Spain</b>	<b>30,171</b>	<b>30,665</b>
<b>Gross tax payable</b>	<b>7,530</b>	<b>7,659</b>
Plus-deductions	(226)	(144)
<b>Accrued tax expense</b>	<b>7,304</b>	<b>7,515</b>
Adjustment for inflation in hyperinflationary economies	(2,270)	(1,773)
Non resident tax expense	4,090	8,116
<b>Tax expense</b>	<b>9,124</b>	<b>13,858</b>

Royal Decree Law 3/2016 on 2 December 2016, approving tax measures, introduces significant limitations in fiscal legislation regarding the ability of large companies to offset the negative tax bases that could have been generated in previous years, as well as the application of deductions. Likewise, the tax reversal of the impairment of financial holdings was required, which were tax-deductible in the tax base prior to January 1, 2013.

On December 30, 2020, Law 11/2020, on the General State Budget for the year 2021, was approved, in force on January 1, 2021, in which some modifications are introduced in the Corporate Tax Law. Among the most relevant measures with an impact on the Group's companies, it would be worth highlighting the limitation that is introduced with respect to the exemption on dividends and positive income derived from the transfer of securities representing the own funds of entities resident and non-resident in Spanish territory, establishing that its amount is 5% of the dividend or positive income obtained, so that the amount will be exempt in 95% of said dividend or income.

Subsequently, on December 29, 2021, Law 22/2021 of December 28, on the General State Budget for the year 2022, has been approved with effect from January 1, 2022 and of which it is worth noting, as it is applicable to the companies of the Group, the introduction of a minimum tax regime of 15% of the taxable base for those taxpayers whose net amount of turnover is at least EUR 20 million during the 12 months prior to the date on which the tax period begins or that they are taxed in the corporate tax consolidation regime, regardless of their net amount of turnover.

The impact of this regulatory change in the Group's consolidated financial statements as of 31 December 2021 has been negligible

### 20.3 Tax loss carry forwards

At 31 December 2021 total tax loss carry forwards pending Offset amounts to EUR 473,395 thousand (EUR 492,712 thousand in 2020). The Group records under "Deferred tax assets" in the accompanying consolidated balance sheet at 31 December 2021 a tax credit arising from said tax loss carry forwards amounting to EUR 13,895 thousand (EUR 11,021 thousand in year 2020).

The Directors of the Group have assessed the recovery of assets for deferred taxes based on the activities developed by the Group for the term 2022-2031, including the applicable Tax Plan.

Projections used are in line with the Strategic Plan of Group SANJOSE, appropriately reviewed and updated by the directors of the Group according to the most recent trade projections, which take into account the historical evolution in recent years, and the financial stability of last years and, specially, that achieved during the year. Likewise, revenue and margin projections have been draft using external resources from recognised international prestige, such as the International Monetary Fund, and information regarding plans for public investment in infrastructure in the coming years of the main countries where the Group operates.

Forecasts of the Group are based on profits, which have, in fact, already been obtained in the last years. The most significant assumptions used to affect such Tax Plan at 31 December 2021, regarding construction activity, are as follows:

- Regarding construction activity:

- Sales: total construction revenue is distributed among countries where the Group operates, based on the current activity and contracted portfolio (short and medium term) and the guidelines established in the business plan Group (medium and long term), assuming a 3-6% annual growth of total construction activity for the period 2022-2031.
- A relatively margin EBITDA standing at 6.0%.
- Potential capital gains from the sale of real estate assets or income and benefits of urban development activity have not been considered in this cash generating unit.

- Regarding the other activities: energy, commercial, services and maintenance. They are secondary with regards to the main construction business,

- Sales: overall growth in line with inflation rate for the period (1.5-4%).
- EBITDA margin: it keeps in line with the average margins of the last years.

As a result of the Tax Plan made, it is concluded that the Group generates sufficient taxable income to offset the amount of deferred tax assets recorded at 31 December 2021, in a given period of 5 years.

The detail of the tax loss carry forwards of the consolidated companies at 31 December 2021 is as follows:

Company	Year of inclusion	Thousand of Euros
Grupo Empresarial San José S.a. and subsidiaries Tax consolidated group	2004-2015	406,066
Spanish companies not included within the consolidated tax group	2013-2014	831
Foreign companies	1999-2020	66,498
<b>TOTAL</b>		<b>473,395</b>

In the case of the Spanish companies and under current legislation, the tax losses of a given year since 1998 can be carried forward for tax purposes for an indefinite period of time. Tax loss carry forwards of companies for offset when becoming an integral part of the group, may be forwarded for the parent with the limit of the individual company. However, the final amount of the tax losses to be offset may be modified as a result of the review by the tax authorities of the years in which the losses were incurred into.

Directors of the parent consider that the Tax Group, in accordance with the existing Business Plan, will be able to generate positive results in order to offset the recorded tax credits.

#### **20.4 Deferred tax assets and liabilities**

The deferred tax assets recognised in the accompanying consolidated balance sheet at 31 December 2021 and 2020 arose as a result of the following:

Year 2021:

	Thousands of Euros				
	31.12.2020	Changes affecting current year profit/(loss)	Equity adjustments	Reclassifications and other	31.12.2021
Assets from deductible temporary differences:	15,893	(804)	-	-	15,089
Tax credit carry forwards	3	-	-	-	3
Tax credits to offset loss	11,021	(167)	-	3,042	13,896
	26,917	(971)	-	3,042	28,988

Year 2020:

	Thousands of Euros				
	31.12.2019	Changes affecting current year profit/(loss)	Equity adjustments	Reclassifications and other	31.12.2020
Assets from deductible temporary differences:	16,245	(334)	(18)	-	15,893
Tax credit carry forwards	3,477	(144)	-	(3,330)	3
Tax credits to offset loss	14,740	(1,863)	-	(1,856)	11,021
	34,462	(2,341)	(18)	(5,186)	26,917

The balance of "Deferred tax liabilities" at 31 December 2021 relates basically to the following items:

- 1 Acknowledgement of tax credits arising from negative tax bases declared by companies of the Group.
- 2 Difference between concessions and projects in progress in certain countries.
- 3 The differences between accounting and fiscal criteria within the Spanish regulation regarding receivables, financial profit/(loss) and amortisations.

The deferred tax assets recognised in the accompanying consolidated balance sheet at 31 December 2021 and 2020 arose as a result of the following:

	Thousands of Euros	
	Year 2021	Year 2020
<b>Initial balance</b>	<b>25,196</b>	<b>24,261</b>
Profit changes	2,950	1,978
Equity adjustments	(15)	(12)
Short-term transfers	(9,472)	-
Other adjustments	(772)	(1,031)
<b>Final balance</b>	<b>17,887</b>	<b>25,196</b>

The balance of "Deferred tax liabilities" at 31 December 2021 relates basically to the following items:

- 1 Different criteria of projects in progress in different regulations.
- 2 Elimination of the outcome of intergroup transactions within the consolidable tax Group pending incorporation.
- 3 Different accounting and tax criteria for the amortisation of assets.

Investment commitments of deferred income arising from property, plant and equipment sales made in the period from 1997 to 2001, inclusive, was reinvested in full before 31 December 2006.

**20.5 Tax credits**

Tax credits earned in the year in excess of the applicable legal limits may be deducted from the income tax payable in the coming years, subject to the limits and deadlines established in this connection by the related tax legislation. The Group has availed itself of the tax benefits provided for in the aforementioned legislation, having considered as a

lower expense for corporate tax accrued in the year 2021 the amount of EUR 226 thousand (EUR 144 thousand in 2020).

## 20.6 Tax receivables and payables

The detail of the Group's tax receivables and payables at 31 December 2021 and 2020 is as follows:

	Thousands of Euros			
	31.12.2021		31.12.2020	
	Current	Non-current	Current	Non-current
<b>Tax assets:</b>				
Deferred tax assets	-	28,988	-	26,917
Tax receivables				
VAT receivables	20,292	-	13,534	-
Sundry receivables	12,363	-	21,945	-
<b>Total tax assets</b>	<b>32,655</b>	<b>28,988</b>	<b>35,479</b>	<b>26,917</b>
<b>Tax liabilities:</b>				
Deferred tax liabilities	-	17,887	-	25,196
Tax payables				
VAT payables	485	-	7,138	-
Personal income tax payable	11,333	-	4,185	-
Sundry payables	10,839	-	2,791	-
Social Security payables	2,761	-	2,512	-
<b>Total tax liabilities</b>	<b>25,418</b>	<b>17,887</b>	<b>16,626</b>	<b>25,196</b>

## 20.7 Restructuring transactions

The following restructuring transactions have been executed pursuant to the provisions of the Structural Modifications Act 3/2009 and according to the provisions of the tax regulations applicable during the 7 Restructuring years which they took place in, that is Chapter VIII of Title VII on the Special Regime of mergers, spin-off and exchange of shares established by the Legislative Royal Decree 4/2004 on 5 March approving the Consolidated Spanish Corporation Tax Law in force until 2015.

### Transactions executed within the previous years:

1 - The company Parquesol Inmobiliaria y proyecto S.L. was incorporated on 3 February 2000 by the absorption of several companies (Parquesol Alquileres S.L., Parquesol Inmuebles S.L., Parquesol Inmobiliaria MMM SA and Parquesol Residencial y Desasarrollo S.L.) and the incorporation of two new companies, one of them Grupo Parquesol MM SL. More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2000 of Grupo Parquesol MM S.L.

2.- Merger through absorption of the company Parquesol Inmobiliaria y Proyectos S.L. (former Miralepa Cartera) as absorbing company and Parquesol Inmobiliaria y Proyectos S.L. and Miralepa Cartera S.L. as absorbed companies on 2 March 2006, with full effect as of 31 October 2005. More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2006 of Parquesol Inmobiliaria y Proyectos S.L.

3.- As of 29 December 2008 Constructora San José S.A. absorbed the subsidiaries Alcava Mediterranea S.A., Constructora Avalos S.A., Balltagi Meditterriani SA and Construcción, Rehabilitación y Conservación S.A. More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2008 of Constructora San José S.A.

4.- As of 30 January 2009 Sanjose Tecnologias S.A. absorbed the subsidiaries Artel Ingenieros S.L., Sefri Ingenieros S.A. Instal 8 S.A. y S.M.Klima S.A. More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2009 of Sanjose Tecnologias S.A.



5.- On 16 June 2009 took place the merger through absorption of Parquesol Inmobiliaria y Proyectos, S.A. as absorbing company of the associates Parzara, S.L.U., Guadalmina Inversiones, S.L.U., Fomento Inmobiliario de Gestión, S.A.U., Parquesol Promociones y Desarrollos Inmobiliarios, S.L.U. and Parque Usera, S.L. More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2009 of Grupo Empresarial Sanjose S.A.

6.- On 16 June 2009 took place the merger through absorption of "Udra, S.A." (currently GRUPO EMPRESARIAL SAN JOSÉ, S.A.) with "Grupo Empresarial San José, S.A.", "San José Infraestructuras y Servicios, S.A.", "Udramed, S.L.U.", "Parquesol Inmobiliaria y Proyectos, S.A." and "LHOTSE Desarrollos Inmobiliarios, S.L.". More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2009 of Grupo Empresarial Sanjose S.A.

7.- On 28 December 2009 took place the merger through absorption of Sanjose Tecnologías S.A. as absorbing company and Tecnocontrol S.A.U. as absorbed company. More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2009 of Sanjose Tecnologías, S.A.

8.- On 28 December 2009 Tecnocontrol transferred its branch of activity of maintenance of mechanical facilities in favour of Tecnocontrol Servicios SA. More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2009 of Tecnocontrol Servicios, S.A.

9- As of the 30 July 2010, segregation of the real estate branch of activity of Grupo Empresarial San Jose, S.A. (formerly, Udra, S.A.) in favour of "San Jose Desarrollos Inmobiliarios, S.A." (formerly, Inmobiliaria Udra, S.A.) and capital increase of the beneficiary company. *Segregation of the real estate activity* In order to obtain a greater detail of the assets, rights and obligations of a fiscal nature transmitted, all the accounting information required in the fiscal regulations is detailed in the Financial Statements for year ended 31 December 2010 of San José Desarrollos Inmobiliarios, SA

10- Spin-off of "Sanjose Tecnologías, S.A.U." in favour of "Constructora San Jose, S.A.", "Sanjose Energia y Medio Ambiente, S.A." and "Sanjose Concesiones y Servicios, S.A.U." on 27 December 2010. More details of property, rights and obligations can be found on the Notes to the Financial Statements for year ending 31 December 2010 of Constructora San José, S.A., "Sanjosé Energía y Medio Ambiente, S.A." and "Sanjose Concesiones y Servicios, S.A.U

On 3 December 2013 took place the merger through absorption of the company Inmobiliaria Europea de Desarrollos Urbanísticos S.A. of the companies Inversiones Patrimoniales Guadaiza S.L, Iniciativas Galebal S.L. and San pablo Plaza S.L. Merger has accounting effects as of 1 January 2013.

12.- On 21 December 2016, the Sole Shareholder of the company "Desarrollos Urbanísticos Udra, SAU" adopted the decision to dissolve its investee "Inmobiliaria Europea de Desarrollos Urbanísticos, SAU" in order to proceed to its absorption, without liquidation, by transferring all its assets, rights and obligations to the absorbing company, which acquires and assumes them as universal succession, being surrogated in all rights and obligations of the absorbed companies, which are dissolved without liquidation once granted through public deed the merger agreement on 21 December 2016, and filed and registered at the Trade Registry of Companies of Pontevedra on 28 December 2016.

## **21 Guarantee commitments to third parties**

At 31 December 2021 and 2020, the Group had received from banks and insurance companies guarantees provided to third parties amounting to EUR 337 million and EUR 352 million (mainly project and definite tender and performance bonds to public and private bodies). EUR 0.04 million of which correspond to the parent company and the rest to the subsidiaries at the previous years.

Of the total of guarantees provided to third parties by the Group, EUR 195 million (approximately 58%) relate to the international activity of the Group, mainly in Abu Dhabi and India, amounting to EUR 78 million and EUR 39 million, respectively

Parent Directors do not consider any liability arising in connection to the committed guarantees.

## **22 Revenue and expenditure**

### **22.1 Revenue**

The detail of "Net Revenue" in the accompanying consolidated income statements for 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Construction:		
-Civil works	55,641	61,610
-Residential	299,299	290,987
-Non Residential	450,624	492,717
-Industrial	31,993	22,266
	<b>837,557</b>	<b>867,580</b>
Real Estate	17,193	8,568
Concessions and services	52,162	72,532
Energy	11,481	10,804
Consolidation adjustments and other	9,294	2,497
<b>Net turnover</b>	<b>927,687</b>	<b>961,981</b>

From the total net amount of the Group's construction turnover, 27% and 29% of construction revenues refer to sales to the public sector in years 2021 and 2020, respectively.

From the total net amount of the Group's turnover, in 2021 and 2020, EUR 62.8 million and 151.6 million, respectively, are derived from the participation of the Group's companies in JVs (see Annexure III).

In general, works are carried out by the Group Companies as main contractor.

The contracted backlog as of 31 December 2021 and 2020 amounts to EUR 2,118 million and EUR 1,821 million, respectively, and its breakdown is as follows:

	Millions of Euros	
	2021	2020
Construction:		
-Civil works	188	181
-Residential	798	348
-Non Residential	486	649
-Industrial	59	56
<b>Subtotal construction</b>	<b>1531</b>	<b>1234</b>
Concessions and services (*)	219	204
Energy	368	383
<b>Total Backlog</b>	<b>2118</b>	<b>1821</b>
<u>Details by type of client:</u>		
-Public-sector	18.74%	27.92%
-Private-sector	81.26%	72.08%
<u>Details by geographical area:</u>		
-Domestic market	77.71%	67.97%
-International market	22.29%	32.03%

(\*\*) According to the economic model of concessionaires

"Other operating income" of the accompanying consolidated income statement as of 31 December 2021 and 2020, mainly includes an amount of EUR 19,387 thousand and EUR 20,303 thousand, respectively, related to extraordinary income and repercussion cost.

The Group presents its results in accordance with generally accepted accounting standards (see Note 2.1). However, directors believe that certain alternative performance measures (MARs) reflect the true and fair view of its financial

information and provide useful additional financial information used in the management of the business and that shall be considered to adequately assess performance of the group.

Among others, the Group identifies the portfolio as MAR, defining it as the total amount of sales contracted by Group companies with customers, discounting the part realised and recognised as income in the income statement. In concession contracts, the total amount of sales is identified with the best estimate made by the Group, which is included in the economic-financial business plan of the concession.

## 22.2 Procurements and other external expenses

The detail of this item under the income statement for years 2021 and 2020 is as follows

	Thousands of Euros	
	2021	2020
Purchases of goods, raw materials and other supplies	176,853	187,282
Changes in inventories	485	(2,612)
Impairment of inventories (Note 12.5)	2,700	3,773
Works performed by other companies	476,685	480,686
<b>Total procurement</b>	<b>656,723</b>	<b>669,129</b>

"Works performed by Other Companies" includes work that forms part of the Group's own production process but is commissioned from subcontractors or other companies.

"Other current management expense" in the accompanying consolidated income statement for years 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
R&D expenses	5	7
Leases	28,495	26,728
Repair and maintenance services	1,602	1,450
Independent professional services	18,716	15,747
Transport and freight costs	1,160	1,222
Insurance premiums and banking services	5,821	4,054
Advertising and publicity	1,992	2,115
Utilities	10,008	11,351
Other services	31,356	30,337
Taxes and income tax	5,315	5,991
Impairment losses and provisions changes	9,349	21,672
Other operating expense	2,097	2,568
<b>Total</b>	<b>115,916</b>	<b>123,242</b>

## 22.3 Staff costs

The detail of "Staff costs" and changes therein in 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Wages and salaries	101,414	109,802
Termination benefits	864	1,715
Employer social security costs	24,709	23,186
Other social costs	4,328	5,656
<b>Total</b>	<b>131,315</b>	<b>140,359</b>

The average workforce by gender and professional category for years 2021 and 2020 is as follows:

Category	2021		2020	
	Men	Female	Men	Female
University graduates	385	110	411	115
University three-year degree graduates	548	152	578	140
Clerical staff	176	116	150	111
Officers and technical personnel	1,930	98	2,196	110
	<b>3,039</b>	<b>476</b>	<b>3,335</b>	<b>476</b>

At 31 December 2021 and 2020, average workforce amounted to 3,625 employees (3,138 men and 487 women) and 3,637 employees (3,172 men and 465 women), respectively.

The average number of people employed in the course of the year with a disability greater than or equal to 33% is 13 workers at year-end 2021 and 2020 ( 3 women and 7 men), mainly diploma graduates. The Company, taking into account the specific risk involved in its activity, has recognised the exception of hiring disabled workers, fulfilling it by contracting services with different special employment centres. These contracts are on an annual basis, incurring into an average expense higher than the minimum required by law.

#### 22.4 Compensation in kind

At 31 December 2021 and 31 December 2020 there was no significant compensation in kind.

#### 22.5 Share-based payment

There are no share-based payment systems.

#### 22.6 Leases – IFRS 16

In its tenant position, the Group has signed leases of underlying assets of different kinds, mainly machinery in the Construction activity and technical facilities and constructions for its own use in all the activities that the Group develops.

In general, leases subscribed by the Group do not include variable payments, only in certain contracts there are clauses for updating the income based mainly on inflation. The mentioned contracts present in some cases restrictions of use, the most common being those that limit the use of the underlying assets to geographical areas or to their use as an office or premises for productive use. Lease agreements do not include significant residual value guarantee clauses.

The Group determines the duration of the contracts by estimating the period during which the entity estimates that it will continue to use the underlying asset in accordance with its particular circumstances, so that the extensions that are reasonably expected to be exercised are contemplated.

The Group has carried out a detailed analysis of all the lease contracts that it has signed, both as lessor and lessee. With the adoption of IFRS 16, in the contracts in which it acts as a lessee, the Group recognises in the consolidated

balance sheet the right to use the leased assets and the liabilities derived from most of the lease contracts. Certain contracts are excluded from the application of the aforementioned IFRS 16, either because there is no transfer of ownership of the leased item, or because they are low value assets or because their duration is less than twelve months (see Note 4.5). They are recorded as an expense under the item "Other operating expenses" in the accompanying consolidated income statement, for an amount during 2021 and 2020 of EUR 28,495 thousand and EUR 26,728 thousand, respectively (see Note 22.2). Of the total amount of the lease expense of contracts not considered for the purposes of IFRS 16 in year 2021, approximately 21% and 61% and 18% are due to lease contracts where there is no transfer of dominance of the underlying asset, short-term exempt contracts and exempt contracts for a reduced amount

In calculating the lease liability during years 2021 and 2020, the Group has applied the incremental rate of financial debt, which, in general, is equivalent to an effective interest rate of approximately 4% and, affecting a lower number of contracts, specific rates depending on the term and country applicable in the concerned country.

As of 31 December 2021, and 2020, the net book value of right-of-use assets amounts to EUR 2,591 thousand and EUR 5,552 thousand, respectively, with amortisation expenses of EUR 5,072 thousand and EUR 4,486 thousand, respectively (see Note 9).

The book value, additions and amortisations made during the year by class of underlying asset are detailed below:

Year 2021:

	Thousands of euros				
	31/12/2020	Additions / Provisions (Note 9)	Disposals (Note 9)	Translation differences	31/12/2021
<b>Cost:</b>					
Land and buildings	6,099	813	(2,119)	(21)	4,772
Plant and machinery	4,503	2,692	(3,599)	(27)	3,569
Other items of property, plant and equipment	48	256	-	15	319
<b>Total</b>	<b>10,650</b>	<b>3,761</b>	<b>(5,718)</b>	<b>(33)</b>	<b>8,660</b>
<b>Accumulated amortisation:</b>					
Land and buildings	(2,141)	(1,818)	484	7	(3,468)
Plant and machinery	(2,933)	(3,089)	3,599	16	(2,407)
Other items of property, plant and equipment	(24)	(165)	-	(5)	(194)
<b>Total</b>	<b>(5,098)</b>	<b>(5,072)</b>	<b>4,083</b>	<b>18</b>	<b>(6,069)</b>
<b>Total net cost</b>	<b>5,552</b>	<b>(1,311)</b>	<b>(1,635)</b>	<b>(15)</b>	<b>2,591</b>

Year 2020:

	Thousands of euros				
	31/12/2019	Additions / Provisions	Disposals	Translation differences	31/12/2020
<b>Cost:</b>					
Land and buildings	4,850	1,591	(408)	66	6,099
Plant and machinery	3,992	3,613	(3,167)	65	4,503
Other items of property, plant and equipment	38	17	(11)	4	48
<b>Total</b>	<b>8,880</b>	<b>5,221</b>	<b>(3,586)</b>	<b>135</b>	<b>10,650</b>
<b>Accumulated amortisation:</b>					
Land and buildings	(846)	(1,534)	256	(17)	(2,141)
Plant and machinery	(1,723)	(2,931)	1,747	(26)	(2,933)
Other items of property, plant and equipment	(4)	(21)	2	(1)	(24)
<b>Total</b>	<b>(2,573)</b>	<b>(4,486)</b>	<b>2,005</b>	<b>(44)</b>	<b>(5,098)</b>
<b>Total net cost</b>	<b>6,307</b>	<b>735</b>	<b>(1,581)</b>	<b>91</b>	<b>5,552</b>

At 31 December 2021, the amount of the financial debt recognised under liabilities in the accompanying consolidated balance sheet of the Group, derived from leases in compliance with provisions under IFRS 16, amounts to EUR 2,675 thousand (EUR 5,908 thousand at 31 December 2020) (see Note 16.4).

## 22.7 Financial Income

Breakdown for years 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Interest on receivables	3,617	12,853
Income from equity investments	74	12
	<b>3,691</b>	<b>12,865</b>

"Interest of credits" for years 2021 and 2020, mainly includes:

- This item also includes EUR 730 thousand and EUR 2,235 thousand in years 2021 and 2020, respectively, which correspond to late payment interest due to deferral of customer charges.
- Interest for deferral of collection and settlement of exchange rate hedge instruments.
- "Interests on receivables" mainly includes the amounts receivable from the Chilean Ministry of Public Works as a result of the deferral of payment for the construction of hospitals in Chile, amounting approximately to EUR 1,732 thousand and EUR 2,867 thousand, respectively.

## 22.8 Financial Expense

Breakdown for years 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Interest on receivables	3,115	4,235
Expense for finance update	148	355
Other finance expense	4,193	6,879
	<b>7,456</b>	<b>11,469</b>

As of 31 December 2021, within the item "Expense for financial updates" an amount of EUR 148 thousand (EUR 355 thousand as of 31 December 2020) is included, corresponding to the interest expense related to derivative financial liabilities of lease contracts recorded in compliance with the provisions of IFRS 16 (see Note 22.6).

## 22.9 Impairment and gains or losses on disposals of non-current assets

Breakdown at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Gains/Losses on write-offs of fixed assets (Note 9)	(11)	67
Impairment and losses (Note 7)	(298)	(590)
	<b>(309)</b>	<b>(523)</b>

## 22.10 Change in inventories of finished goods and in progress

Breakdown and details for years 2021 and 2020 are as follows:

	Thousands of Euros	
	2021	2020
Changes in inventories for recorded expenses/sales	3,693	822
Change in impairment of inventories (Note 12.5)	429	460
<b>Total</b>	<b>4,122</b>	<b>1,282</b>

## 22.11 Impairment and gains or losses on disposals of non-current assets

In year 2021, the Group is recording under this item of the consolidated income statement a loss for a total amount of EUR 4,367 thousand, mainly including the impairment of assets and financial interests that the Group owns, for an amount of EUR 4,401 thousand in 2021 (EUR 4,444 thousand in 2020), as well as the profits or losses that may have been derived from their realisation against third parties, which in the 2021 stand to a profit of EUR 34 thousand (profit of EUR 1 thousand in 2020).

## 22.12 Audit fees

In 2021 and 2020 the expense corresponding to the financial audit services and other services provided to the Group by Deloitte, S.L. and companies associated of the same, as well as fees for audit services for independent financial statements of associated and related companies was as follows:

Year 2021:

Description	Thousands of Euros	
	Services provided by the main auditor	Services provided by other auditing firms
Audit services	285	178
Other verification services	5	2
<b>Total audit services and related services</b>	<b>290</b>	<b>180</b>
Tax and fiscal advice services	-	48
Other services	-	-
<b>Total</b>	<b>290</b>	<b>228</b>

Year 2020:

Description	Thousands of Euros	
	Services provided by the main auditor	Services provided by other auditing firms
Audit services	281	160
Other verification services	5	2
<b>Total audit services and related services</b>	<b>286</b>	<b>162</b>
Tax and fiscal advice services	-	32
Other services	-	-
<b>Total</b>	<b>286</b>	<b>194</b>

## **23 Balances and transactions with non-consolidated associates and joint ventures**

All the material balances at year-end between the consolidated companies and the effect of the transactions performed between them during the year were eliminated on consolidation. The detail of the most significant balances between the Group and the non-consolidated associates and joint ventures and the effect of the transactions performed with them on the consolidated income statements are as follows:

	<b>Thousands of Euros</b>	
	<b>2021</b>	<b>2020</b>
Total Assets	4,871	3,421
Total Liabilities	5,779	5,478
Revenue	-	40
Expenses	2,566	2,351

The amount of the total liabilities contributed as of December 31, 2021, includes the financial debt corresponding to the financing granted by one of its shareholders, for a total amount of 1,236 thousand euros. That loan bears interest under market conditions, partially subject to positive results being obtained by the borrowing group company.

## **24 Remuneration**

### **24.1 Remuneration of Directors**

The detail of the remuneration of all kinds earned in 2021 and 2020 by the Directors of Grupo Empresarial San José, S.A., 9 men and 2 women, and of the Group company, jointly controlled entity or associated obliged to pay such remuneration are as follows:

Type of Directors	<b>Thousands of Euros</b>	
	<b>2021</b>	<b>2020</b>
Executive board members	3,277	3,056
Independent board members	187	343
Other external board members	281	107
<b>Total</b>	<b>3,745</b>	<b>3,506</b>

Breakdown of remuneration taking into consideration type of director for years 2021 and 2020 are as follows:

Type of compensation	<b>Thousands of Euros</b>	
	<b>2021</b>	<b>2020</b>
Salary	3,129	2,925
Allowances	306	451
Other items	310	130
<b>Total</b>	<b>3,745</b>	<b>3,506</b>

The amount for 2021 and 2020 includes Directors' remunerations for the furtherance of their duties as Senior Management for EUR 3,129 thousand and EUR 2,925 thousand, respectively.

At 31 December 2021 and 2020, no advances, loans or other types of guarantees had been granted to the former or current directors and there were no additional pension or life insurance obligations to them. In addition, the Group does not have any other kind of transactions with related parties.



The directors of the Company are covered by the "Corporate Liability Insurance Policies of Directors and Officers" contracted by the parent company of Grupo SANJOSE, in order to cover possible damages that may be claimed, and that may arise as a result of an error incurred into by managers or directors, as well as those of its subsidiaries, in the exercise of their positions. Net value of the business activity branch amounts to EUR 309 thousand (EUR 102 thousand in 2020).

#### **Breakdown of ownership interest in companies with similar activities and activities and functions of Directors and associates.**

In connection with the participation of the Directors of the Company or persons linked to them, in the share capital of companies alien to the same; or if they perform the same business activity or any other similar activity on their own account; or if the same in their own name or any third parties acting on their behalf have performed with the Company or any Group company transactions other than those in the normal course of business or under non usual market conditions must indicate that the Directors or any other persons linked to them:

- Have not performed on their own account or for any other third parties the same business activity or any other similar activity.
- Have no interest in the capital of entities with the same, analogous or complementary type of activity to the corporate purpose of the parent company.
- Have not performed with the Company or any Group company transactions other than those in the normal course of business or under non usual market conditions.

At year-end 2021 neither the members of the Board of Directors of the Company or any third parties related to them, as defined in the Companies Act, have reported to the other members of the Board of Directors any conflict of interests, either direct or indirect, with the interests of the Company.

#### **24.2 Remuneration and other benefits of senior executives**

Total remuneration accrued for all items, from those employees who are considered Top Management in the Group, - excluding those who simultaneously have the status of member of the Board of Directors (whose remuneration has been detailed above) - during the years 2021 and 2020, can be summarised as follows:

<b>Number of people</b>	<b>Thousands of Euros</b>
<b>Year 2021:</b>	
9 directors	1,541
<b>Year 2020:</b>	
11 directors	1,829

Additionally, the Company does not have any pension or life insurance obligations to these executives.

## **25 Information on the environment**

Assets of an environmental nature are considered to be those goods that are used in a lasting way in the activity of the Group, whose main purpose is the minimization of the environmental impact and the protection and improvement of the environment, including the reduction or elimination of future pollution.

Grupo SANJOSE, considers the preservation of the environment and sustainable development as fundamental premises within its strategic lines of business. The Group's environmental policy includes:

- Protection of the environment through the prevention or mitigation of environmental impacts, the prevention of pollution, the reduction of waste generation, the sustainable use of resources and energy efficiency.
- Continuous improvement in environmental management, through the establishment and monitoring of environmental objectives and goals, aimed at contributing to the improvement of internal processes and services provided.

- Compliance with applicable environmental legislation and regulations.
- Qualification and awareness-raising, through training and awareness-raising activities aimed at own staff, subcontractors and other related parties.

Since 1999, the Group has had a comprehensive environmental management system in continuous adaptation to the needs and expectations of society and its environment. For the Group, the performance of a transversal environmental management model in all its areas of activity and all the regions where it operates is a priority, in order to integrate business development, the generation of social value and environmental protection. Since 2006, the Group has been certified by ISO-14001, referring to environmental management systems.

The Group shares the concern of society in relation to climate change, assuming responsibility for the possible impacts derived from the development of work on works and services. To adapt to the consequences of climate change, the Group promotes mitigation and adaptation measures that contribute to the transition to a low-carbon economy, among which we highlight:

- Energy saving and efficiency measures, replacing equipment and facilities with more efficient ones. In this sense, and despite the fact that the Group's activity is not very intensive in the use of fixed assets, in light of the regulatory requirements in environmental matters and mitigation of climate change, the Group has reassessed the recoverable value of its main tangible fixed assets (machinery, technical installations, etc.), without having identified signs of deterioration. As these fixed assets are fully amortized, they will be replaced by more sustainable ones. Likewise, cash outflows for potential investments to be made in the future to adapt to current regulations also do not have a significant impact on the recoverable value of other assets of the Group (real estate investments, goodwill or inventories). In addition, it should be noted that the attached consolidated balance sheet includes certain provisions related to environmental and climate change issues (see Note 15).
- Promotion of renewable energy generation. In this sense, the Group owns and operates a 5.4 MW photovoltaic plant in Jaén (Spain), as well as a polygeneration plant for electricity, cold and heat (see Note 7). Likewise, it is a specialist in the construction, commissioning and maintenance of renewable energy generation plants, both wind and photovoltaic.
- Study and realization of environmental proposals to clients to improve the resilience of buildings to the expected effects of climate change, promoting energy saving, the use of renewable energies, the proper management of waste, the integration of vegetation in projects. The costs associated with these proposals and measures are considered in the budgets of the works. In relation to the residential building projects that are promoted internally by the Group, basically in the real estate and urban development segment, solutions that promote energy savings are also introduced, which are part of the construction cost of the assets. The Group has extensive experience in construction according to the main sustainability standards in the world (LEED / United States, BREEAM / United Kingdom, PASSIVHAUS / Germany, VERDE / Spain, etc.), which have guided it in the construction of more than 1.8 million square meters worldwide.
- Awareness and awareness of all personnel involved in the development of projects and services in order to stimulate behaviors that contribute to reducing energy consumption and minimizing the environmental impact of the activities developed
- Provision of energy services, promoting integral solutions adapted to the needs of our customers in order to obtain the maximum energy performance of their facilities, providing sustainable energy solutions capable of reducing and optimizing energy consumption and promoting the preservation of the environment

It should be noted that, due to the type of activity carried out by the Group Companies, as well as the concern and awareness measures carried out internally to minimize the possible environmental impact, the Group and, in particular, the Company as the head, has no expenses, assets, nor provisions and contingencies of an environmental nature that could be significant in relation to net worth, the financial situation and its results. For this reason, no specific breakdowns are included in these annual accounts report with regard to information on environmental issues. Likewise, although there is no legal obligation to contract in Spain, Grupo SANJOSE has contracted and in force an Environmental Civil Liability Insurance Program, which includes the Company.

## **26 Events after the reporting period**

There are no other significant events occurred after 31 December 2021 which may have impacted on the accompanying financial statements.

*These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 2.1). Certain accounting practices applied by the Group that conform with that regulatory financial reporting framework may not conform with other generally accepted accounting principles and rules.*

## Appendix I

### Consolidated subsidiaries

Company	Company Auditor	Address	Activity	% of voting rights controlled by Parent companies	
				Direct	Indirect
Alexin XXI, S.L.U.	-	Bilbao (Vizcaya).	Promoción Inmobiliaria	-	100
Aprisco Salvador Inv. Hoteleiros e Imobiliários, Ltda.	-	Brazil	Construction and Real Estate Development	-	100
Argentimo, S.A.	Auren	Buenos Aires (Argentina)	Real Estate Development	-	100
Arserex, S.A.U.	-	Madrid	Trade and distribution of sport items	-	100
Basket King, S.A.U.	-	Madrid	Trade and distribution of sport items	-	100
Cadena de Tiendas, S.A.U.	-	Pontevedra	Trade, distribution, import and export of clothes	100	-
Carlos Casado, S.A.	Auren	Buenos Aires (Argentina)	Promoción Inmobiliaria	-	52.19
Casado Agropecuaria, S.A.	-	Paraguay	Agricultural productions	-	99.99
Agropecuaria del Chaco, S.A.	-	Paraguay	Agricultural productions	-	100
Cartuja Inmobiliaria, S.A.U.	Deloitte	Seville	Construction	-	100
Centro Comercial Panamericano, S.A	Auren	Buenos Aires (Argentina)	Real Estate Development	-	100
CIMSA Argentina, S.A.	Auren	San Luis (Argentina)	Civil works	-	100
Comercial Udra, S.A.U.	-	Pontevedra	Trade	100	-
Sanjose Panamá, S.A.	BDO Audit, S.A.	City of Panama (Panama)	Construction	-	100
Constructora San José Argentina, S.A.	Auren	Buenos Aires (Argentina)	Construction	-	96.947
Constructora San José Brasil Limitada	-	Salvador de Bahía (Brazil)	Construction and Real Estate Development	-	100
Constructora San José Cabo Verde, S.A.	AYS	Cape Verde	Construction	-	100
Constructora San José, S.A.	Deloitte	Pontevedra	Construction	99.79	-
Constructora San José Timor, Unipessoal Lda.	-	Timor	Construction	75	-
Constructora Udra Limitada	Deloitte	Monaco (Portugal)	Construction, maintenance and repair	7	70
Desarrollos Urbanísticos Udra, S.A.U.	-	Pontevedra	Real Estate Development	-	100

Company	Company Auditor	Address	Activity	% of voting rights controlled by Parent companies	
				Direct	Indirect
Eraikuntza Birgaikuntza Artapena, S.L.U.	Deloitte	Vitoria Gasteiz	Construction	-	100
Enerxías Renovables de Galicia, S.A.	-	Pontevedra	Energy	-	100
Athletic King S.A.U.	-	Madrid	Manufacturing, storage and distribution of goods	-	100
Fotovoltaica el Gallo 10, S.L.	-	Burgos	Energy	-	82.97
GSJ Solutions, S.L.	Deloitte	Madrid	Engineering services	100	-
Hospes Brasil Participaciones e Empreendimientos Lda.	-	Brazil	Construction and Development	-	100
Inmobiliaria 2010, S.L.	Deloitte	Lima (Peru)	Construction and Development	-	100
Inmobiliaria Americana de Desarrollos Urbanísticos, S.A.U.	-	Pontevedra	Real Estate Development	-	100
Inmobiliaria Sudamericana de Desarrollos Urbanísticos, S.A.	Auren	Buenos Aires (Argentina)	Real Estate Development	-	100
Inversión SanJose Chile Limitada	-	Santiago de Chile (Chile)	Investment and real estate	-	100
Inversiones San Jose Andina Ltda.	Deloitte	Santiago de Chile (Chile)	Investment and real estate	-	100
Sociedad Educacional Andina Lda. (antes Inversiones Hospitalarias Ltda.)	-	Santiago de Chile (Chile)	Capital investment	-	100
Inversiones Viales Andina Ltda.	-	Santiago de Chile (Chile)	Capital investment	-	100
Outdoor King, S.A.U.	-	Madrid	Manufacturing, storage and distribution of goods	-	100
O&M Parc de L'Alba ST-4, S.A.	-	Barcelona	Construction, remodelling and maintenance of facilities	-	65
Parsipanny Corp. S.A.	Moore	Uruguay	Real estate and agriculture and livestock	-	51.72
Poligeneraciones parc de L'Alba ST-4	Deloitte	Barcelona	Construction, implementation and maintenance of electric energy power stations	-	77.91
Puerta de Segura, S.A.	Moore	Uruguay	Industrial, Trade	-	51.72
San José Constructora Perú S.A.	Deloitte	Lima (Peru)	Construction	-	100
Rincon S.A.G.	-	Paraguay	Development of a tourist project in Alto Paraguay and agriculture activities in the same area.	-	51.72
Running King, S.A.U.	-	Pontevedra	Trade, distribution, import and export of clothes	-	100
Sociedad Concesionaria Rutas del Loa, S.A.	-	Santiago de Chile (Chile)	Construction	-	100
San José BAU GmBH	Wisbert & Partner	Berlin (Germany)	Construction	-	84

Company	Company Auditor	Address	Activity	% of voting rights controlled by Parent companies	
				Direct	Indirect
San José Concesiones y Servicios, S.A.U.	-	Pontevedra	Provisions of health care and social services	100	-
San José Construction Group, Inc	Dixon Hughes Goodman	Washington (USA)	Construction	-	100
San José France, S.A.S.	-	Le Haillan (France)	Holding company	-	100
San José Perú Inmobiliaria, S.A.C.	Deloitte	Lima (Peru)	Construction	-	100
São José Mozambique, Sociedade Limitada	-	Mozambique	Construction	-	100
José Tecnologías Chile Ltda.	-	Santiago de Chile (Chile)	Construction	99.9	-
San Jose India Infrastructure & Construction Private Limited		New Delhi (India)	Development, construction and operation of Infrastructure	-	99.99
Sanjose Mahavir Supreme Building One Private Limited		New Delhi (India)	Construction	-	51
San José Real Estate Development, LLC	Dixon Hughes	Delaware (USA)	Real Estate Development	-	100
San José Energía y Medio Ambiente, S.A.U.	-	Pontevedra	Energy production	99.99	0.01
SanJosé Nuevos Proyectos Salud, Limitada	-	Chile	Construction	-	100
SanJosé Contracting, L.L.C.	EY	Abu Dhabi (UAE)	Construction	-	85
Sefri Ingenieros Maroc, S.A.R.L.	-	Morocco	Engineering and installations	-	75
Sociedad Concesionaria Chile Tecnocontrol	Deloitte	Santiago de Chile (Chile)	Infrastructure Concessions	-	100
San José Constructora Chile Ltda.	Deloitte	Santiago de Chile (Chile)	Construction	-	100
SJB Mullroser	Wisbert & Partner	Mullroser (Germany)	Construction	100	-
Tecnoartel Argentina, S.A.	Auren	Buenos Aires (Argentina)	Maintenance and facilities	-	100
Tecnocontrol Mantenimiento, S.L.U.	-	Tres Cantos (Madrid)	Maintenance and collection of public telephone services	-	100
Tecnocontrol Servicios, S.A.U.	Deloitte	Tres Cantos (Madrid)	Maintenance services	-	100
Tecnocontrol Sistemas de Seguridad, S.A.U.	-	Tres Cantos (Madrid)	Maintenance of security systems	-	100
Tecnocontrol Chile Ltda.	-	Santiago de Chile (Chile)	Construction	99.9	-
Trendy King, S.A.U.	Deloitte	Madrid	Trade and distribution of sport items	-	100
Udra Medios, S.A.U.	-	Pontevedra	Edition, production, reproduction and release of books, newspapers, magazines and video	100	-
Udra Mexico S.A. de C.V.	CyA Roldán	Mexico	Construction	-	100
Udra Obras Integrales S.A. de CV	-	Mexico	Construction	-	100
Vision King S.A.U.	-	Madrid	Trade, distribution, import and export of clothes	-	100
Xornal de Galicia, S.A.	-	Galicia	Press	-	92.73
Xornal Galinet, S.A.U.	-	A Coruña.	Press	-	100
Zivar, investimentos imobiliarios C.	-	Portugal	Real Estate	-	52.5

## Appendix II

### Associates and joint companies within the scope of consolidation

Company	Company Auditor	Address	Activity	% of voting rights controlled by Parent companies	
				Direct	Indirect
<b>Associates:</b>					
Distrito Castellana Norte, S.A.	KPMG	Madrid	Urban development	-	10
Panamerican Mall, S.A.	PWC	Buenos Aires (Argentina)	Urban development	-	20
<b>Multigroup companies:</b>					
Cresca S.A.	EY	Misiones esquina Perú No 593, Asunción, Paraguay	Sale of any type of mix farming product and sale, rental and construction of urban and rural property	-	50
CSJ GVK Projects and Technical SS.PL.	HN Patel&Co	India	Construction	-	50
Pinar de Villanueva, S.L.	-	Valladolid	Urban development	-	50

### Annexure III - Joint Ventures

Joint ventures	Ownership %	Net revenue (*) (Thousands of Euros)
MUSEO LOUVRE ABU DHABI	33.33%	3,614
HOSPITAL AL-AIN	50.00%	1,732
MAMSHA	50.00%	-
HOTEL FAMILY	50.00%	2,225
UTE Ruta 20	100.00%	-
UTE Canal Velarde - Salta	83.32%	-
UTE San Juan	55.00%	-
Ute Museo Rawson	55.00%	-
UTE SOCABÓN (SJ-VIALCO-OBRA ANDINAS)	48.47%	-
A YSA	50.00%	4,655
HOSPITAL DE PLASENCIA	82.00%	-
REGADIO PARAMO BAJO	50.00%	-
EL REGUERÓN	33.33%	9,085
PISTA AEROPUERTO ALICANTE	50.00%	-
CONSERVACIÓN A7 MURCIA	50.00%	15
CONSERVACIÓN A-30 LORCA	50.00%	3
HOSPITAL DE FERROL	46.00%	1,770
CONSERVACIÓN A-30 LORCA 2	50.00%	1,193
TEC48-CYMITEC SERV.CENT.CIUDAD CULT. SANTIAGO	50.00%	-
TEC77-POLIGENERACION CERDANYOLA DEL VALLES	95.00%	-
SJT01-CENTRAL ELÉCTRICA AE.SANTIAGO	60.00%	-
KAPPARA JOINT VENTURE	60.00%	10
CONSORCIO EL FARO	50.00%	-
Eugenia de Montijo	90.00%	-
Santa Marta Magasca	60.00%	-
I.E.S. Barrio Bajo	100.00%	-
Viviendas Dehesa Vieja	50.00%	-
Sede Diputación de Málaga	50.00%	-
Almanjarray	75.00%	-
Viviendas Alcosa	80.00%	-
Umbrete	100.00%	-
El Ejidillo	60.00%	-
Autovia A45 Encinas Reales	70.00%	-
Embalse Contreras	50.00%	-
Ceip San José Calasanz - Bigastro	100.00%	-
Plataforma AVE Ocaña	70.00%	-
El Tejar	70.00%	-
Escuela Univ. Magisterio Valencia	100.00%	-
ETSI. UNIV. VALENCIA	100.00%	-
Hospital de Gandia	100.00%	-
Zonas Verdes Ferrol	60.00%	-
MIAMAN PONTE AMBIA	70.00%	-
AMPLIAC.TERMINAL AEROPUERTO VIGO	50.00%	-
UTE SJOSE-EJIDILLO VALLADOLID	60.00%	-
EDIF.NUEVO AMATE SEVILLA	100.00%	-
VARIANTE PAJARES-LOTE SUR	60.00%	-



UTE EDIFICIO LUCÍA	100.00%	-
SAN JOSE EL EJIDILLO DASOTEC	60.00%	-
EDAR GANDARÍO	50.00%	-
XARDINS DE FERROL	60.00%	540
FEDERACION FUTBOL CEUTA	100.00%	-
SAN JOSE EL EJIDILLO ALCOBENDAS	60.00%	-
PATRIMONIO JARDINES	40.00%	-
CONSERVACION RENEDO DE ESGUEVA	60.00%	8
PONTESUR	50.00%	830
OFICINAS SUBILLABIDE	50.00%	-
EL EJIDILLO SS.REYES	60.00%	2,365
HOSPITAL TXAGORRITXU DEL HUA	80.00%	-
FÁBRICA TABACOS	100.00%	-
REPOSICION ALUMBRADO BARCELONA	75.00%	-
HOSPITAL CACERES	60.00%	33
CENTRO SALUD AMURRIO	80.00%	-
CENTRO COMERCIAL TAMARACEITE	60.00%	-
AREA GENERACION URBANA DE JINAMAR	49.00%	-
EL EJIDILLO SUR-ESTE VALLADOLID	60.00%	-
EL EJIDILLO PARACUELOS DEL JARAMA	60.00%	393
CONSERVACIÓN CÁCERES	50.00%	1,177
CORREOS CATALUÑA	100.00%	-
GALERÍA DE FOLLEDO	60.00%	18
MANT.PATRIM.VEGETAL CANAL ISABEL II	60.00%	16
SER MAS VERDE	25.00%	1,935
VÍA CICLISTA CENTRO HISTÓRICO CÁDIZ	100.00%	-
EL EJIDILLO ALCOBENDAS 2	60.00%	168
EL EJIDILLO ALCOBENDAS 3	60.00%	63
EDIFICIO FONTAN	50.00%	3,901
VIVIENDAS CALLE IRÚN	50.00%	798
ZONAS VERDES DISTR.VICÁLVARO	50.00%	-
CONTORNO GRAN VÍA	60.00%	-
PARQUE SAN JUAN DE AUSTRIA	60.00%	-
JARDINES HISTÓRICOS	30.00%	771
ESCOLA BRESSOL SANTS-BADAL	50.00%	547
UTE CERRO DEL TIO PIO	50.00%	-
UTE SANGONERA TOTANA	40.00%	6,072
EL EJIDILLO VILLAVERDE	60.00%	171
RIBERA	60.00%	4,637
PROYECTO SIRUSA	50.00%	86
ENSANCHE DE BARAJAS	50.00%	4
AREAS AJARDINADAS PARDO-ZARZUELA	60.00%	261
PARQUE POLVRANCA	60.00%	398
DIONISIO RIDRUEJO	50.00%	143
INSTALAC. TUNEL VARIANTE PAJARES	30.00%	4,998
MEJORA RIO PISUERGA	60.00%	359
SEDE GRUPO PREVIING BADAJOZ	50.00%	1,767
UTE VILLA DE AJALVIR	60.00%	32
UTE AMUSCO	40.00%	108
UTE FORMENTOR	60.00%	434
AUTOVÍA ENLACE ALMANZORA	40.00%	927
UTE ACUERDO MARCO ZONA NOROESTE LOTE 2	30.00%	7
UTE SAN JOSE EL EJIDILLO MADRID L4	60.00%	1,679
UTE CONSERVACION PONTESUR II	50.00%	420
UTE ELEVADORES PARQUESOL NORTE	60.00%	19
TEC87-SERVICIOS ENERGÉTICOS LAS PALMAS	50.00%	403
TXOMIN	50.00%	194
TEC89-EFICIENCIA ENERG. A YTO.VITORIA	50.00%	1,100
TEC90-EDIF.OFICINAS PROVENZA	50.00%	762
		<b>62,846</b>

(\*) Join venture data, applying the participation coefficient

# GRUPO EMPRESARIAL SAN JOSE, S.A. and Subsidiaries

## Management report for the year ended 31 December 2021

### 1. Situation of the Company

#### 1.1. Organisational Structure

Grupo SANJOSE is arranged as a group of companies operating in different sectors. Since its foundation, the main business activity of the Group is construction, strengthening its activity in the last years.

The main lines of activity developed by Grupo SANJOSE are the following:

- Construction
- Concessions and Services.
- Energy and Environment
- Engineering & Project Management



Likewise, due to the diversification policy of the Group, the Group is present in other lines of activity, such as real estate, trade, stockbreeding and agriculture.

#### 1.2. Performance

The business model of the Group is to create a diversified group regarding both, geographic distribution and lines of activity as a way of being less exposed to the risk inherent to a single activity. The Group has a clear international vocation, becoming increasingly important activities developed overseas, with a higher significance in the turnover of the Group. In 2021, 27% total revenue of the Group comes from overseas (37% in 2020).

The Group is present in more than 20 countries all around the world, especially in the Middle East and Latin America.

The main objective of the Group is to continue balancing the turnover, taking the construction activity as the main engine, increasing its activity in the international arena –boosting development in the countries where we are already present and in those of future penetration–, maintaining quality standards and satisfaction of customers and suppliers that have positioned Grupo SANJOSE as a benchmark in the market, analysing and encouraging the application of innovation and technological progress, and maintaining a reduced cost level that guarantees the profitability of projects.

## 2. Evolution of the market

### 2.1. Market performance

Having overcome the period of recession after the economic-financial crisis of 2007, Spain was framed in 2020 in a context of economic uncertainty due to the health crisis caused by COVID-19 and which placed GDP in 2020 at a -10.8% reduction.

During 2021, the Spanish economy has grown by 4.5%, according to provisional data from the INE, moving away from the 10.8% drop registered in 2020 and which represents the largest increase since 2000, although it does not reach the level 6.5% planned by the Government.

The Bank of Spain has lowered its growth forecast for year 2022, which drops from 5.9% to 5.4%. However, it improves its projections for 2023, raising them almost two points: from 2% to 3.9%, as stated in its latest report on macroeconomic projections where it is detailed that the reduction is due, mainly, to the delay in the implementation of the Next Generation funds, high inflation, supply shortages, and a slow recovery in tourist flows.

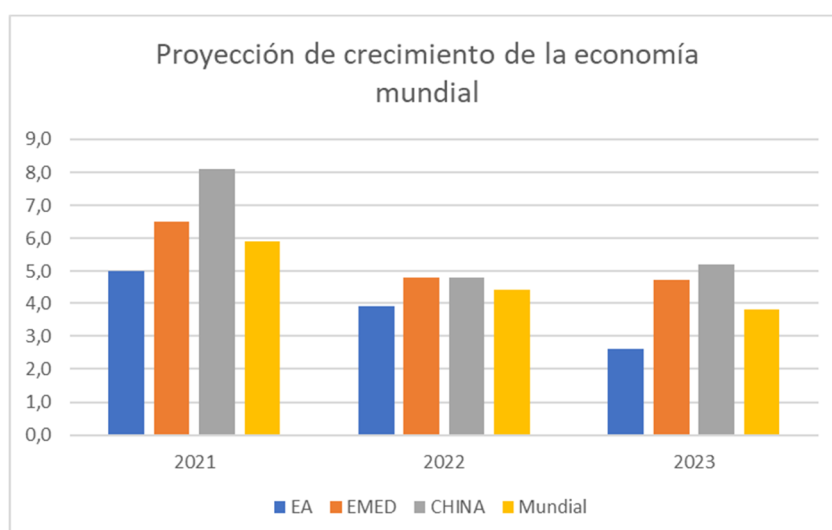
#### Macroeconomic projections for the Spanish economy (2020-2023)

	Proyecciones de diciembre Banco de España			
	2020	2021	2022	2023
PIB	-10,8	4,5	5,4	3,9
Tasa de paro	15,5	15,0	14,2	12,9

Source: Bank of Spain and National Institute of Statistics

At global level, during 2021 the economic recovery has continued despite the resurgence of the pandemic. Riffs generated by COVID-19 seem more persistent: they are short-term divergences that are expected to leave lasting marks on economic performance in the medium term and that are due to access to vaccines and the rapid deployment of vaccine policies.

Year 2022 starts in a poorer condition than what had been expected. As the new omicron variant of the virus that causes COVID-19 advances, countries have reimposed mobility restrictions. Due to higher energy prices and supply disruptions, inflation is higher and more widespread than anticipated, and the unexpectedly slow recovery in private consumption has limited growth prospects.



Source: International Monetary Fund Economy growth forecasts

REMARKS: AE: Advanced economies; EMED Emerging market or developing economies except China

Regarding other markets where the Group is present, for year 2022 a rise of 0.9% is expected for Spain, a significant drop of 4.4% in Latin America and in the Middle East and Central Asia it is expected to remain the same.

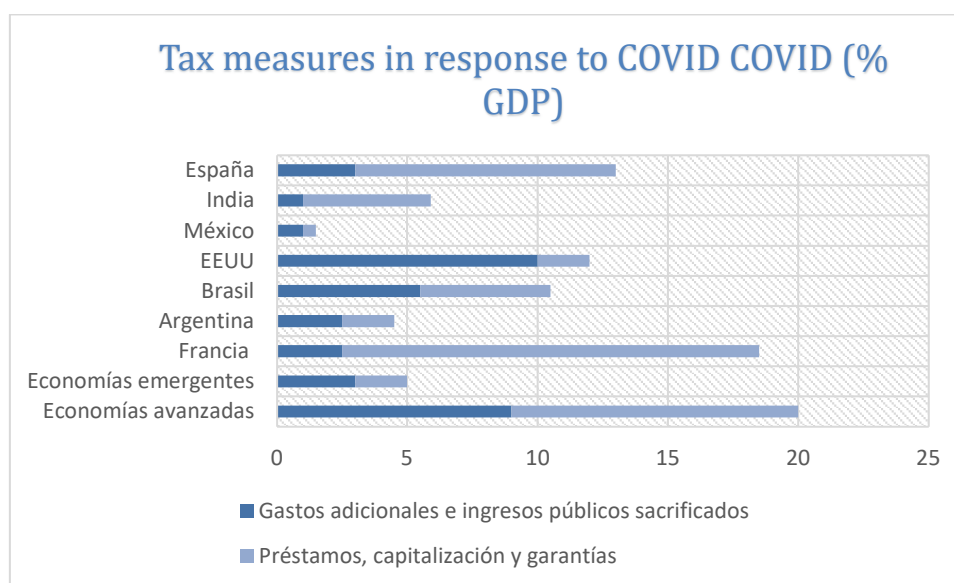
### Macroeconomic projections for the world economy (2021-2023)

	Proyecciones Fondo Monetario Internacional				
	Estimación de junio 2021		Estimación de enero 2022		
	2021	2022	2021	2022	2023
España	6,2	5,8	4,9	5,8	3,8
América Latina y el Caribe	5,8	3,2	6,8	2,4	2,6
Oriente Medio y Asia Central	4,0	3,7	4,2	4,3	3,6
Mundial	6,0	4,9	5,9	4,4	3,8

Source: International Monetary Fund

The recovery plan of the European Central Bank (ECB), PEPP for its acronym in English "Pandemic Emergency Purchase Programme" includes a package of aid for a total amount of EUR 1,850 billion with the last update of December and aims to reduce the indebtedness of the member states and provide liquidity mainly through the purchase of corporate bonds and public debt. The horizon for asset purchases will be maintained until at least March 2022 and maturities will be reinvested until the end of 2023. In addition, according to the words of the President of the ECB Christine Lagarde, the focus will be on the purchase of "green bonds" or what is the same, bonds that finance sustainable energy activities.

In addition to central banks, more than two thirds of governments worldwide have increased their fiscal support to try to save jobs and the business fabric. Measures will be addressed to additional expenses and loss of income that directly affect public budgets, and the other half corresponds to liquidity support such as loans, capital injections and guarantees. The following graph shows the proportion of aid as a percentage of the GDP of some of the markets where Grupo SANJOSE is present.

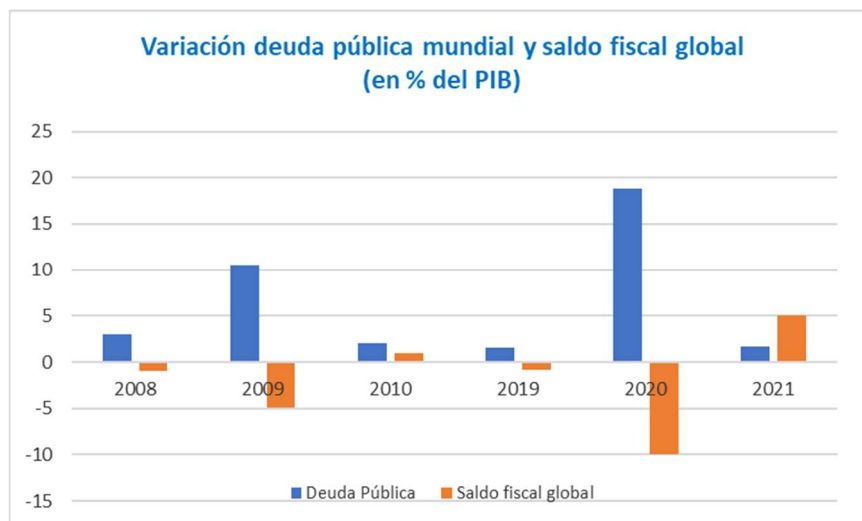


Source: International Monetary Fund

The European Union, through the agreement on the recovery fund reached on 20 July, has granted member countries a total of EUR 750,000 million, of which EUR 360,000 million will be used for low interest rate loans and EUR 390,000 million for grants. Of this package, Spain will be allocated EUR 140,000 million of which 72,700 million were outright grants. Further, on 17 December 2020, the long-term budgets of the EU that include EUR 1.8 trillion destined to rebuild Europe after COVID-19 were approved.

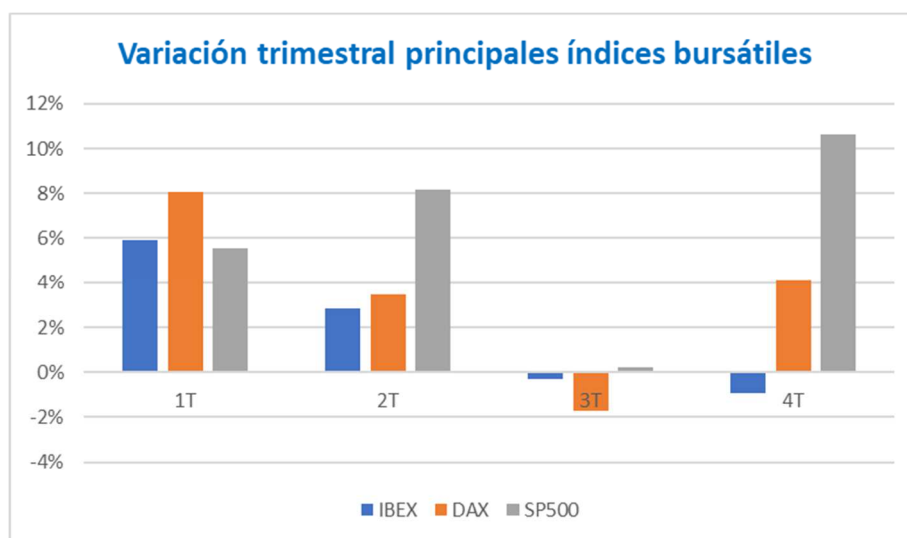
Year 2021 will be a period of stabilisation of the public debt ratio for most of the countries of the European Union. This stabilisation is mainly due to a favourable growth differential over the interest rate in 2021 compared to the unfavourable effect in the previous year. In 2020, Spain was one of the countries that suffered a most unfavourable snowball effect, due to the abrupt drop in GDP.

The following graph compares the evolution of public debt and the fiscal balance in the periods of the financial crisis and the current crisis.



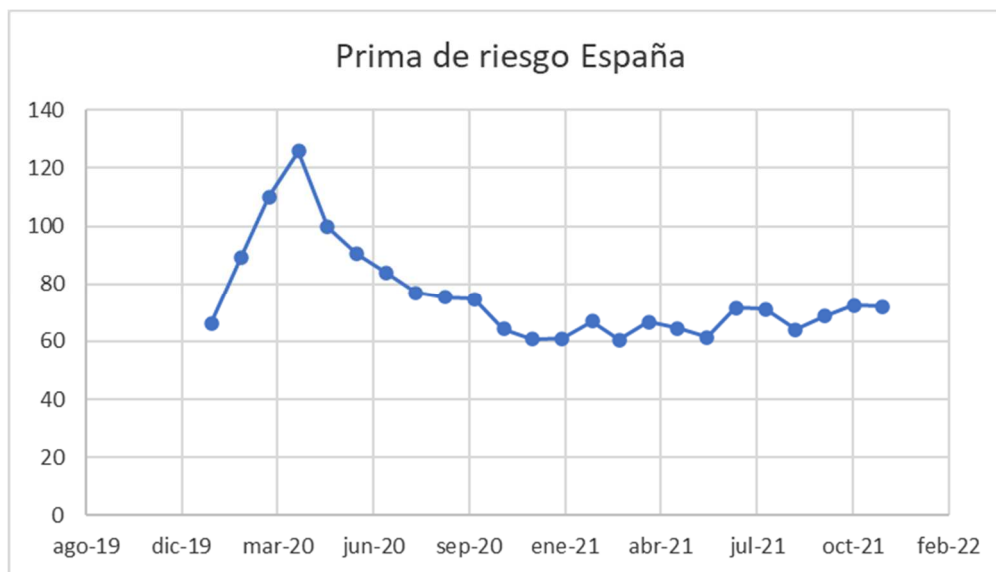
Source: International Monetary Fund

Financial markets, considered as a thermometer of the economic situation, reflect disparate data depending on the geographical area. Thus, the Standar & Poor's 500 index, considered the most representative indicator of the value of US companies, has gone from 3,764 points at the beginning of the year to 4,766.18 points at the end of June (26.60% depreciation), the Standard German DAX 30 has varied from 13,890.22 points to 15,884.86 points (14.36% depreciation) and the IBEX 35 has gone from 8,099.20 points at the beginning of the year to 8,713.80 points (7.59% depreciation).



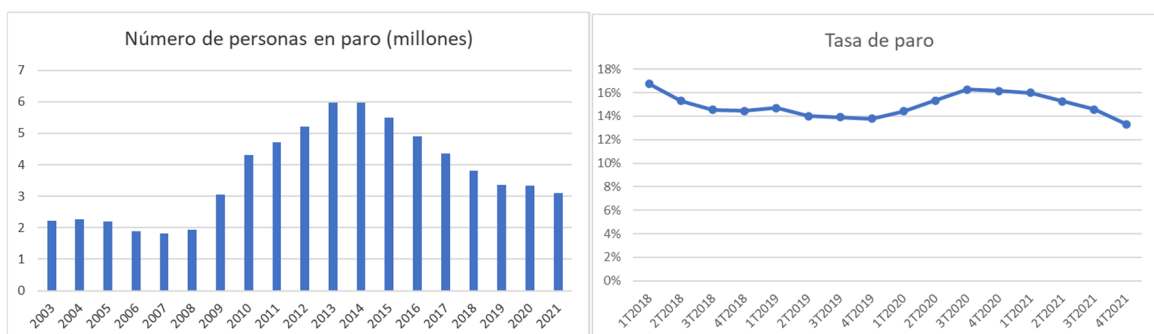
Source: Investing.com

In contrast, the indicator that measures the perception of risk of the foreign investor, which translates into the risk premium (the differential of the Spanish 10-year bond with the German title "bund" at the same term) has recovered more quickly than the stock market. This ratio, which had closed year 2019 at one of its lowest levels in recent years with 65 points, has experienced a period of high volatility in 2020, coinciding with the evolution of the pandemic in Spain, standing in April, the first month of lockdown, at 160,5 points. After this peak, it has decreased by 60.8% at the end of December 2020, thus reaching one of the lowest levels in recent years. During 2021, volatility has been significantly reduced, remaining between 61 and 72 points.



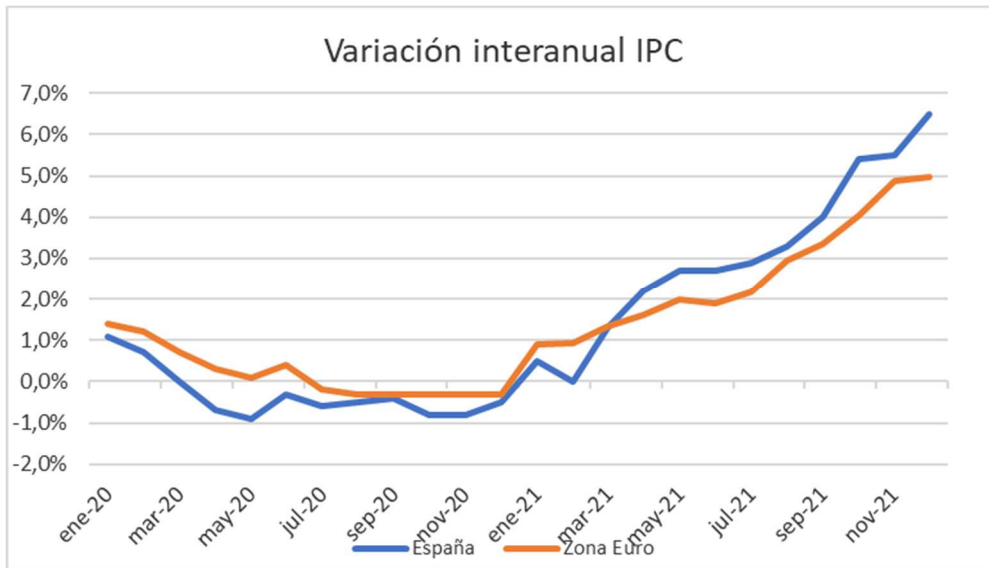
Source: Investing.com

On the other hand, the number of unemployed people is still well below the levels reached in the financial crisis, when it reached 6 million unemployed in 2013. This is due in part to the temporary employment regulation (ERTE) files that have allowed companies to adjust the workforce to their low production without having to assume the entire wage cost and allowing workers to keep part of their working conditions. Said aids are expected to be maintained until at least 28 February 2022. During 2021, the unemployment rate has decreased until standing in December at 3.1 million of unemployed according to INE.



Source: Instituto Nacional de Estadística.

In August, September and October 2021, inflation reached its highest level in Europe for the last 13 years, and domestic figures keep on the rise. In Spain, annual change of GDP has increased from 5.5% in November to 6.5% in December. Rising prices for energy, services and food have fuelled rising inflation across Europe

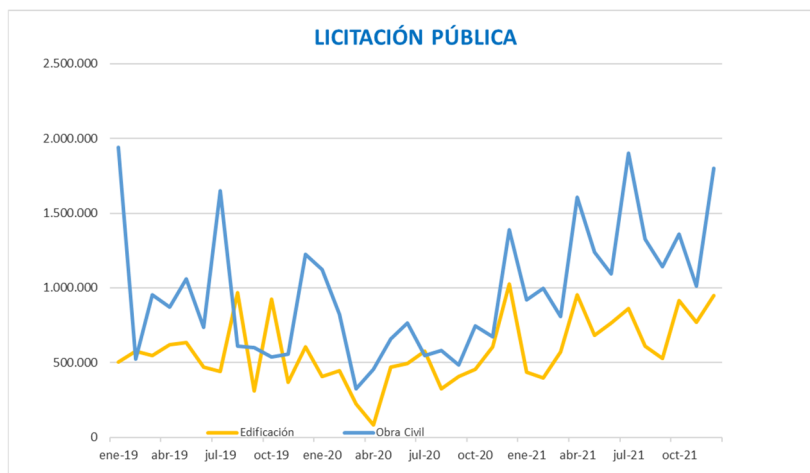


Source: National Institute of Statistics (Active Population Survey) and Bank of Spain.

CONSTRUCTION is the segment that contributes the most to the Group's turnover with a percentage of 90.3% and Spain has consolidated itself as the most important geographical area with 73% of the total. In addition to domestic market, Grupo SANJOSE is present in the Middle East, South America and Asia. During year 2021, foreign business transactions stood at 27% out of the total of the Group's turnover (37% in year 2020).

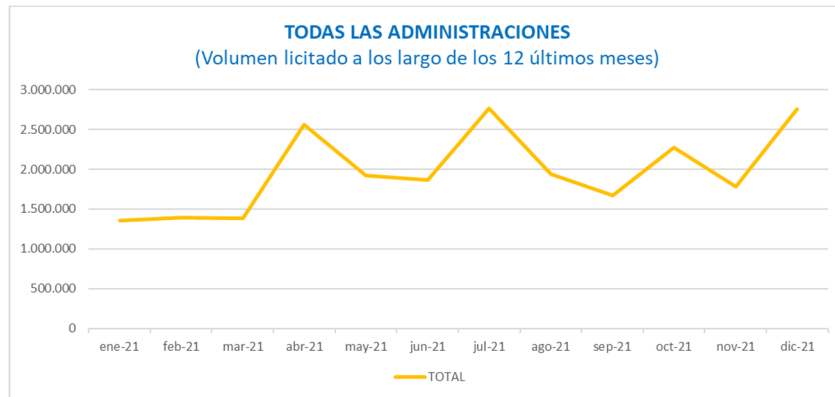
At a general level, public tendering in Spain had shown signs of a slight recovery in the second half of 2019, yet in 2020 the current reduced levels of investment in infrastructure again.

In 2021, public investment has increased with regard to year 2020 in a 40% according to Seopan. The following graph shows the evolution of tendering in Spain as for civil works and building.



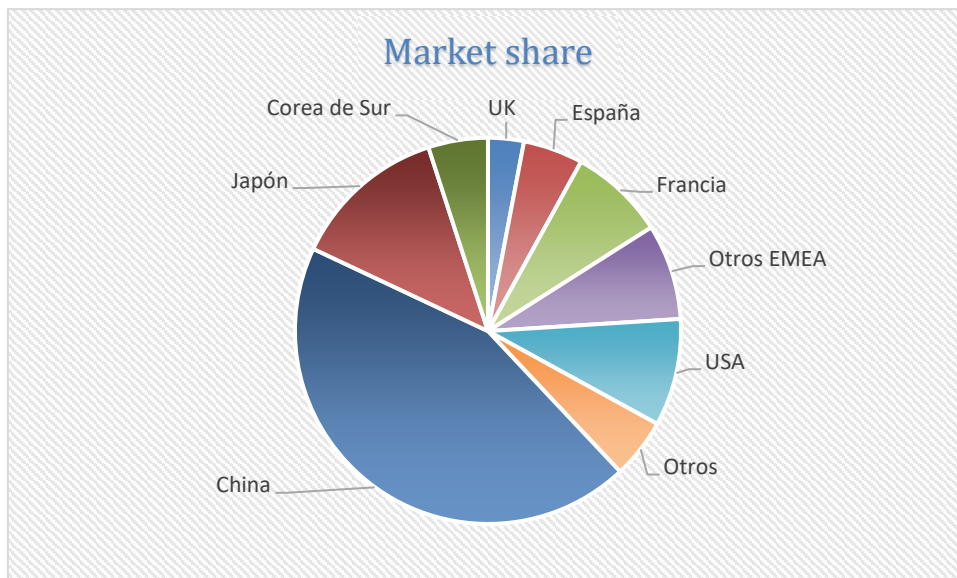
Source: Association of Construction Companies and Infrastructure Concessionaires (Seopan).

The following graph exemplifies how tendering by all Public Administrations in Spain begins to recover in 2021.



Source: Association of Construction Companies and Infrastructure Concessionaires (Seopan).

Globally, Spanish construction companies have established themselves as a power in the sector, occupying the sixth and fifth place in the world ranking by turnover and market capitalisation respectively, according to Deloitte's "Global Powers of Construction" report.



Source: Global Powers of Construction by Deloitte

After a fall of 2.4% during 2020, the growth of world construction production will reach 5.7% in 2021, as confirmed by Global Data in its report "Global Construction Outlook to 2025, Q1 2021 Update". According to said report, production in 2021 will be 2.5% higher than that of 2019.

Within the CONCESSIONS and SERVICES segment, the Group has a solid presence in Spain with long-term contracts and whose main activity is the maintenance of buildings, sports facilities, gardens and hospitals, among others. Similarly, the SANJOSE group has had hospital concessions in Chile for several years. The Concessions and Services segment has contributed 52.2 million to the Group's turnover in the first half of 2021, which represents 5.6% of total billed. In these difficult times, the Group is especially committed to the service provided to hospitals and its workers, paying special attention to staff carrying out their activities in conditions of maximum safety and hygiene.

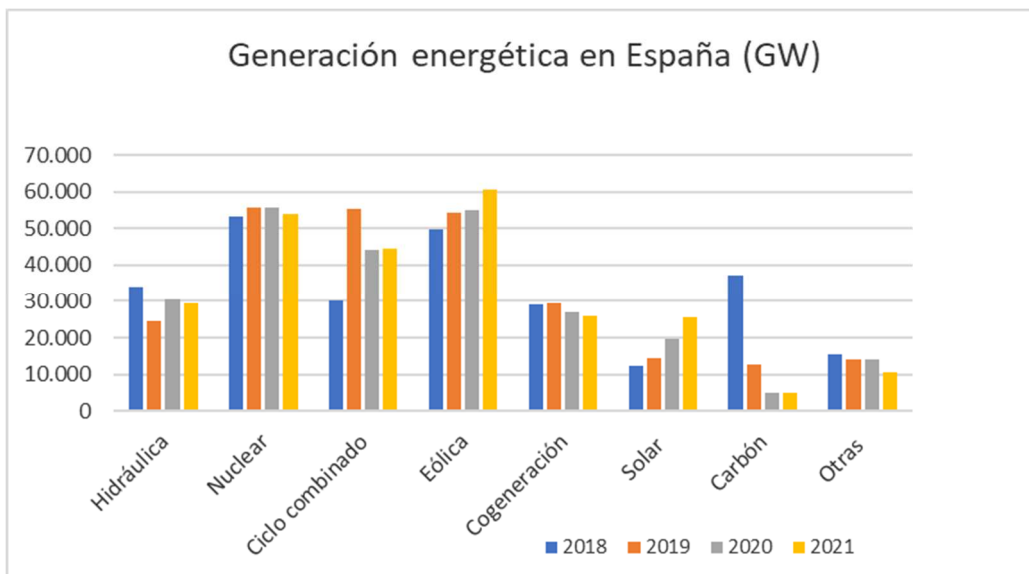
The SANJOSE Group has the goal of consolidating and expanding the contracts in this segment, which are a stable source of income, as well as maintaining its commitment to respect the environment in carrying out the activities developed.



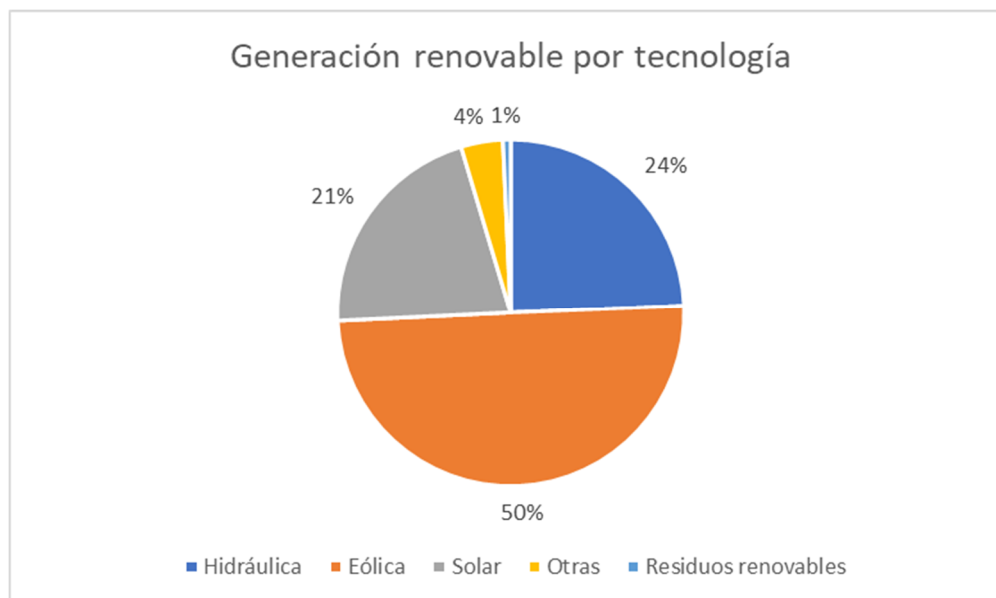
The energy sector has been constantly evolving towards clean energy for years, proof of this has been that the Greens / ALE party has obtained fourth place in the 2019 European Parliament elections, its best result ever, as well as excellent results in the last local pools held in France and Germany where they had the support of the young vote.

In the words of the President of the ECB, a large part of the asset purchases to overcome the current economic situation will be focused on projects that are environmentally sustainable. The World Bank position is similar, since 2010 it has not invested in projects that generate a carbon footprint and has also invested 5.3 billion dollars (4.732 billion euros) in energy-efficient projects.

The following graphs show the market share for energy in Spain over the last four years and the market share within renewable energies during 2021.



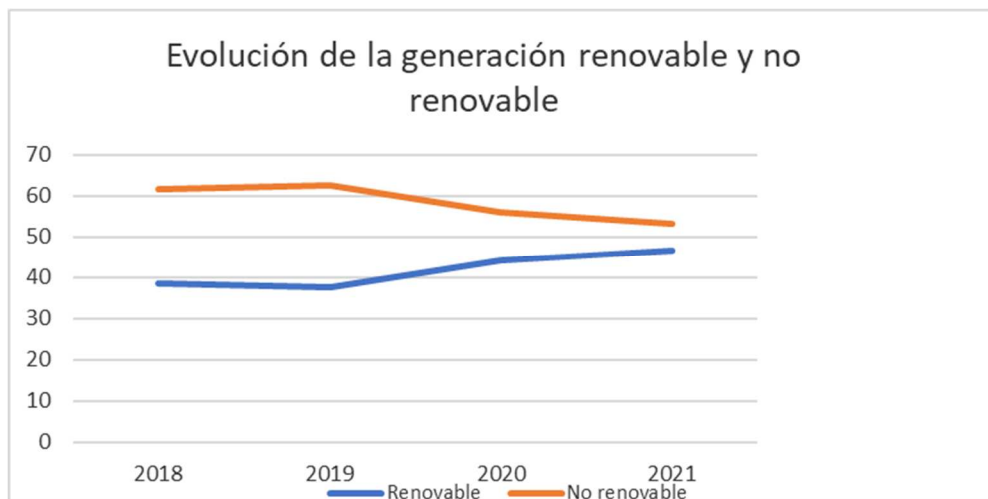
Source: Red Eléctrica de España.



Source: Red Eléctrica de España.

The SANJOSE Group's ENERGY segment has projects for the generation of solar and wind energy and an energy polygeneration plant, among others, which provide a backlog amounting to EUR 368 million at the end of 2021. All of them respectful with the environment and in line with current applicable legislation on climate change.

It is worth highlighting the determined European will for an energy transition towards clean energy, where the ECB has launched funds that will be invested exclusively in renewable energy projects, energy efficiency and other initiatives to support the environment. Spain is at the forefront of Europe in terms of installed renewable energy capacity, especially in terms of wind and solar energy. As shown in the following graph, the generation of electricity through renewable energy sources is increasingly close to the line of non-renewable energies.



Source: Red Eléctrica de España.

With this macroeconomic situation, the Group's basic lines of activity are the effort to improve profitability, being flexible in adapting their structure to the reality existing in Spain, and strengthening their intention to provide the business with diversification and a growing internationalisation. As well as trying to apply new technologies in its different business lines, thus improving operating margins and business volume.

The Group carries on its activities in industries, countries and socio-economic and legal environments that entail different levels of risk. The Group controls these risks in order to avoid decreased shareholder returns or difficulties for clients. For this control task, it has instruments that make it possible to identify the risks sufficiently in advance or to avoid them while minimising risks. Thanks to this, the SANJOSE Group is facing the macroeconomic environment described above with a strong treasury position and a balanced equity position.

## 2.2. Main figures of the GROUP

Main consolidated figures of Grupo SANJOSE for year 2021 are as follows:

## Consolidated Management Balance Sheet

Thousands of euros

	Dec. 21		Dec. 20		Var.
	Amount	%	Amount	%	
Intangible assets	17,646	1.9%	16,051	1.6%	9.9%
Property, plant and equipment	74,136	7.9%	71,402	7.2%	3.8%
Real state investments	13,985	1.5%	11,884	1.2%	17.7%
Investments accounted for using the equity method	18,701	2.0%	19,595	2.0%	-4.6%
Long term financial investments	23,900	2.6%	32,392	3.2%	-26.2%
Deferred taxes assets	28,988	3.1%	26,917	2.7%	7.7%
Goodwill on consolidation	9,984	1.1%	9,984	1.0%	0.0%
<b>TOTAL NON-CURRENT ASSETS</b>	<b>187,340</b>	<b>20.1%</b>	<b>188,225</b>	<b>19.0%</b>	<b>-0.5%</b>
Inventories	82,627	8.9%	89,283	9.0%	-7.5%
Trade and other receivables	346,915	37.2%	346,663	35.1%	0.1%
Other short term financial investments	18,427	2.0%	75,862	7.7%	-75.7%
Short-term accruals	2,265	0.2%	3,126	0.3%	-27.5%
Cash and cash equivalents	295,496	31.7%	285,343	28.9%	3.6%
<b>TOTAL CURRENT ASSETS</b>	<b>745,730</b>	<b>79.9%</b>	<b>800,277</b>	<b>81.0%</b>	<b>-6.8%</b>
<b>TOTAL ASSETS</b>	<b>933,070</b>	<b>100.0%</b>	<b>988,502</b>	<b>100.0%</b>	<b>-5.6%</b>

Thousands of euros

	Dec. 21		Dec. 20		Var.
	Amount	%	Amount	%	
Equity attributable to shareholders of the parent	151,665	16.3%	143,326	14.5%	5.8%
Minority interest	30,478	3.3%	26,187	2.5%	16.4%
<b>TOTAL EQUITY</b>	<b>182,143</b>	<b>19.5%</b>	<b>169,513</b>	<b>17.1%</b>	<b>7.5%</b>
Long term provisions	35,950	3.9%	44,924	4.5%	-20.0%
Long term financial liabilities	100,792	10.7%	108,067	10.9%	-6.7%
Deferred taxes liabilities	17,887	1.9%	25,196	2.5%	-29.0%
Long-term accruals	810	0.1%	768	0.1%	5.5%
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>155,439</b>	<b>16.7%</b>	<b>178,955</b>	<b>18.1%</b>	<b>-13.1%</b>
Short term provisions	29,607	3.2%	36,392	3.7%	-18.6%
Short term financial liabilities	13,438	1.4%	58,544	5.9%	-77.0%
Trade accounts and other current payables	552,443	59.2%	545,098	55.2%	1.3%
<b>TOTAL CURRENT LIABILITIES</b>	<b>595,488</b>	<b>63.8%</b>	<b>640,034</b>	<b>64.8%</b>	<b>-7.0%</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>933,070</b>	<b>100.0%</b>	<b>988,502</b>	<b>100.0%</b>	<b>-5.6%</b>

## Consolidated Management Income Statements

Thousands of euros

	Grupo SANJOSE				
	Dec. 21		Dec.20		Var.
	Amount	%	Amount	%	
<b>Revenue</b>	<b>927,687</b>	<b>100.0%</b>	<b>961,981</b>	<b>100.0%</b>	<b>-3.6%</b>
Other operating income	22,293	2.4%	20,899	2.2%	6.7%
Change in inventories	-3,694	-0.4%	-821	-0.1%	349.9%
Procurements	-654,023	-70.5%	-665,356	-69.2%	-1.7%
Staff costs	-131,311	-14.2%	-140,350	-14.6%	-6.4%
Other operating expenses	-106,566	-11.5%	-101,570	-10.6%	4.9%
<b>EBITDA</b>	<b>54,386</b>	<b>5.9%</b>	<b>74,783</b>	<b>7.8%</b>	<b>-27.3%</b>
Amortisation charge	-8,454	-0.9%	-9,758	-1.0%	-13.4%
Impairment on inventories	-3,129	-0.3%	-4,233	-0.4%	-26.1%
Changes in trade provisions and other impairment	-8,629	-0.9%	-18,421	-1.9%	-53.2%
<b>EBIT</b>	<b>34,174</b>	<b>3.7%</b>	<b>42,371</b>	<b>4.4%</b>	<b>-19.3%</b>
Ordinary financial results	-3,765	-0.4%	1,396	0.1%	--
Changes in fair value for financial instruments	13	0.0%	-143	0.0%	-
Foreign exchange results and others	-256	0.0%	-3,043	-0.3%	-91.6%
Impairment and profit/(loss) from disposal of financial instruments	-4,367	-0.5%	-4,443	-0.5%	-1.7%
<b>NET FINANCIAL RESULT</b>	<b>-8,375</b>	<b>-0.9%</b>	<b>-6,233</b>	<b>-0.6%</b>	<b>34.4%</b>
Results on equity method	-2,812	-0.3%	-221	0.0%	1172.4%
<b>PROFIT BEFORE TAX</b>	<b>22,987</b>	<b>2.5%</b>	<b>35,917</b>	<b>3.7%</b>	<b>-36.0%</b>
Income tax	-9,124	-1.0%	-13,858	-1.4%	-34.2%
<b>PROFIT AFTER TAX CONTINUED OPERATIONS</b>	<b>13,863</b>	<b>1.5%</b>	<b>22,059</b>	<b>2.3%</b>	<b>-37.2%</b>
<b>CONSOLIDATED PROFIT</b>	<b>13,863</b>	<b>1.5%</b>	<b>22,059</b>	<b>2.3%</b>	<b>-37.2%</b>

### Alternative Performance Measures (APM):

In its consolidated summary financial statements for year 2021, the Group prepared its results in accordance with generally accepted accounting regulations. However, directors believe that certain alternative performance measures (MARs) reflect the true and fair view of its financial information and provide useful additional financial information used in the management of the business and that shall be considered to adequately assess performance of the group.

Among others, the Group identifies the following APMs:

- **EBITDA:** defining it as the gross operating result, calculated from operating income, excluding depreciation, provisions and impairment provided or reverted during the period, as well as the result from disposal of fixed assets.
- **Net financial debt (NFD):** total amount of bank and non-bank financial debt, including finance lease creditors and the valuation of obligations associated with financial derivative instruments, discounting the amount recorded under "Other current financial assets" And "Cash and cash equivalents" under current assets in the balance sheet.
- **Backlog:** total amount of sales contracted by Group companies with clients, discounting items made and recognised as income under the income statement. As for concession contracts, the total amount of sales is identified with the best estimate carried out by the Group, which is included in the economic-financial business plan of the concessionaire.

### Revenue:

Net operating income (EBIT) of Grupo SANJOSE for year 2021 stands at EUR 927.7 million.

The main activity of Grupo SANJOSE is Construction, which currently represents more than 90.3% of the total turnover for the Group in the period, and accounts for 72% of the Group's total portfolio at the end of the 2021.

Turnover of this line of activity in 2021 stands at EUR 837.6 million, recording a 3.5% decreased with regard to the year 2020.

Turnover of Grupo SANJOSE by type of activity is as follows:

Thousands of euros

Revenues by activity	Grupo SANJOSE				
	Dec. 21		Dec.20		Var.(%)
Construction	837,557	90.3%	867,580	90.2%	-3.5%
Real estate and property development	17,193	1.9%	8,568	0.9%	100.7%
Energy	11,481	1.2%	10,804	1.1%	6.3%
Concessions and services	52,162	5.6%	72,532	7.5%	-28.1%
Adjustment and other	9,294	1.0%	2,497	0.3%	272.2%
<b>TOTAL</b>	<b>927,687</b>		<b>961,981</b>		<b>-3.6%</b>

With regard to diversification at the geographical level of turnover, the domestic market shows great strength, experiencing a 12.5% growth in turnover in year 2021, representing 73% of the turnover for year 2021.

For its part, the turnover in international markets for year 2021 contributes EUR 249.3 million, and represents 27% of the Group's turnover in the period.

Thousands of euros

Revenues by geography	Grupo SANJOSE				
	Dec. 21		Dec.20		Var.(%)
National	678,348	73%	603,105	63%	12.5%
International	249,339	27%	358,876	37%	-30.5%
<b>TOTAL</b>	<b>927,687</b>		<b>961,981</b>		<b>-3.6%</b>

#### Profit:

EBITDA of Grupo SANJOSE for the year ended 31 December 2021 amounts to EUR 54.4 million, with a 5.9% margin on net revenue (7.8% in 2020).

Accumulated EBITDA contributed by the construction activity at the end of 2021 amounted to EUR 37.8 million, representing 69.5% of the Group's total EBITDA (70.1% of the total in 2020).

EBITDA breakdown by activity is as follows:

Thousands of euros

EBITDA by activity	Grupo SANJOSE				
	Dec. 21		Dec.20		Var.(%)
Construction	37,809	69.6%	52,458	70.1%	-27.9%
Real estate and property development	3,640	6.7%	474	0.6%	667.9%
Energy	2,387	4.4%	3,637	4.9%	-34.4%
Concessions and services	2,890	5.3%	10,058	13.3%	-71.3%
Adjustment and other	7,660	14.1%	8,156	10.9%	-6.1%
<b>TOTAL</b>	<b>54,386</b>		<b>74,783</b>		<b>-27.3%</b>

The Net Operating Income (EBIT) of the SANJOSE Group for year 2021 stands at EUR 34.2 million.

Despite the adverse circumstances caused by the COVID-19 health crisis, the Group's activity level at 31 December 2021 remains at the level recorded for the previous year, recording a EUR 23 million profit.

Net cash position of Grupo SANJOSE at the end of year 2021 is positive standing at EUR 199.7 million, recording a 2.6% improvement with regard to the previous year.

## Net Equity

As of 31 December 2021, the Group's Net Equity amounted to EUR 182.1 million, experiencing a 7.5% increase compared to the previous year and representing 19.5% of the total consolidated assets for year 2021.

## Management cash flows statement

CASH FLOW	Grupo SANJOSE	
	Dec. 21	Dec.20
Cash flow from operating activities	53,833	75,376
Working capital	-9,390	14,304
Others adjustments	-13,565	-15,195
<b>Operating cash flow</b>	<b>30,878</b>	<b>74,485</b>
Divestments / (investments)	-7,790	-25,309
Others adjustments	46,195	49,530
<b>Investment cash flow</b>	<b>38,405</b>	<b>24,221</b>
<b>Free cash flow</b>	<b>69,283</b>	<b>98,706</b>
Capital flow & Minorities	-6,660	-6,719
Increase / (decrease) in borrowings	-50,174	-28,331
Net interest	-1,566	3,241
Others adjustments	0	-1,029
<b>Financing cash flow</b>	<b>-58,400</b>	<b>-32,838</b>
<b>Diferences due to changes in exchange rates</b>	<b>-730</b>	<b>-13,570</b>
<b>Total cash flow</b>	<b>10,153</b>	<b>52,298</b>

## Backlog

Grupo SANJOSE's backlog, indicating the business contracted in the future by the Group, amounts to EUR 2,118 million as of 31 December 2021. The breakdown being as follows.

Millions of euros

BACKLOG by segment	Grupo SANJOSE				
	Dec. 21		Dec.20		Var.(%)
<b>Construction</b>	<b>1,531</b>	<b>72%</b>	<b>1,234</b>	<b>68%</b>	<b>24.1%</b>
Civil works	188	9%	182	10%	3.3%
Non residential building	486	23%	649	36%	-25.1%
Residential building	798	38%	347	19%	130.0%
Industrial	59	2.8%	56	3%	5.4%
<b>Energy</b>	<b>368</b>	<b>16%</b>	<b>383</b>	<b>21%</b>	<b>-3.9%</b>
<b>Concessions and services</b>	<b>219</b>	<b>10%</b>	<b>204</b>	<b>11%</b>	<b>7.4%</b>
Maintenance	19	1%	29	2%	-34.5%
Concessions	200	9%	175	10%	14.3%
<b>TOTAL BACKLOG</b>	<b>2,118</b>	<b>100%</b>	<b>1,821</b>	<b>100%</b>	<b>16.3%</b>

Millions of euros

BACKLOG by geography	Grupo SANJOSE				
	Dec. 21		Dec.20		Var.(%)
<b>National</b>	<b>1,646</b>	<b>78%</b>	<b>1,238</b>	<b>68%</b>	<b>33.0%</b>
<b>International</b>	<b>472</b>	<b>22%</b>	<b>583</b>	<b>32%</b>	<b>-19.0%</b>
<b>TOTAL BACKLOG</b>	<b>2,118</b>		<b>1,821</b>		<b>16.3%</b>

Millions of euros

BACKLOG by client	Grupo SANJOSE				
	Dec. 21		Dec.20		Var.(%)
<b>Public client</b>	<b>397</b>	<b>19%</b>	<b>508</b>	<b>28%</b>	<b>-21.9%</b>
<b>Private client</b>	<b>1,721</b>	<b>81%</b>	<b>1,313</b>	<b>72%</b>	<b>31.1%</b>
<b>TOTAL BACKLOG</b>	<b>2,118</b>		<b>1,821</b>		<b>16.3%</b>

At 31 December 2021, the Group's portfolio is especially reinforced, amounting to EUR 2,118 million, experiencing an increase of 16.3% compared to the previous year. The domestic portfolio with works with private clients has increased significantly.

The Construction portfolio, the main activity of Grupo SANJOSE, stands at EUR 1,531 million at the end of the 2021, a 24.1% higher than that recorded for the previous year, and represents 72% of the Group's total portfolio.

### 2.3. Performance by sector

#### Construction

Turnover of this line of activity in 2021 stands at EUR 837.6 million, experiencing a 3.5% growth with regard to the previous year.

EBITDA stands at EUR 37.8 million, representing a 4.5% margin with regard to turnover at 31 December 2021 (6% in year 2020)<sup>1</sup>.

The profit before tax at 31 December 2021 stands at EUR 20.9 million<sup>2</sup>.

At the end of the year, the construction portfolio contracted by the Group amounted to EUR 1,531 million, experimenting a 24.1% increase with regard to the previous year.

Thousands of euros

CONSTRUCTION	Grupo SANJOSE		
	Dec. 21	Dec.20	Var.(%)
Revenue	837,557	867,580	-3.5%
Earnings before interest, taxes, D&A (EBITDA)	37,809	52,458	-27.9%
EBITDA margin	4.5%	6.0%	
Earnings before interest and taxes (EBIT)	20,636	26,194	-21.2%
EBIT margin	2.5%	3.0%	
Earnings before tax	20,872	121,693	-82.8%

Breakdown of revenue of this line of activity of Grupo SANJOSE, classified by main project type and geographic area, is as follows:

Thousands of euros

DETAIL OF CONSTRUCTION REVENUES	National		Internat.		Total	
Civil works	43,567	7.0%	12,074	5.7%	55,641	6.6%
Non residential building	319,408	51.2%	131,216	61.4%	450,624	53.8%
Residential building	233,528	37.4%	65,771	30.6%	299,299	35.7%
Industrial	27,604	4.4%	4,389	2.1%	31,993	3.7%
<b>TOTAL</b>	<b>624,107</b>	<b>75%</b>	<b>213,450</b>	<b>25%</b>	<b>837,557</b>	

Domestic construction revenue for year 2021 stands at EUR 624.1 million, with a 16.1% increase compared to the data recorded in the previous year, and it accounts for 75% of the total of this line of activity.

Revenue for the construction activity at the international level stands at EUR 213.5 million, representing 25% of the total.

#### Real estate and urban development.

Income corresponding to the SANJOSE Group's Real Estate business comes mostly from the real estate activity that the Group has been carrying out in Peru, due to the development, sale and delivery of housing units in the "Condominio Nuevavista" residential development, in Lima Peru. The works of this project began in 2018, and the construction of a total of 1,104 housing units is planned, which will be distributed in 10 buildings.

<sup>1</sup> The EBITDA margin in fiscal year 2020 reflected the positive effect of the transactional agreement reached in November 2020 with the Chilean Ministry of Public Works, which involved the liquidation of the construction phase of the Maipú and La Florida hospitals, in Santiago de Chile

<sup>2</sup> The income from dividends received from Group companies that are integrated into other areas of activity recorded in the 2020 financial year were significantly higher than those received in the 2021 financial year



Stoppage of activity in Peru in year 2020 derived from the COVID-19 health crisis modified the initially planned rates of home delivery, mainly affecting the commission dates expected for 2020. During 2021, the activity, without having fully recovered, has experienced a substantial improvement compared to the previous year.

Turnover in 2021 corresponding to the SANJOSE Group Real Estate activity stands at EUR 17.2 million, resulting in an EBITDA of EUR 3.6 million, representing a margin of 21.2% over revenue (5.5% in 2020).

Thousands of euros

REAL ESTATE AND PROPERTY DEVELOPMENT	Grupo SANJOSE		
	Dec. 21	Dec.20	Var.(%)
Revenue	17,193	8,568	100.7%
Earnings before interest, taxes, D&A (EBITDA)	3,640	474	667.9%
EBITDA margin	21.2%	5.5%	
Earnings before interest and taxes (EBIT)	3,162	-1,804	--
EBIT margin	18.4%	-21.1%	
Earnings before tax	1,818	-1,641	--

## Energy

Turnover corresponding to year 2021 for this line of activity stands at EUR 11.5 million.

The EBITDA corresponding to year 2021 of this line of activity stands at EUR 2.4 million, representing a margin of 20.8% with respect to the sales figure.

Thousands of euros

ENERGY	Grupo SANJOSE		
	Dec. 21	Dec.20	Var.(%)
Revenue	11,481	10,804	6.3%
Earnings before interest, taxes, D&A (EBITDA)	2,387	3,637	-34.4%
EBITDA margin	20.8%	33.7%	
Earnings before interest and taxes (EBIT)	1,224	2,482	-50.7%
EBIT margin	10.7%	23.0%	
Earnings before tax	915	2,160	-57.6%

For the portfolio of this line of activity, in addition to the normal production and exploitation of the contracts in force, the Group carries out regular reviews due to the effect of the regulatory changes and the estimated occupancy and demand levels, making the necessary adjustments when appropriate.

Grupo SANJOSE has a total contract backlog for this line of activity amounting to EUR 368 million for year 2021, which shall be translated as more activity of the group during a period of 25 years.

## Concessions and Services

Turnover corresponding to year 2021 for this line of activity stands at EUR 52.2 million.

EBITDA corresponding to year 2021 for this line of activity stands at EUR 2.9 million (EUR 10.1 million in 2020).

The percentage of EBITDA on revenue of this business activity corresponding to year 2021 stands at 5.5% (13.9% in 2020)<sup>3</sup>.

Thousands of euros

CONCESSIONS AND SERVICES	Grupo SANJOSE		
	Dec. 21	Dec.20	Var.(%)
Revenue	52,162	72,532	-28.1%
Earnings before interest, taxes, D&A (EBITDA)	2,890	10,058	-71.3%
EBITDA margin	5.5%	13.9%	
Earnings before interest and taxes (EBIT)	2,388	8,622	-72.3%
EBIT margin	4.6%	11.9%	
Earnings before tax	5,175	14,835	-65.1%

At the closing of 2021, contract backlog of this line of activity amounted to EUR 219 million.

#### 2.4. Average payment term to suppliers

The Group has paid its suppliers during year 2021 with an average payment period of approximately 52 days (49 days in average in 2020). This figure is within the average legal period established by law 15/2010 which is 30 days, extended to 60 days whenever expressly agreed by the parties.

A significant part of the Group's transactions is with public sector customers, such as States, Autonomous Communities, City Halls, Local Agencies and other public authorities, which usually pay in longer periods than those established by Law. Due to this, the Group sometimes has payment deadlines which exceed the payment periods set out by law. However, the Group follows the overall practices within the sector, following common sense and not abusing their powers pursuant to Article 3 Act 3/2004.

### 3. Liquidity and capital resources

#### Liquidity

The Group pursues the prudent management of the liquidity risk based on the maintenance of sufficient cash and marketable securities, availability of financing through a sufficient level of committed credit facilities and sufficient capacity to settle market positions. The Group calculates its cash requirements by means of a 12-month cash budget.

Liquid assets are administered centrally within Grupo SANJOSE in order to optimise resources through "cash pooling" systems. In the event of cash surplus, short-term investments are held in safe highly liquid deposits.

During 2021, net position has changed as follows:

<sup>3</sup> The turnover and EBITDA in this line of activity in the 2020 financial year reflected the positive effect of the transactional agreement reached in November 2020 with the Chilean Ministry of Public Works, which involved the liquidation of the construction phase of the hospitals in Maipú and La Florida, in Santiago de Chile

Thousands of euros

NET CASH POSITION	Dec. 21		Dec. 20		Var.
	Amount	%	Amount	%	
Other short term financial investments	18,427	5.9%	75,862	210%	-75.7%
Cash and cash equivalents	295,496	94.1%	285,343	79.0%	3.6%
<b>Total cash</b>	<b>313,923</b>	<b>100%</b>	<b>361,205</b>	<b>100%</b>	<b>-13.1%</b>
Long term financial liabilities	100,792	88.2%	108,067	64.9%	-6.7%
Short term financial liabilities	13,438	11.8%	58,544	35.1%	-77.0%
<b>Total debt</b>	<b>114,230</b>	<b>100%</b>	<b>166,611</b>	<b>100%</b>	<b>-31.4%</b>
<b>TOTAL NCP</b>	<b>199,693</b>		<b>194,594</b>		<b>2.6%</b>

The net treasury position at the end of 2021 is positive with EUR 199.7 million (compared to EUR 194.6 million recorded at the end of 2020), what represents a 2.6% improvement during 2021.

During year 2021, the Group has reduced its financial debt by 31.4%, mainly due to the payment of the last instalment in June and, as a consequence, the final maturity of the bond issue in Chile, as well as the early amortisation of mortgage loans.

Financial debt also includes the financing of project finance without recourse for a total value of EUR 3.7 million at 31 December 2021 (EUR 40.2 million at 31 December 2020).

#### Capital resources

Further, the Company does not expect any material change in its structure, including equity and debt, or the relative cost of capital resources during year 2022.

#### Future contractual obligations

The main obligations which the Group is exposed to are those deriving from financing agreements, as well as the intrinsic obligations of construction and service contracts with clients. There are no future commitments of investment or purchase of assets for significant amounts.

#### 4. Main risks and uncertainties

The Group operates in sectors, countries and socio-economic and legal environments that involve the assumption of different levels of risk. The Company manages these risks in order to avoid involving a loss of profitability for its shareholders or cause trouble to customers by: i) the identification ii) the measurement; iii) the control; iv) the monitoring and, v) the assessment of the activity, through different types of risk from an integrated and global perspective

##### Operational risks

Main risks arising from the Group's activity are market risks (those related to the sufficiency of demand for services and products), regulatory and political risks, labour risks, environmental risks, quality maintenance and adaptation to what is established under contractual framework with clients, etc.

In the stage of acceptance of projects, and in order to guarantee its realisation according to the established contractual parameters, with maximum quality standards, guaranteeing customer satisfaction and meeting the minimum profitability levels required, an individualised analysis of each project is carried out.

Likewise, the Group has an International Legal and Tax Department, that analyses the impact of the different regulatory frameworks affecting the Group's activity, the fiscal framework, etc., given its growing international presence as a way to avoid local regulatory risks.

## Financial risks

Due to its activity, the Group faces the following risks arising from payment and collection rights of business transactions:

**Interest rate risk:** This is the main risk which the Group is exposed to as a result of the bank borrowings described in the notes to the consolidated financial statements. Further, the Financial Management of Grupo SANJOSE in order to minimise exposure to this risk has arranged cash flow hedges to protect the Company against foreseeable interest rate increases in the future.

**Foreign currency risk:** The Group's policy is to borrow in the same currency as that of the cash flows of each business. Consequently, there is currently no significant foreign currency risk. However, noteworthy in this connection are the exchange rate fluctuations arising in translating the financial statements of foreign companies whose functional currency is other than the Euro. In view of the Group's geographical expansion over the last few years, exposure to foreign currency risk may arise in the future. Should this risk arise, the best solution will be analysed in order to minimise it by arranging hedges, provided such instruments conform to the Group's corporate criteria.

**Credit risk:** risk which arises from customer defaults; it is managed by means of the preventive assessment of the solvency rating of the Group's potential customers at the beginning of the relationship and throughout the duration of the contract, evaluating the credit rating of receivables and reviewing and segregating the estimated recoverable receivables from the doubtful receivables.

**Liquidity risk:** dealt with on Note 3 of the consolidated directors' report.

## 5. Events after the reporting period

Further, there are no other significant events occurred after 31 December 2021 which may have impacted on the accompanying consolidated financial statements

## 6. Future outlook

The economic crisis caused by COVID-19 in 2020 and 2021 suggests a rebound in the economy in 2022 and 2023, driven by the monetary policies of central banks and the vaccination process.

The Company has focused its activity on the construction sector and the provision of services, without neglecting real estate opportunities, related to real estate assets owned.

The main lines of action of the Group's business plan are:

- To keep the procurement level in the domestic market.
- Development of the international activity, through a geographic diversification, and by business line:
  - o Taking advantage of the value acquired in countries where it is present (Abu Dhabi, Chile, Mexico, Peru, etc.) to increase its presence.
  - o Taking advantage of new opportunities for expansion.

In this sense, in 2021, the Group has worked on the achievement of new projects, which accompany those already awarded in 2020.

In the international market, especially in emerging countries, there are business opportunities for the Group that, within its expansion policy, will try to take advantage of these growth paths. Likewise, it will continue working to consolidate its national presence even further, also relying on the prediction of a better performance in the private sector. All of the above, supported by the macroeconomic prospects for improving the economy, both nationally and internationally, are positive arguments for the future of construction.

Taking into consideration the backlog of the Group at 31 December 2021, amounting to EUR 2,118 million, the Group deems that its organic stability is assured, foreseeing to maintain the average size of the projects, trying to take advantage of public bidding opportunities, both at domestic and international level, especially in those where it has presence and expertise.

## **7. R&D and innovation activities**

Grupo SANJOSE, aware of the importance that represent the activities of Research, Development and Innovation for competitiveness and business success, develops and collaborates in R &D and innovation trying to offer innovative technical solutions that meet the demands and needs of its customers. In order to facilitate the detection of opportunities, the generation of innovative ideas and the development of R&D activities, a R&D Management System following the guidelines set out under standard UNE 166002 and having obtained the AENOR recognition through certification has been implemented.

Among the initiatives developed by the Group in 2021, highlights the R&D and innovation project for an automated and fixed detection and dissipation system for fog precipitation on hydrometric data, which has been patented for use on highways and railways.

In turn, it is immersed in several R&D and innovation projects funded by the Centre for Industrial Technological Development (CDTI). R&D and innovation issues are widely developed in the non-financial information and diversity Report of Grupo Empresarial San José, S.A. and subsidiaries for the year ending 31 December 2021, prepared by the Group and accompanying the consolidated financial statements for the year ending 31 December 2021.

## **8. Treasury share transactions**

Grupo SANJOSE did not have treasury shares at 31 December 2021 and 2020 nor made any transactions with treasury shares.

## **9. Other Information of Interest**

### **Stock exchange information**

The shares of the Parent are listed on the stock market interconnection system in Spain (continuous market). The main indicators and the evolution of the shares are as follows:

	2021	2020
Capitalisation* (Millions of Euros)	318.6	291.6
No shares (x 1,000)	65,026	65,026
Price end of the period (euros)	4.90	4.49
Last price for the period (euros)	4.90	4.49
Maximum price for the period (euros)	6.66	6.86
Minimum price for the period (euros)	3.575	2.76

Volume (Millions of shares)	13.4	20.2
Cash (Millions of Euros)	66.5	99.8

\* Capitalisation is calculated with shares admitted to trading and does not include shares issued from extensions that have not yet been listed.

Source: Bolsas y Mercado Españoles (BMEX)

### **Dividend policy**

The Group aims to maintain a strong financial and equity structure. In the last two years, the Parent has distributed dividends amounting to EUR 6,503 thousand each year.

### **Proposed distribution of profit**

The Directors of the Parent will propose the AGM to distribute the profit for year 2021, amounting to EUR 2.964 thousand, to “Voluntary reserves”.

## **10. Non-Financial Information**

According to the new Law 11/2018 on non-financial information and diversity information amending the Code of Commerce, the consolidated restated text of the Companies Act passed by Royal Decree-law 1/2010, of 2 July, and Act 22/2015, of 20 July, on Accounts Auditing, in terms of non-financial information and diversity information (deriving from Royal Decree-law 18/2017). Information of this nature is developed in the consolidated non-financial information statement which is an integral part of this Management Report, and is attached herein.

## **11. Annual Corporate Governance Report**

In accordance with the provisions of trade legislation, the Annual Corporate Governance Report forms an integral part of this Management Report and is attached herein.

## **12. Report on the Remuneration of Members of the Board**

In accordance with the provisions of trade legislation, the Annual Corporate Governance Report forms an integral part of this Management Report and is attached herein.

**CERTIFICATION**

**CERTIFICACIÓN**

---

*I, Estefanía Calvo Iglesias, English Sworn Translator, certified by the Spanish Ministry of Foreign Affairs,*

*Yo, Estefanía Calvo Iglesias, Traductora e Intérprete Jurada de inglés por el Ministerio de Asuntos Exteriores del Gobierno de España,*

**do hereby certify**

**certifico que**

*that the preceding is a true and faithful English translation, on the essentials, of a document issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.*

*la que precede es traducción fiel y completa al inglés de un documento redactado en español. En caso de discrepancia, el documento original redactado en español prevalece.*

In Madrid, on the twenty-fourth of February, two thousand and twenty-two.

Madrid, a veinticuatro de febrero de dos mil veintidós.

Firmado por CALVO IGLESIAS  
ESTEFANIA - 53112060T el día  
24/02/2022 con un certificado  
emitido por AC FNMT Usuarios

Estefanía Calvo Iglesias

**DISCLOSURE OF NON-FINANCIAL INFORMATION AND  
DIVERSITY INFORMATION OF GRUPO EMPRESARIAL  
SAN JOSÉ, S.A. & SUBSIDIARIES**

**FOR THE YEAR ENDED 31 DECEMBER 2021**



# **DISCLOSURE OF NON-FINANCIAL INFORMATION AND DIVERSITY INFORMATION OF GRUPO EMPRESARIAL SAN JOSÉ, S.A. & SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2021**

According to the new Law 11/2018 on non-financial information and diversity information amending the Code of Commerce, the consolidated restated text of the Companies Act passed by Royal Decree-law 1/2010, of 2 July, and Act 22/2015, of 20 July, on Accounts Auditing, in terms of non-financial information and diversity information (deriving from Royal Decree-law 18/2017).

## **PURPOSE**

The purpose of this report is to disclose non-financial information related to corporate social responsibility and to assess, monitor and manage the company's performance and its impact on Society.

## **SCOPE OF THE INFORMATION**

Grupo SANJOSE is the Parent company of Grupo Empresarial San José, S.A. and subsidiaries. For detailed information on companies within the scope of the group, please check the consolidated financial statements accompanying this report.

The information included herein corresponds to Grupo Empresarial San José, S.A. and Subsidiaries with the exception of the agricultural business whose management is carried out independently, not having aggregate information.

Financial information for the year ending 31 December 2021 is provided in the consolidated Financial Statements of Grupo Empresarial San José, S.A.

## **CORPORATE POLICY**

Grupo SANJOSE is committed to Corporate Responsibility so as to take part in the economic, social and environmental development of the regions where it operates. The Corporate Responsibility Policy is based on the principles of the Global Compact and on internationally accepted agreements and resolutions that address matters related to Corporate Responsibility.

Grupo Empresarial San José, S.A.  
Calle Rosalía de Castro, 44  
36001, Pontevedra

Tres Cantos, 24 February 2022

ESTEFANÍA CALVO IGLESIAS  
TRADUCTORA / INTÉRPRETE JURADA DE INGLÉS  
Nº 6427

# CONTENTS

<b>1. BUSINESS MODEL OF GRUPO SANJOSE</b>	<b>05</b>
• Worldwide Presence	07
• Business Lines	09
• Construction	09
- Building	09
- Civil works	09
- Engineering and Industrial Construction	10
• Energy and Environment	10
• Concessions and Services	11
• Engineering & Project Management	11
<b>2. CORPORATE GOVERNANCE</b>	<b>12</b>
• Capital Structure	13
• Corporate Governance Structure	14
• Annual General Meeting	14
• Board of Directors	15
• Executive Committee	16
• Audit Committee	17
• Nominating, Compensation and Corporate Governance Committee	18
• International Executive Committee	19
• Relevant Facts CNMV 2021	21
<b>3. BUSINESS RISKS</b>	<b>22</b>
• Civil Liability Risks	23
• Environmental Liability	24
• Rate of accidents of own personnel	24
• Professional General Liability	24
• Civil Liability of Board Members and Executives	24
• Insurance Policies to Cover Assets of the Group	25
• All Risk Construction Policy for all Works Worldwide	25
• Claims Management	25
• Balance for the year ended 31 December 2021	26
<b>4. PEOPLE</b>	<b>27</b>
• Staffing structure of Grupo SANJOSE at 31/12/2021	29
• Staff with Disabilities	34
• Selection	36
• Training	38
• Learning Platform (Pharos Project)	43
• Integration and Development Programme	45
• Social Benefits	46
• Equality Plan & Plan for the Prevention of Sexual Harassment	46

# CONTENTS

<b>5. ENVIRONMENTAL, QUALITY AND SUPPLY CHAIN MANAGEMENT</b>	<b>49</b>
• Environmental System	50
• Quality System	51
• Sustainability & Sustainable Construction	52
• Care and Protection of Ecosystems and Biodiversity	54
• Environmental Performance and Management of Environmental Risks	54
• Climate Change	55
• Reduction of Pollutant Emissions	55
• Waste Prevention and Management	56
• Circular Economy and Responsible Management of Resources	61
• Mitigation of Climate Change	62
• Supply Chain	63
• Relationship with Clients and Suppliers	66
• Energy and Emissions	68
• R&D and investment	71
<b>6. HUMAN RIGHTS</b>	<b>74</b>
<b>7. ETHICAL MANAGEMENT AND REGULATORY COMPLIANCE</b>	<b>77</b>
• Code of Conduct and Anti-corruption Policy	78
• Money Laundering	79
• Data protection	80
• Prevention of Occupational Hazards	80
• Compliance Training	82
• Health & Safety	82
• Whistleblower Channel	82
<b>8. COMMITMENT TO SOCIETY</b>	<b>84</b>
• India	85
• Spain	86
• Profit/(Loss) per country	87
• Duties and taxes	87





The diagram consists of a vertical grey line with a small circle at the top. Eight dark blue circles containing white numbers (1-8) are positioned to the left of the line. To the right of the line, eight dark blue dots are placed at the level of each number. Horizontal lines extend from these dots to the right, with a dotted line for item 1 and solid lines for items 2 through 8.

1	<b>BUSINESS MODEL OF GRUPO SANJOSE</b>
2	Corporate Governance
3	Business Risks
4	People
5	Environmental, Quality and Supply Chain Management
6	Human Rights
7	Ethical Management and Regulatory Compliance
8	Commitment to Society

# 1. BUSINESS MODEL OF GRUPO SANJOSE

Grupo SANJOSE is a business group that takes part in the development of key sectors for the world economy through its main business line of activity: Construction, Energy and Environment, Concessions and Services and Consultancy & Project Management.

Grupo SANJOSE designs and builds modern basic infrastructures for the development of regions and countries. Projects that boost progress, promote circular economy and drive new technologies.

Grupo SANJOSE has a full commitment to sustainable development, efficiency and ethically responsible behaviour; understanding this term broadly, under social, environmental, safety and Good Governance criteria.

It is a multinational company committed to the economic and social progress of the countries where it is present and with a determined orientation to customers and service culture. This corporate culture has generated competitive advantages that are the basis of its solid growth in a global environment, increasingly complex and competitive.

SANJOSE has consolidated a business model that guarantees maximum profitability for shareholders and generates value where it operates, acting as an engine of economic and social development through the development and maintenance of all types of transport infrastructure, buildings and energy projects.

Taking advantage of its global experience and the self-demand of all its professional teams Grupo SANJOSE offers the opportunity to structure customised and innovative solutions, adapted to the reality of the client and society, key qualities to increase efficiency ratios and productivity, optimise resources and minimise environmental impact.

Grupo SANJOSE shapes cities around the world, prioritising at all times the use of local resources, favouring the exchange of knowledge, the transfer of technology and the growth of an industrial fabric that boosts the growth of each country or region where it is present.

Likewise, and as a result of the diversification policy, the Group is present in other sectors of activity, such as the real estate sector, the commercial distribution of sports and fashion brands for more than twenty years and the agricultural-livestock sector.

The business model of Grupo SANJOSE is to design a diversified group regarding both, geographic distribution and lines of activity, as a way of being less exposed to the risks inherent to a single activity or geographic concentration.

For many years, the Group has a clear international vocation, thereby activities developed overseas have gained a higher significance in the turnover of the Group.

Present in more than 20 countries, the Group's most important activity at international level is based on the Middle East and South America.



## WORLDWIDE PRESENCE



  
BRANCH  
OFFICES

United States	•••	Cape Verde	•••
Panama	•••	Spain	•••••
Mexico	•••	Portugal	•••
Peru	•••	Malta	•••
Chile	•••	United Arab Emirates	•••
Argentina	•••••	India	•••
Paraguay	•••		

  
PRESENCE

Colombia
Uruguay
France
Germany
Suecia
Romania
East Timor
Australia



A sustainable business model that provides employees, customers, shareholders and society with value:



**A DYNAMIC AND DIVERSIFIED COMPANY**

Business lines: Construction, Energy and Environment, Concessions and Services and GSJ Solutions (Consultancy & Project Management).



**GLOBAL COMPANY AND LONG-STANDING PRESENCE**

To grow, to create value, to innovate and to produce wealth at each country where it operates is the commitment of the Group since the beginning of its expansion overseas in the 90s.



**QUALITY**

GSJ is committed to excellence in all business activities; the history of the Group and the portfolio of projects developed endorse this differentiating factor.



**EFFICIENCY**

The optimisation of costs and resources is essential for ensuring the competitiveness of the company and constitutes a key factor for the development and execution of works.



**HIGH TECHNICAL CAPACITY (R&D&I)**

Execution of high-technology complex projects and commitment to constant innovation.



**SMART MANAGEMENT AND ADAPTABILITY**

Changes happen more and more quickly. SANJOSE combines experience and flexibility when it comes to providing tailored and personalised solutions to different clients and markets.



**COMMITMENT TO CLIENTS**

Relationships based on trust, transparency, professionalism and a strict compliance with contract terms. It is the centre of our activity.



**CORPORATE SOCIAL RESPONSIBILITY**

Commitment to the environment and sustainability. Exhaustive care on Prevention on Occupational Hazards of all professionals integrating the organisation, as well as on their training and career promotion opportunities.



## BUSINESS LINES



Reference within the sector for its experience in the execution of unique projects and for providing professional and tailored attention to each of its clients; together with them, and providing them with all the technology and dedication of its team, it executes all kinds of building, transport infrastructure, industrial and energy projects, among others. Synergies between its different areas of activity have allowed it to create its own management models that generate operational efficiencies and improve each project in terms of quality, innovation, sustainability, profitability and safety. SANJOSE has been successfully exporting its business model and know-how since the 1990s to different geographical environments. Currently the company occupies position 128 within the "ENR Top 250 International Contractors", world ranking of the most international engineering and construction companies issued annually by the prestigious North American magazine ENR (Engineering News-Record) and position 100 within the sales ranking according to "Global Powers of Construction 2020" (GPoC) drafted by Deloitte.

### BUILDING

SANJOSE has a wide record experience in the construction, enlargement and restoration of some of the most remarkable projects worldwide for their historical significance, their importance, their aesthetic value or the techniques used in their execution.

Hospitals, museums, theatres, faculties, schools, sport facilities, shopping centres, administrative buildings, hotels, great urban developments, etc. Buildings which improve the quality of life of people, generate wealth, foster sustainable growth and update both, cities and counties where they are developed, improving the quality of life of its citizens.

### CIVIL WORKS

SANJOSE designs and builds communication channels that unite people. Bridges and tunnels that overcome the most complex natural environments, highways, roads, railways, airports, maritime works, hydraulic works, etc. All of them, infrastructures that promote the development of regions and countries and improve the lives of their inhabitants.

Essential infrastructure for the progress of society that the group understands only under economic, social and environmental sustainability criteria. These projects shall be respectful with the existing biodiversity, capable of boosting development and increasing modernisation.

Therefore, SANJOSE thoroughly examines each project, based on innovative building techniques and efficient management models, and carries out a meticulous execution. Only in this way are we able to satisfy the objectives set by clients and the needs of users.



## ENGINEERING & INDUSTRIAL CONSTRUCTION

Technology and innovation are two key components of SANJOSE's company culture and basic pillars for its competitiveness and credibility.

SANJOSE Ingeniería y Construcción Industrial has sound experience developing new energy infrastructures and avant-garde facilities which improve services and boost efficiency of airports, hospitals and all types of infrastructure for top level multinational companies.

SANJOSE provides clients with a wide range of services from complete execution of turnkey projects or EPC regime projects (Engineering, Procurement & Construction) to advice or assistance for the development of any stage within a project. It adapts to specific needs and requirements of each client by designing tailored projects based on avant-garde technology and multidisciplinary teams of professionals capable of facing the most complex challenges.



Aware of the importance of climate change, the Group boosts renewable energies and the research and development of sustainable energy solutions capable of reducing the consumption of energy and optimising the use of clean energies by means of avant-garde technologies. Joining the efforts made by major companies that, in coalition with Governments from all around the world, are committed to curb the global warming of the planet and achieve the emission reduction targets agreed upon at the world conferences on climate change.

SANJOSE, as an Energy Services Company (ESE or ESCO), brings to this sector a high added value for its experience as promoter and constructor of this type of projects, its professional teams of great experience, its continuous innovation and the services and tailored solutions provided to each client in all stages of this type of initiatives: Engineering (design and analysis), Operation and Maintenance and Energy Management.

The Group currently holds a majority stake in several clean energy projects such as, a PV solar farm in the province of Jaen and a polygeneration plant in Catalonia.

The development of clean energies, the respect for the environment and the implementation of sustainable development policies and energy efficiency are the pillars of business activity of SANJOSE Energía y Medio Ambiente.



It designs and develops business models to address long-term contracts that provide recurring income, promote sustainability, optimise resources and boost social development anywhere in the world.

The company creates value and boots sustainable growth and improves the lives of people, actively collaborating in the development of new and innovative infrastructures through public-private partnerships under concession regime and in the provision of maintenance services in sundry areas capable of combining citizen welfare with efficiency and energy savings.

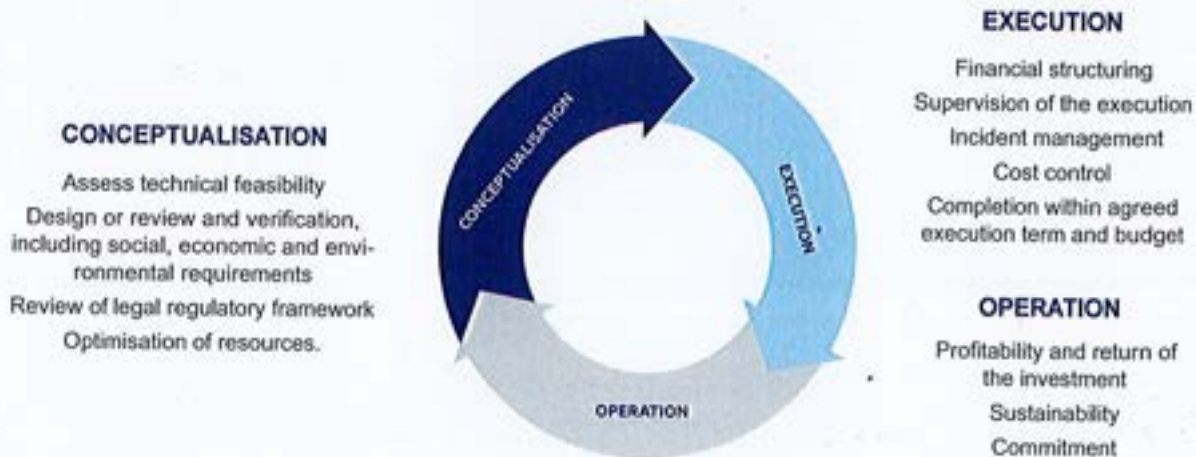
SANJOSE Concesiones y Servicios has multidisciplinary teams of professionals that optimise resources, maximise profitability, encourage the use of new technologies and provide effective and tailored solutions to the concession or service required by clients. The strategic policy of the company and its wide expertise in all its area of activity have enabled the establishment of a sound, innovative and competitive business area with great global growth potential.



Global provider of comprehensive consulting and project management services related to engineering, construction, energy and new technologies. It develops infrastructure that boosts productivity, promotes growth, encourages progress and contributes to the development of society in a more responsible and sustainable manner.

The development and execution of GSJ Solutions projects are focused on an environment of collaboration, innovation and talent. It integrates people from sundry disciplines, systems, structures and business practices in a process capable of taking advantage of the best points of view of all those participating in the project.

The business provides comprehensive solutions adapted to clients' needs regarding both, the design of a project and its global management. Its purpose is to optimise resources and guarantee economic feasibility, increase profitability, improve competitiveness and sustainability of projects at any stage: planning, execution and operation.





- 
- 1 Business Model of Grupo SANJOSE
  - 2 **CORPORATE GOVERNANCE**
  - 3 Business Risks
  - 4 People
  - 5 Environmental, Quality and Supply Chain Management
  - 6 Human Rights
  - 7 Ethical Management and Regulatory Compliance
  - 8 Commitment to Society

## 2. CORPORATE GOVERNANCE

### CAPITAL STRUCTURE

The share capital of Grupo Empresarial San José, S.A. (the parent company of Grupo SANJOSE) at 31 December 2021 consists of 65,026,083 shares of EUR 0.03 par value each, fully subscribed and paid up, all with the same political and economic rights, and represented by in book-entry form, being the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (IBERCLEAR) and its participating entities responsible for its accounting record.

Data has not been altered with regards to that provided at the year ended 31 December 2021.

DATE OF LAST AMENDMENT	SOCIAL CAPITAL (€)	NUMBER OF SHARES	NUMBER OF VOTING RIGHTS
27/06/2008	1,950,782.49	65,026,083	65,026,083

All shares representing the capital of Grupo SANJOSE are listed on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia through the stock exchange interconnection system (continuous market), since their admission to listing on 20 July 2009.

 GRUPO SANJOSE	2021	2020
Capitalisation (Thousands of Euros)	318,628	291,642
No of shares (x 1,000)	65,026	65,026
Price end of the period (Euros)	4.90	4.49
Last price for the period (Euros)	4.90	4.49
Maximum price for the period (Euros)	6.66	6.86
Minimum price for the period (Euros)	3.57	2.76
Volume (Thousands of Euros)	13,400	20,172
Cash (Thousands of Euros)	66,534	99,764

At 2021-year end, shareholding structure (direct and indirect) of Grupo SANJOSE is as follows:

NAME OF SHAREHOLDER	%
Mr. Jacinto Rey González	48.291%
Ms. Julia Sánchez Ávalos	7.438%
Ms. M <sup>a</sup> de las Virtudes Sánchez Ávalos	4.733%
Ms. M <sup>a</sup> José Sánchez Ávalos	3.829%
Juan Villalonga Navarro	1.999%
Other Members of the Board of Directors	0.870%



## CORPORATE GOVERNANCE STRUCTURE

The governance model implemented in Grupo SANJOSE follows the latest recommendations of the CNMV under its code of good governance of listed companies, as well as the best corporate governance practices, and consists of the following bodies:



- Annual General Meeting.
- Board of Directors.
- Other Committees of the Board of Directors:
  - Executive Committee.
  - Audit Committee.
  - Nominating, Compensation and Corporate Governance Commission.
  - International Executive Committee.

## ANNUAL GENERAL MEETING

The AGM is devised as the main governing body of capital companies, being the expression of the will and interests of the company, and where key operating decisions of the company are made.

Decisions of the AGM shall be adopted in accordance with the provisions of the By-laws, obliging all shareholders equally, even those absent, dissenting and abstained.

The AGM is responsible for the approval of the company's financial statements, the decision regarding the application of the profit/(loss) for the year and the approval of the corporate management.

Further, it has powers for the appointment and removal of directors, as well as any other functions that may be determined by Law or the By-laws.

The AGM is called by means of a public announcement on the company's website, on the CNMV's website and through the corresponding announcement on one of the most widely circulated newspapers in Spain, as well as in the Spanish Stock Exchanges.

All shareholders of the Company whose shares are registered under their name in the corresponding accounting records five days prior to the date on which the meeting is to be held are entitled to attend the meeting and, in accordance with provisions under Article 16 of the By-laws and Art. 8 of the AGM Regulations, all shareholders who, individually or in a group of shareholders, are in possession of a minimum of one hundred shares, have the right to attend the General Meeting.

## BOARD OF DIRECTORS

The Board of Directors is vested with the broadest powers, responsible for representing the company and managing its activity as a supervisory and control board, yet, it also directly assumes responsibilities and decision-making regarding the management of the business.

Its management is subject to the approval of the AGM.

The board of directors of Grupo SANJOSE is responsible for the management and supervision at the highest level of the information provided to shareholders, institutional investors and other market members, and shall safeguard, protect and facilitate the exercise of its rights and interests within the framework of the defence of social interest.

NAME OR COMPANY NAME OF THE BOARD MEMBER	TYPE OF MEMBER	POSITION ON THE BOARD	DATE OF FIRST APPOINTMENT	DATE OF LAST APPOINTMENT	ELECTION PROCEDURE
Mr. Jacinto Rey González	Executive	Chairman and CEO	18/09/1987	21/06/2018	Resolution AGM
Mr. Ramón Barral Andrade	Independent	Member-Coordinator	30/06/2009	21/06/2018	Resolution AGM
Mr. Roberto Álvarez Álvarez	Other External	Director	27/06/2008	21/06/2018	Resolution AGM
Mr. Jacinto Rey Laredo	Executive	Vice Chairman	30/10/2008	21/06/2018	Resolution AGM
Mr. José Manuel Otero Novas	Independent	Director	28/08/2014	27/06/2019	Resolution AGM
Mr. Enrique Martín Rey	Proprietary	Director	28/06/2013	27/06/2019	Resolution AGM
Ms. Altina de Fátima Sebastián González	Other External	Director	27/06/2008	21/06/2018	Resolution AGM
Mr. Javier Rey Laredo	Executive	Director	28/06/2012	21/06/2018	Resolution AGM
Mr. Nasser Homaid Salem Ali Alderei	Other External	Director	17/12/2015	17/12/2015	Resolution AGM
Mr. José Luis González	Executive	Chief Executive Officer	25/06/2020	25/06/2020	Resolution AGM
Ms. Amparo Alonso Betanzos	Independent	Director	17/12/2020	17/12/2020	Resolution AGM

According to the By-Laws of the company, the maximum number of members will be 15 and the minimum number of members will be 5; at the end of 2021, the Board of Directors consisted of 11 members.

BOARD OF DIRECTORS	
Independent	3
Executive board members	4
Proprietary	1
Other External	3



Below, we list those members of the Board of Directors, who hold positions in the organisation chart of the company and thus hold the status of Executive Directors, representing 36.36% of the total of the Board of Directors:

NAME OR COMPANY NAME OF THE BOARD MEMBER	POSITION WITHIN THE COMPANY STRUCTURE
Mr. Jacinto Rey González	President and CEO
Mr. Jacinto Rey Laredo	Vice President
Mr. Javier Rey Laredo	Director
Mr. José Luis González	Chief Executive Officer

Independent External Directors are as follows:

NAME OR COMPANY NAME OF THE BOARD MEMBER	NAME OF THE REPRESENTED OR APPOINTING SHAREHOLDER
Mr. Enrique Martín Rey	Ms. M <sup>a</sup> José and Ms. Julia Sánchez Ávalos

Total number of Independent Directors is 1, representing 9.09% out of the total Members of the Board.

For its part, the total number of Independent Directors is 3 members, and they represent 27.27% of the total of the Board of Directors, and there are 3 members of the Board that qualify as "other external directors" (27.27% of the total).

The appointments committee maintains its objective of trying to include a greater number of women on the Board of Directors in order to achieve a more balanced presence between men and women.

In the future, the company will assess the desirability of appointing professionals of both genders with sufficient experience and knowledge that can contribute to the development of its business. The company has always advocated non-discrimination on the basis of sex, as it appears in its CSR documentation and in the board of directors' recruitment policy.

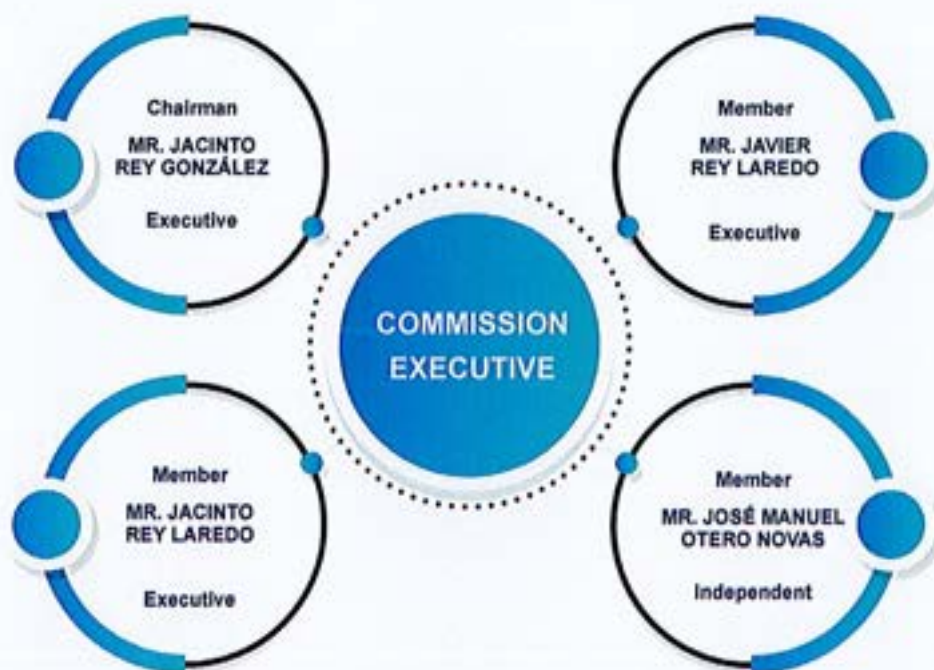
Both, the remuneration of the Board of Directors and Senior Management of the Group are detailed on the Corporate Governance Report and in the Remuneration Report of the Board of Directors. This information is available on the Group's website.

## EXECUTIVE COMISSION

The Executive Committee is dealt with in Article 31 of the By-laws and Article 14 of the Board's Regulations.

The Executive Committee will be composed of a minimum of three (3) and a maximum of five (5) members, appointed by the Board of Directors among its members, for a period equal to the term in the office of each member of the Board.

It will have the powers delegated by the Board of Directors, that in turn will determine the rules for the operation of the same. The Chairman of the Board of Directors shall chair the Executive Committee.



## AUDIT COMMITTEE

The Audit Committee is dealt with in Article 33 of the By-laws and Articles 15 and 16 of the Board's Regulations.

The audit Committee shall be composed exclusively of non-executive directors appointed by the Board of Directors, two of whom, at least, shall be independent directors and one of them shall be appointed taking into consideration the knowledge and experience in the field of accounting or audit or both.

The Audit Committee shall meet not less than four times a year.

The responsibilities of the Committee include:

- To inform the General Meeting of Shareholders on the issues raised regarding matters within its competence.
- To supervise the efficiency of the internal control system of the Company, internal audit and risk management systems.
- To supervise the preparation of financial information.
- To submit to the Board of Directors the proposal for the selection, appointment, re-appointment and replacement of the of external auditors.
- To build relationships with external auditors to receive information on any issues that may jeopardize their independence and any other matters related to the auditing of accounts.
- To issue, on an annual basis, prior to the issuance of the auditor's report, a report on the independence of the auditor.
- To inform, previously, the Board of directors of all issues applicable by law, by-laws and regulations of the Board.



In the exercise of its functions, the Audit Committee may request the assistance of experts whenever it considers that, for reasons of independence or specialisation, technical means of the company are not sufficient.

In addition, the Committee may request the collaboration of any employee or director of the company.



## NOMINATING, COMPENSATION AND CORPORATE GOVERNANCE COMMISSION

Article 34 of the by-laws and Articles 17 and 18 of the Board of Directors' Regulations deal with the composition, rules, performance and functionality of the Nominating, Compensation and Corporate Governance Commission.

The Nominating, Compensation and Corporate Governance Commission will consist of a minimum of three members and a maximum of five.

it is composed exclusively of non-executive directors appointed by the Board of Directors, two of whom, at least, shall be independent directors.

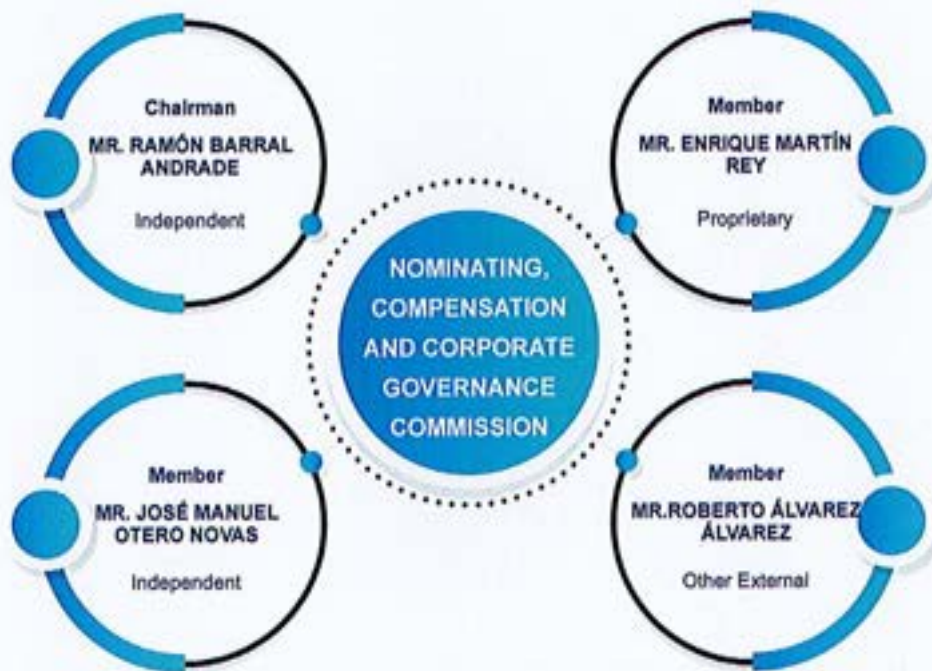
The term of office shall be 4 years.

A non-exhaustive list of the functions of the Commission is:

- To evaluate the competencies, knowledge and experience required for the Board of Directors. To define the functions and skills of the candidates for each vacancy and assess the necessary time and dedication so that they can effectively play their role.
- To establish a goal of representation for the under-represented sex in the Board and draw up guidelines on how to achieve this objective.

- To raise proposals to the Board of Directors for the appointment of independent directors, for their appointment by co-optation or for the submission to the decision of the general meeting of shareholders, as well as to propose candidates for re-election by the AGM.
- To inform of the proposals for appointment and cessation of senior managers and the basic terms of their contracts.
- To examine and arrange the succession of the Chairman of the Board of Directors and the Chief Executive Office and, where appropriate, to make proposals to the Board of Directors of such succession in an orderly and planned manner.
- To propose the remuneration policy of directors and executives to the Board of Directors.
- To supervise and monitor transparency in social actions, compliance with the Company's rules and principles and the compliance with applicable standards of all members and directors of the company.

The commission should ensure that procedures for the selection of members encourage gender diversity, and lack implicit biases that may involve any discrimination and, in particular, facilitate the selection of members.



## INTERNATIONAL EXECUTIVE COMMITTEE

Article 18 (2) of the regulations of the Board of Directors reflects the composition, functioning and internal regulation of the International Executive Committee.

The International Executive Committee will be composed of a maximum of twelve (12) members, who shall be appointed by the Board of Directors according to the proposal of the Chairman.



The members of the International Executive Committee will be either members of the Board of Directors, acting as directors of the Group, or technical third parties, acting as international advisers or experts, specially appointed for this function.

The International Executive Committee is responsible for the information, monitoring, advisory and proposal of matters within the international arena.

The Chairman of the Board of Directors shall chair the International Executive Committee.

The International Executive Committee shall be called whenever deemed appropriate by the Chairman.

The sessions of the committee may be plenary or by sections, consisting the latter in private meetings with given members invited by the Chairman, in response to a variety of countries, areas of specialisation or sectors of activity.

Without prejudice to other tasks assigned by the Board of Directors, the International Executive Committee shall have the following powers:

- To collaborate in the international development of all business lines of the Group (construction, concessions, energy, real estate) or any other type of business.
- To foster international relationships with public and private partners.
- To search for new business opportunities and projects, to draft proposals.
- To raise capital and investment financing for international projects.
- To propose projects with the appropriate partners.



## **PRIVILEGED INFORMATION AND OTHER RELEVANT INFORMATION RELEASED DURING YEAR 2021**

During year 2021, the Group has released the following relevant facts on the CNMV website in compliance with the obligations of listed companies:

- 24 February 2021. Half-year financial report and audit report. The Company submits financial information on the second half of year 2020 (Record # 7337).
- 24 February 2021. On the business and financial situation. Summary Report Grupo SANJOSE for the year ended 31 December 2020 (Record # 7739).
- 24 February 2021. Annual Corporate Governance Report. The Company submits the Annual Corporate Governance Report for year 2020 (Record # 7340).
- 24 February 2021. Report on the Remuneration of Members of the Board. The Company submits the Annual Report on the Remuneration of Members of the Board for year 2020 (Record # 7341).
- 24 February 2021. Call to the General Meeting. Call to the AGM (Record # 7342).
- 23 March 2021. Call to the General Meeting. Call to the AGM (Record # 8101).
- 30 March 2021. Call to the AGM. Resolutions adopted by the AGM (Record # 8301).
- 18 May 2021. On the business and financial situation. Summary Report 1Q- 2021 (Record # 9501).
- 28 July 2021. Half-year financial report and audit report. The Company submits financial information for the first half of year 2021 (Record # 10,948).
- 28 July 2021. On the business and financial situation. Summary Report of Grupo SANJOSE for the first half of year 2021 (Record # 10,949).
- 18 November 2021. Other information of interest. Summary Report Grupo SANJOSE (for the first three quarters of year 2021) (Record # 12,818).

- 
- 1 Business Model of Grupo SANJOSE
  - 2 Corporate Governance
  - 3 **BUSINESS RISKS**
  - 4 People
  - 5 Environmental, Quality and Supply Chain Management
  - 6 Human Rights
  - 7 Ethical Management and Regulatory Compliance
  - 8 Commitment to Society







In Abu Dhabi, since all the activity is carried out in Joint Venture with local companies, work-to-work insurance is chosen, according to the terms under each contract, and our partners are sometimes solely responsible for hiring and managing it.

In India, insurance is also taken out at local level, work to work and sometimes through our partner or through the broker imposed by the client.

Within civil liability risks, we include for Spain and Portugal, fundamentally, the hiring of employer liability coverage.

We demand our subcontractors to hire their own Civil Liability insurance policy with general liability coverage.

We rely on action procedures and claims management to efficiently respond in a minimum time to any risks jeopardising human beings.

## **ENVIRONMENTAL LIABILITY**

Despite not being mandatory, the Group has taken out an Environmental Civil Liability Insurance Scheme for an amount of EUR 20 M and a deductible amounting to EUR 100,000 covering several countries; a local policy issued in Portugal for a smaller amount and Cape Verde have been taken out.

At each country where it operates, legal or contractual requirements regarding environmental issues and the sundry departments of the Group shall analyse and adopt any necessary preventive measures so as to prevent the occurrence of an accident.

Among the coverage of the Group's General Civil Liability policy, we have also taken out a third-party damage coverage for accidental pollution that strengthens the protection of the Environmental Risk policy.

## **ACCIDENT RATE OF OWN PERSONNEL**

In addition to the Employer Liability coverage, all accident insurance programmes established as mandatory by applicable collective agreements have been taken out for all Group companies and all agreements includes the obligation of subcontractors to provide proof of insurance.

## **PROFESSIONAL GENERAL LIABILITY**

The Group has a Professional Liability Insurance Programme to cover design risks assumed by Group companies in some projects.

In some countries, such as Abu Dhabi, project-specific insurance policies with a ten-year- discovery period as from the completion of the works have been taken out so as to comply with contract terms. Albeit, in 2021 none has been taken out.

## **CIVIL LIABILITY OF BOARD MEMBERS AND EXECUTIVES**

In order to protect the individual assets of each of the Directors and Executives of companies within the Group against claims that may be made due to financial losses attributable to a management error in the performance of their duties, we have contracted a worldwide insurance policy, with coverage of legal defence, civil bonds and payment of compensation, where appropriate.

Local policies with reduced coverage are taken out for countries where we have a permanent presence: Chile, Argentina, Peru, Abu Dhabi and India.



## **INSURANCE POLICIES TO COVER ASSETS OF THE GROUP**

All the Group's real estate assets in Spain are adequately insured with damage policies, adapting each year the value according to the reviews carried out and made available to the Risk and Insurance Management area so as to ensure adequacy to the reality of the risk to be covered.

## **ALL RISK CONSTRUCTION POLICY FOR ALL WORKS WORLDWIDE**

In order to protect the works in execution during the term of the contracts, against accidental risks arising from errors of design, execution, defects of materials, fire, risks of nature and atmospheric phenomena, theft, strike, riot, vandalism, etc., all of our works are covered by a fully-comprehensive construction insurance programme with broad coverage and standard exclusions and limitations have been significantly limited.

It is the Risk Management's responsibility to ensure that all our works are subject to this insurance scheme regardless of being executed in joint venture or solely by companies of the Group.

From the initial stage of study and tendering, the Risk and Insurance Management Area, in coordination with the contracting, legal and production areas of the Group, carry out a detailed analysis of contractual and legal requirements and assess the need of providing coverage for risks that affect or may affect the company; an estimate of the cost of the main insurance coverage is made and, in the event of becoming the successful tenderer, works focus on achieving the highest level of insurance protection possible given the specific circumstances of each project.

## **CLAIMS MANAGEMENT**

An essential role of the Group's Risk and Insurance Management is to focus on the correct management of claims affecting the Group. Thus, we are constantly working on the establishment of procedures to be followed in the event of an accident, the management and monitoring thereof, together with Experts, Brokers and Insurers.

Training carried out on a regular basis of personnel responsible for the management of works is key; specifically, this year 2021 a training session has been given by the Risk Engineering area of our All-Risk Insurers on risk of fire, addressed to our production areas (more than 400 people between Spain and Portugal) in order to raise awareness about this type of risk.

In 2021 we have registered as significant a total of 33 claims, of which 19 were personal civil liability claims (mainly subcontracted workers), 2 were civil liability claims with damages to third parties of a material nature, 9 were own damages suffered in on-going works and 3 were claims of sums according to applicable collective agreements derived from accidents suffered by workers.

10 out of the 33 claims were closed throughout the year, whilst 23 remain open awaiting the evolution of injuries, the final sum of damages or the outcome of legal proceedings in progress.

No gaps in coverage have been detected in the claims.

Throughout 2021 several claims that corresponded to previous annuities have been closed, as many involved injuries suffered by workers it was impossible to close them within the same annuity since either the scope of injuries remained unclear, or legal procedures that were to determine the percentage of responsibility and the extent of compensation were pending resolution.



## BALANCE FOR YEAR 2021

The balance for year 2021 of the Risk and Insurance Management area of the Group is positive because, by analysing the accidents or claims occurred throughout the development of the activity, we have verified that the level of response by the Insurance Scheme had been fully satisfactory and no relevant impact without coverage has been recorded.

The monitoring of international reference standards in the matter, mainly the guidelines and methodology implemented under the framework of ISO 31000, are being increasingly implemented in our business development and allow updating the risk map in order to detect variations in exposure to traditional risks, as well as emerging risks.

The investment in preventive policies and in the contracting of insurance schemes fully adapted to needs has meant a clear return to the Group, not only in terms of compensations paid, but also in greater efficiency of resources used (use of economies of scale in the global negotiation of programmes, adaptation of coverage to the tailored needs of projects and activities, etc.), and above all, in enhanced protection of our brand and name.





## 4. PEOPLE

SANJOSE believes in the talent and commitment of its human team as a driving force for the transformation of society, diversity and business success.

Self-responsibility and self-demand are part of the Group's business culture. With the aim of learning, improving and innovating in all areas, SANJOSE integrates ethics, social responsibility and sustainability into training.

SANJOSE's team is the most important asset of the Group. Thus, its recruitment, training and management are a priority for the Group.

The experience, knowledge and flexibility of professionals are essential for increasing the company's competitiveness and for meeting the company's goals and objectives.

To invest in talent and in innovative solutions provides the company with high added value and enables it to live up to the demands of clients and markets where it operates. Grupo SANJOSE believes that investing in human resources is investing in leadership, growth, R&D and innovation in the future.

Likewise, Grupo SANJOSE fosters an inclusive, healthy and non-discriminatory work environment, working day by day to achieve excellence in order to bolster the talent of its teams.

All displaced teams, either nationally or internationally, taking part in projects of Grupo SANJOSE, share a common goal on the ground of the values of Grupo SANJOSE, that assumes the 10 principles of the Covenant of the United Nations World Cup on Human Rights, Environment and Anti-Corruption as its own.

All teams share the same vision: to be a Constructor Group with international development, focused on customer service and capable of creating value for society, offering global and innovative solutions for proper resource management, infrastructure improvement, and building city, with the aim of improving the quality of life of citizens and contributing to the sustainable progress of society.

The Human Resources Management is based on ethical codes of equal opportunity, cultural diversity, internal promotion and sound values, such as involvement, responsibility, perseverance, commitment, trust and respect.



## STAFFING STRUCTURE OF GRUPO SANJOSE AT 31/12/2021

### STAFF GRUPO SANJOSE



WOMEN  
13.43%



MEN  
86.57%

Average Age: 39 years

Average Seniority: 7.66 years

Average Age: 44 years

Average Seniority: 6.25 years

### DISTRIBUTION BY GENDER

	WOMEN	MEN
University graduates	114	356
University three-year degree graduates	117	486
Non-qualified technicians	27	375
Vocational Training	172	179
Operators	57	1,742
<b>TOTAL</b>	<b>487</b>	<b>3,138</b>
Command Staff	15	83
Executive Team	4	15

### TYPES OF CONTRACT



■ Indefinite Contracts 62%  
■ Fixed-term Contracts 38%

GENDER	INDEFINITE CONTRACT	FIXED-TERM CONTRACT
Men	1,888	1,252
Women	365	122
<b>TOTAL</b>	<b>2,251</b>	<b>1,374</b>

AGE	INDEFINITE CONTRACT	FIXED-TERM CONTRACT
<30	200	205
30-45	1,045	582
>45	1,008	587
<b>TOTAL</b>	<b>2,251</b>	<b>1,374</b>

CATEGORIES	INDEFINITE CONTRACT	FIXED-TERM CONTRACT
University Graduates	309	161
University three-year degree Graduates	387	216
Non-qualified Technicians	230	172
Vocational training - Adm.	295	56
Operators	1,030	769
<b>TOTAL</b>	<b>2,251</b>	<b>1,374</b>

Out of all the contracts, 80 are part-time contracts, representing 2.21% of the total workforce, distributed as follows:

GENDER	PART-TIME
Men	70
Women	10
<b>TOTAL</b>	<b>80</b>

AGE	
<30	4
30-45	26
>45	50
<b>TOTAL</b>	<b>80</b>

CATEGORIES	PART-TIME
University Graduates	1
University three-year degree Graduates	1
Non-qualified Technicians	3
Vocational training - Adm.	3
Operators	72
<b>TOTAL</b>	<b>80</b>

#### SALARY RANGE

POSITION	SALARY RANGE
Qualified Technicians	35,000€ - 55,000€
Administrative Staff	22,000€ - 32,000€
Operators	17,000€ - 37,000€

The average salary for women is €31,865 and the average salary for men is €33,620, that is a 5.51% salary gap.

GENDER	GRADUATES	ADM.	OPERATORS	AVERAGE SALARY - GENDER	AVERAGE SALARY - GRADUATES	AVERAGE SALARY - ADM.STAFF	AVERAGE SALARY - OPERATORS
Men	540	38	882	Men	46,469€	27,685€	25,937€
Women	143	63	6	Women	35,566€	23,894€	27,367€

AGE	WOMEN G.	WOMEN A.	WOMEN O.	MEN G.	MEN A.	MEN O.
<30	30	9	1	91	12	38
30-45	83	30	3	279	17	279
>45	30	24	2	170	9	565

COMPARISON	AVERAGE WOMEN	AVERAGE MEN	GAP
Year 2019	29,346€	30,980€	5.27%
Year 2020	29,333€	31,226€	6.06%
Year 2021	31,865€	33,620€	5.51%



### DISMISSALS AND EMPLOYEE TURNOVER

GENDER	DISMISSALS
Men	204
Women	7
<b>TOTAL</b>	<b>211</b>

AGE	
<30	39
30-45	122
>45	50
<b>TOTAL</b>	<b>211</b>

CATEGORIES	DISMISSALS
University Graduates	29
University three-year degree Graduates	41
Non-qualified Technicians	10
Vocational Training – Administrative Staff	28
Operators	103
<b>TOTAL</b>	<b>211</b>

GENDER	LEAVES DUE TO CONTRACT EXPIRY
Men	481
Women	71
<b>TOTAL</b>	<b>552</b>

AGE	
<30	125
30-45	255
>45	172
<b>TOTAL</b>	<b>552</b>

**VOLUNTARY TURNOVER 10.23%**

MEN: 314  
WOMEN: 46  
TOTAL: 360

**ABSENTEEISM RATE 6.61%**

ABSENTEEISM DAYS 84,943

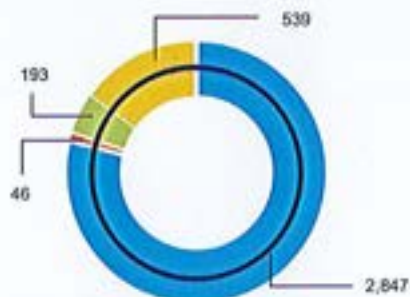
### PERSONNEL DISTRIBUTION

Distribution by Geographic Areas



Europe 71.73%  
America 21.90%  
Asia 6.37%

Distribution by Business Areas



Construction 78.54%  
Commercial 1.27%  
Industrial Services 5.32%  
Services 14.87%

By Professional Category



University Graduates 12.97%  
University three-year degree Graduates 16.63%  
Non-graduates 11.09%  
Vocational Training – Administrative Staff 9.68%

ESTEPAN CALVO IGLESIAS  
TRADUCTORA - INTÉRPRETE JURADA DE INGLÉS  
6427

The difference between the average salary of men and women within the company, technically so-called "Salary Gap", in 2021 is 5.51% compared to 6.06% in 2020. In our desire to equalise the salary compensation of all workers, always taking into account the responsibilities inherent in each position, the company moves towards equality in all labour aspects. It should be noted that this percentage is lower than that published in The study 'Analysis of the Gender Salary Gap in Spain' dated March 2019 prepared by the Spanish Confederation of Business Organisations (CEOE). This study indicates that the national salary gap is 12.2% according to the latest data reported by the INE.

The salary structure is based on gross salaries that are made up of the same salary concepts for women and men. Items of the salary structure are as follows:

Base Salary - Attendance and Activity Bonuses - Extra-salary and Transport Bonuses - Voluntary Supplements - Extra Pay - Vacations.

The rate of absenteeism within the Group of Companies amounts to 6.61% in year 2021 -6,26% in year 2020- and is determined by the days incurred into by different types of absenteeism (accident, illness, maternity / paternity leave, days of absence and leave, strike, days of suspension, holidays) with respect to the total days worked by the average number of workers, in 8-hour working days.

The employee turnover rate is the indicator that measures the relationship between workers who join the company and those who leave it.

In order to calculate the index, the following formula shall be applied:

$$((X-Y)/Z)*100= IRP$$

Where:

X: Number of employees who have joined the company during the last year.

Y: Number of employees who have been dismissed during the last year.

Z: Total number of employees of the company.

IRP: Employee turnover rate.

Employee turnover in 2021 is 31.41% compared to the previous year, when it stood at 36.48%. Total of enrolments amounts to 1,868 workers, 211 dismissals and 552 leaves due to contract expiry in an average of 3,518 employees during year 2021 were recorded.

Voluntary employee turnover is a term that refers to the time a worker spends in each of the positions within the company, as well as the frequency rate of the resign from said occupation.

Hence, voluntary resignations stand at 360 for year 2021 (46 women and 314 men) compared to 363 (32 women and 331 men) for year 2020. Average workforce is 3,518 employees, what involves a voluntary employee turnover of 10.23% in year 2021, with regards to 9.51% in the previous year.

The Annual Corporate Governance Report published in the National Securities Market Commission, provides detailed information of directors and senior executives, as well as the average remuneration for the year.

Employees of the Group are subject to the different collective agreements applicable in each of the Spanish provinces as well as in the different countries where it operates.



The human resources department performs a centralised management of recruitment procedures. Local search procedures are carried out in the different countries where the group operates so as to cover the demand for local labour; thus, aggregate information is not available.

Within the measures adopted to promote employment, the company focuses on the different countries where it operates, attracting local candidates from each country in order to train and give value to local labour in accordance with the philosophy of the company. We promote employment through local hiring, providing the company with direct costs and benefits according to local practices and the standard of living of each country.

In order to boost labour disconnection, the company promotes detailed knowledge of working day hours within the established legal limits, as well as working schedules and time available to the company, respecting the duly approved daily, weekly or monthly rest, as applicable. The management of the company considers this matter as a fundamental right of workers.

In this sense, at the end of 2019 the company implemented a time control system at its offices and an on-site time control system managed by OBRALIA at working sites in order to monitor breaks, the login/logout time and ensure that working hours are within the legally established limits.

Since the beginning of the pandemic caused by Covid 19 in the month of March 2020 and in order to contain the spread of the virus, as well as to support a better work-life balance in line with the difficulties arising from this situation, the Work Calendar has been adapted to existing needs and exceptionally and temporarily, staff has engaged hybrid working, alternating working from home and at the office in reduced working bubbles, yet according to the same legal limits on working hours.

Likewise, so as to support a better work-life balance intensive working days throughout the year are set and all employees are informed of the possibility of reducing working hours due to legal guardianship, leave of absence, as well as other benefits, such as the absence due to the risk of pregnancy or maternity leave. Additionally, the possibility of early and partial retirement is promoted for personnel who meet the legal requirements.

Measures designed to facilitate the enjoyment of a better work-life balance are aimed, in addition to those established under legal regulations, to provide employees with the necessary tools and remote access to management programmes so as to keep up with work performance.

Communication with staff members is done via email, telephone and face-to-face, as the case is. There is also a suggestion box available to workers, as well as a virtual mailbox on the company's website.

Workers are represented by the two most representative unions in the areas of social affairs. That is, Comisiones Obreras (C.C.O.O.) and Unión General de Trabajadores (U.G.T.). There is no union conflict open and participation in labour issues and collaboration with the unions is that established by applicable regulations.

In the area of Collective Bargaining, domestic companies integrating Grupo SANJOSE are 100% covered by the different collective agreements and have not agreed any business collective agreement. These are governed by the State or Provincial Collective Agreements negotiated and agreed upon by the different trade unions and business associations corresponding to each activity carried out by the concerned companies.

In this sense, we indicate that within the companies of the construction sector, the Collective Agreement for all of them is the Provincial Construction Agreement affecting 1,485 employees, representing 95.19% of the total sector. However, Constructora San José also carries out activities under the Siderometalurgy Collective Agreement, which affects 73 employees (4.68%) and minor activities under the State Gardening Collective Agreement affecting 2 employees (0.13%).

In the Commercial Sector, the Collective Agreement for the different companies that compose it, except Outdoor King S.A., is the Provincial Agreement for Textile Commerce with 44 employees, what represents



93.62% of the total of the sector. However, Comercial Udra S.A. also carries out activities under the Collective Agreement for the wholesale of sporting goods with 1 employee (2.13%) and the company Outdoor King also develops part of its activity under the terms and provisions of the Collective Agreement for Sports Commerce affecting 2 employees (4.26%).

In the Services Sector all the companies and JVs that compose it are governed by the State Collective Agreement affecting 540 employees.

Finally, in the Industrial Sector, the predominant Collective Agreement is the Collective Agreement for siderometallurgy affecting 191 employees, what represents 98.45% of the total of the sector except for Enerxias Renovables de Galicia with 2 employees (1.03%) and San José Energía y Medioambiente with 1 employee (0.52%) that are governed by the Engineering State Collective Agreement.

In the international area, collective bargaining does not operate as at the national level. Companies are borne by labour laws in force in each country agreeing, if appropriate, on any individual matters and issues that may arise.

The company's philosophy is non-discrimination for any reason, sex, race, or any other type of condition.

The company's policy, among others, is to promote non-discrimination based on gender, including in its procedures equal measures for all personnel who wish to enter the company or who are already within it, seeking the growth of employees themselves and prioritizing their personal values.

Similarly, in order to foster the promotion of measures that help to equate people with disabilities with those who do not, favouring a working environment that does not entail any type of exclusion due to their disability; all facilities are adapted and provided with parking spaces, easy access, bathrooms, etc., as indicated by the legal precept of November 2013 on the rights of people with disabilities and their social inclusion. In the same way, personnel with disabilities are provided with the same opportunities as those who do not have a disability through job offers available to all types of candidates, as well as equal internal promotion for all staff members of the company, prevailing safety and comfort conditions.

## **STAFF WITH DISSABILITIES**

In order to comply with Royal Decree 364/2005 as of 8 April, the Spanish companies of Grupo SANJOSE with more than 50 employees have implemented sundry measures as detailed below:

On 10 May 2019, it was granted a certificate of exceptionality that justifies the adoption of substitute measures regulated in the aforementioned Royal Decree 364/2005, to Tecnocontrol Servicios, S.A.

The company Tecnocontrol Servicios, S.A., according to Royal Decree 364/2005, as of 8 April to determine the number of workers for the purpose of establishing the 2% reserve quota in favour of personnel with disabilities, had a staff of 287 workers, what involves the obligation to have 5 members with disabilities on staff.

On 22 April, 2019, Cartuja Inmobiliaria, S.A. was granted a certificate of exceptionality that justifies the adoption of the substitute measures regulated in the aforementioned Royal Decree 364/2005.

The company Cartuja Inmobiliaria, S.A., according to Royal Decree 364/2005, as of 8 April to determine the number of workers for the purpose of establishing the 2% reserve quota in favour of personnel with disabilities, had a staff of 83 workers, what involves the obligation to have 1 member with disabilities on staff.

On 30 March 2020 it was granted a certificate of exceptionality that justifies the adoption of substitute measures regulated in the aforementioned Royal Decree 364/2005, to Constructora San Jose, S.A.

The company Constructora San José, S.A., according to Royal Decree 364/2005, as of 8 April to determine the number of workers for the purpose of establishing the 2% reserve quota in favour of personnel with disabilities, had a staff of 1,168 workers, what involves the obligation to have 23 members with disabilities on staff.

In the period corresponding to the year 2021, the aforementioned companies have entered into commercial contracts with different authorised centres so as to replace the hiring of personnel with disabilities:

COMPANIES OF GRUPOSANJOSE	NO OF EMPLOYEES WITH DISABILITIES ON PAYROLL	COMMERCIAL CONTRACTS CONCLUDED WITH SPECIAL EMPLOYMENT CENTRES DURING 2021	NO OF EMPLOYEES WITH DISABILITIES UNDER REPLACEMENT CONTRACT
Constructora San José, S.A.	8	European Green Protection S.L. Lógica Informática y Suministros de Material Integral S.L. Celma Centro Especial de Empleo y Desarrollo, S.L.U. Fundación Juan XXIII Servicios Integrales de Fincas Urbanas de Madrid S.L.	17
Cartuja Inmobiliaria, S.A.	0	European Green Protección S.L. Fundación Juan XXIII	1
Tecnocontrol Servicios, S.A.	4	European Green Protection S.L. Lógica Informática y Suministros de Material Integral S.L. Fundación Juan XXIII Celma Centro Especial de Empleo y Desarrollo, S.L.U.	3



## SELECTION

The staff selection procedure aims to find qualified professionals who meet the requirements of the position in terms of training, experience, skills and competence.

Recruitment takes place in collaboration with first-rate universities and training centres and through the incorporation of qualified professionals who provide the Group with their experience and know-how.

Human resources selection policies are based on seeking, recruiting, motivating and retaining talented people, with the aim of promoting excellence and a job well done.

The following are the channels used by Grupo SANJOSE for the search of candidates, which may vary according to the profile needed, the location (national and international), as well as the qualification required for the vacant position:

- Interns: Universities holding a framework agreement of collaboration between the Company and said University.
- Managers and foremen: employment service web sites.
- University graduates lacking experience: employment service web sites, employment offices, universities, professional associations.
- University graduates with experience: Employment service websites, Job Exchange (IE, IESE, ESADE, CEF, CUNEF ...), professional associations, direct search, LinkedIn.

Similarly, in-house employees are also resorted to fill in vacancies and in some specific cases internal promotion is preferred.

All the selection processes in Grupo SANJOSE are backed up by the highest standards of professionalism and transparency in the treatment of candidates. So, we promptly inform candidates involved in a selection process of the steps to be followed at each stage of the process:

- Recall of candidates.
- Personal interview(s).
- Psycho-technical Tests.
- Technical Interview.
- Decision-making.
- End of the selection process.

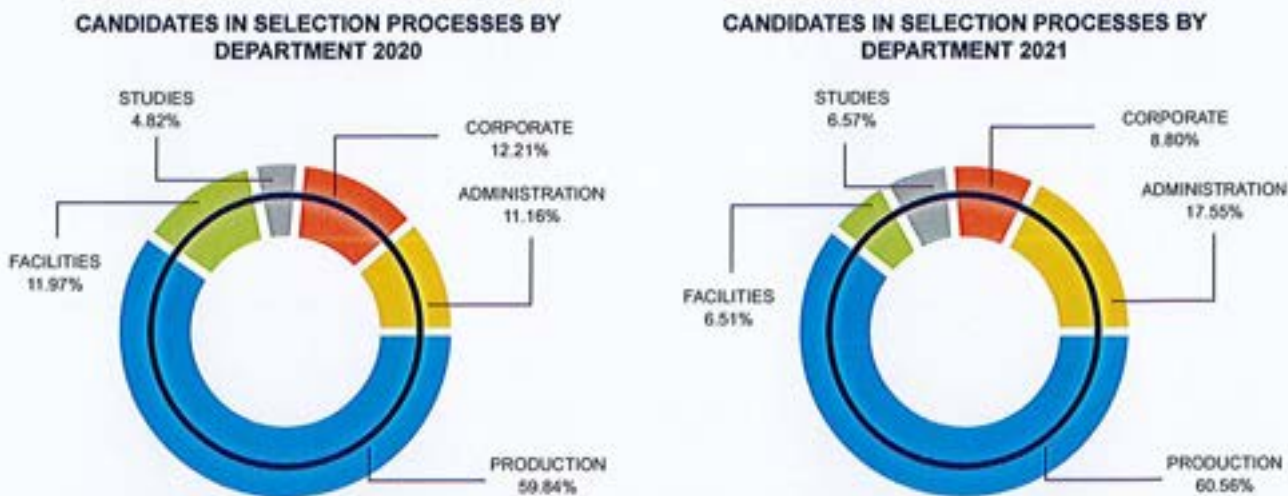
The Selection Department, given the persistence of the pandemic, has adapted the procedure for recruiting personnel, interviews and evaluation of candidates to an on-line format so as to ensure the safety of both, candidates and selection technicians.

In 2021, a total of 1,704 candidates were interviewed to respond to personnel needs requested from the different business areas of the Group, both nationally and internationally.

A total of **1,268** men and **436** women have taken part in selection procedures.

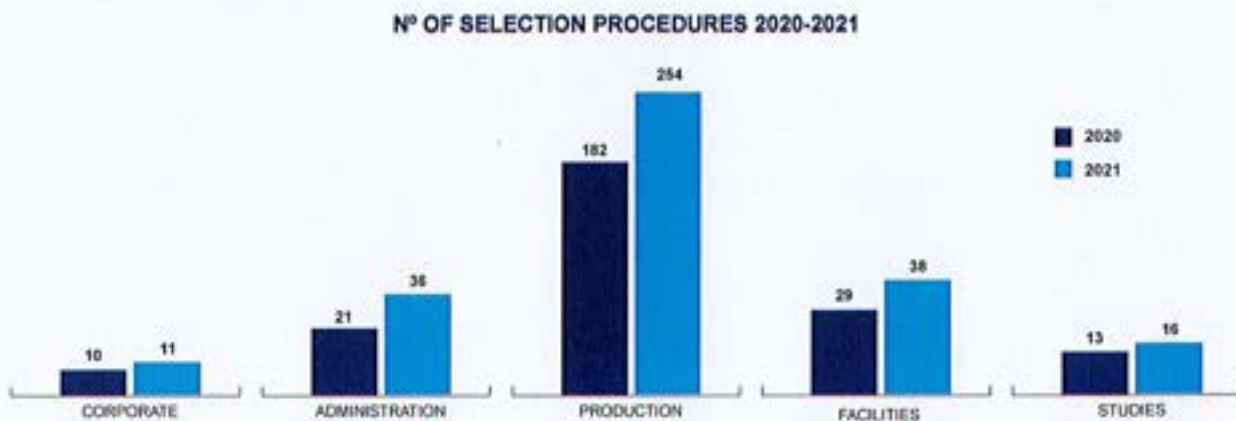
	MEN	WOMEN
2020	926	319
2021	1,268	436

The number of candidates interviewed by Grupo SANJOSE during 2021 has been **1,704**, being the detail by departments as follows:

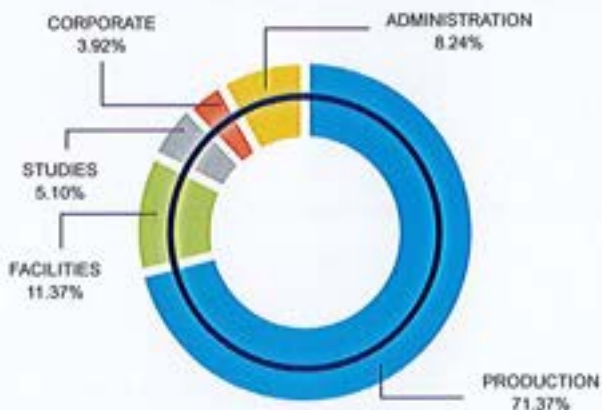


During 2021, the number of selection processes has increased by 39.22% compared to 2020.

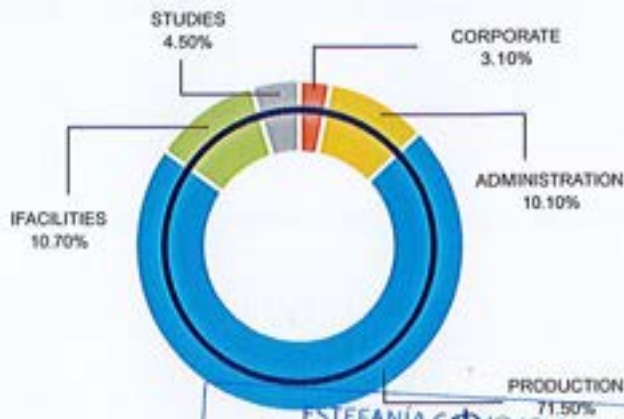
Likewise, the number of selection procedures completed in Grupo SANJOSE during 2021 has been **355**, with the detail by departments being as follows:



**SELECTION PROCEDURES BY DEPARTMENT 2020**



**SELECTION PROCEDURES BY DEPARTMENT 2021**



ESTEFANIA CILVO IGLESIAS  
 TRADUCTORA - INTERPRETE JURADA DE INGLES  
 Nº 6427



There is a welcome and reception programme available to new hires to corporate departments of Grupo SANJOSE.

The reception guide intends to provide new employees with information on the company's structure and so facilitate their incorporation and integration into the company and make them part of the SANJOSE project, encouraging them to feel identified with the objectives of the Group, and to consider their work essential, seeking how to bring the professionalism of each of them to our clients under responsibility, quality, efficiency and sensitivity criteria.

All the employees of Grupo SANJOSE rely on the following tools to carry out any entrusted tasks:

- Corporate ERP: management tool to control and analyse the different development procedures in the different business areas.

It is a web-based tool, what provides users with greater agility in its management and availability in different supports.

Access is restricted to authorised personnel of the company through a username and password, with different levels of authorisation depending on the position within the company's structure.

- Help Desk: to report incidences, basic and compulsory tool of communication between users and the computer department so as to notify any setbacks that may arise in the workplace and / or the different systems or to check any doubts on a given process.
- Forum: the different areas of the company shall disclose guidelines and corporate procedures for the operation of the different systems herein.
- My data - Self Service: website for the management of corporate contact data, it also allows updating passwords and checking contact data of any member.
- Email: communication by mail through the IBM LOTUS mail client, which will also be available via webmail. Provided with IBM Sametime.

Each country shall contact the human resources department in the event of hiring needs. Any personnel requests shall be filed through the ERP app, fulfilling information related to the needs to be covered, as well as the main tasks of the vacant position. Upon its filling, the selection teams start the search of candidates by means of different channels (universities, business schools, social networks, etc).

## **TRAINING**

The professional development of workers is an investment in the future of the company since it contributes to the increase of the company's potential by means of the professional and human improvement of the employees integrating it, promoting the development of capacities, increasing their knowledge, perfecting their skills.

Training plans are devised by sectors and provided on line to cover training gaps, being updated annually so as to fit them to the needs of each business.

Features of the Training Programmes. Types:

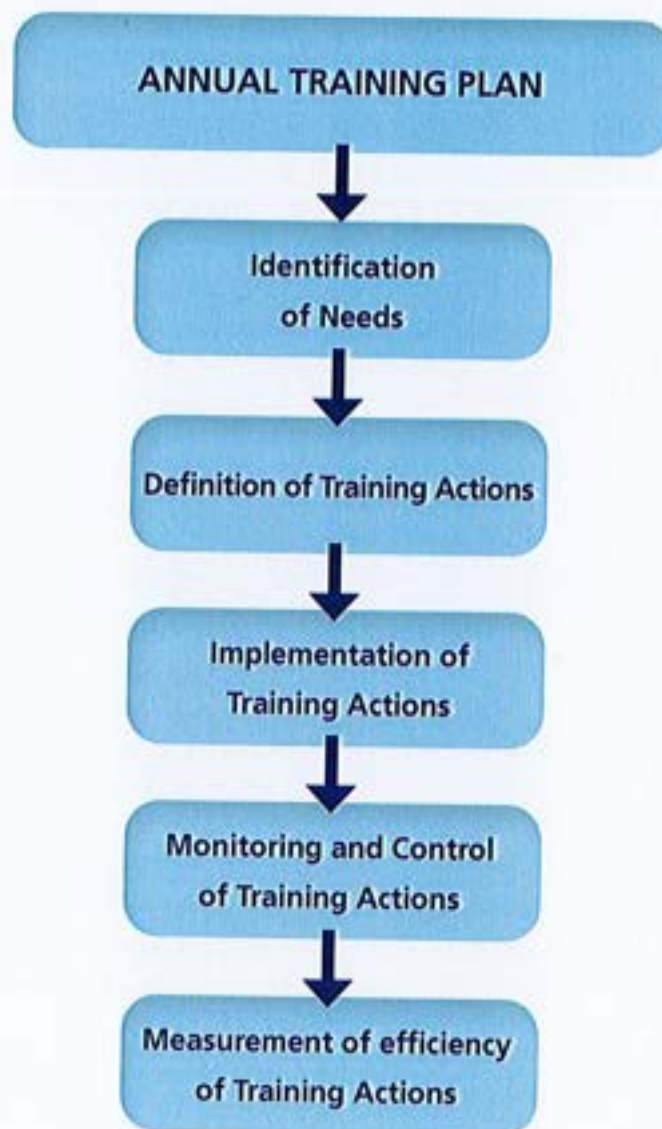
- Mandatory, which includes training in Prevention of Occupational Hazards, and training in Quality and Environment.
- Specific training, which includes other types of training, yet may be replaced by training priorities.

Further, it has permanent training and skills development programmes devoted to fill the gaps and training needs of employees identified throughout the year.

This specific training is tailored to the needs of each business, and ultimately, to the specific needs of each person.

Further, it has permanent training and skills development programmes devoted to fill the gaps and training needs of employees identified throughout the year.

This specific training is tailored to the needs of each business, and ultimately, to the specific needs of each person.





In 2019 a new Training Programme was implemented for newly hired technical personnel, which has been adapted during 2020 and 2021 to the circumstances marked by the pandemic.

This programme offers the following training actions upon joining the Group:

- Basic Training on Prevention of Occupational Hazards.
- Training on Site Environmental Control.

TRAINING 2021 BY TYPE					
TRAINING ACTIONS	N° OF TRAINING ACTIONS	N° OF PARTICIPANTS	HOURS	WOMEN	MEN
Quality & Environment (*)	23	96	294	25	71
Languages	101	97	4,809	28	69
Other training actions	47	439	4,320	101	338
<b>TOTAL</b>	<b>171</b>	<b>632</b>	<b>9,423</b>	<b>154</b>	<b>478</b>

(\*) This training programme is completed by that on the PHAROS Platform, amounting to 4,080 hours.

TRAINING 2021 BY BUSINESS AREA					
BUSINESS AREA	N° OF TRAINING ACTIONS	N° OF PARTICIPANTS	HOURS	WOMEN	MEN
Construction	146	572	7,711	152	420
Concessions and Services	16	51	1,159	1	50
Energy and Environment	1	1	78	0	1
Other (Group Structure)	8	8	475	1	7
<b>TOTAL</b>	<b>171</b>	<b>632</b>	<b>9,423</b>	<b>154</b>	<b>478</b>

PROFESSIONAL CATEGORY	WOMEN	MEN	PROFESSIONAL CATEGORY	N° OF TRAINING HOURS RECEIVED
Senior Management	3	11	Senior Management	1,026
Managers	4	26	Managers	2,106
Technicians	144	398	Technicians	5,347
Office staff	3	0	Office staff	95
Operators	0	43	Operarios	849
<b>TOTAL</b>	<b>154</b>	<b>478</b>	<b>OPERATORS</b>	<b>9,423</b>

TRAINING ON THE PREVENTION OF OCCUPATIONAL HAZARDS			
	NUMBER OF COURSES	NUMBER OF STUDENTS	TRAINING HOURS
Training Prevention of Occupational Hazards 2020	63	1,505	7,347
Training Prevention of Occupational Hazards 2021	52	1,249	13,922



COURSES PERFORMED	DURATION (HOURS) 2021
Permanent classroom or elementary level	8
Occupational Prevention Hazards Elementary level	60
Second stage of training: Masonry	20
Second stage of training: Masonry	6
Second stage of training on Prevention of Occupational Hazards: Plumbing and conditioning facilities	20
Second stage of training on Prevention of Occupational Hazards: Plumbing and conditioning facilities	6
Recycling second stage of trade: Plumbing and conditioning facilities	4
Recycling second stage of trade Electricity: Assembly and maintenance of low and high voltage facilities	20
Recycling second stage of trade Electricity: Assembly and maintenance of low and high voltage facilities	6
Recycling Second stage trade: Electricity: Installation and maintenance of High Voltage and Low Voltage electrical installations	4
Second stage of training: Operators of lifting equipment	6
Second stage of training: Formwork	6
Second stage of training Occupational Prevention Hazards for operators of vehicles and earthmoving machinery	20
Second stage of training Occupational Prevention Hazards for operators of vehicles and earthmoving machinery	6
Second stage of training Installations, repairs, assemblies, metal structures, locksmith and metal carpentry	6
Second stage of training Mechanical work, maintenance and repair of machines, industrial equipment and/or electromechanical equipment (aerospace industry, etc.)	20
Second stage of training Prevention of Occupational Hazards for assembly of tubular structures	6
Second stage of training: Office staff	20
Prevention of Occupation Hazards for executives	10
Prevention of Occupation Hazards for construction company managers	70
Preventive management system on health and safety of Grupo SANJOSE	5
Preventive management system on health and safety of Grupo SANJOSE	8
Good preventive practices for safety risks	4
Good preventive practices in cargo handling	4
Good preventive practices in the use of forklift	4
Forklift operator	6
Mast forklifts with cantilever load up to 10,000 kg	12
Personnel mobile lifting platforms	14
Operator of mobile personnel lifting platforms	8
Confined spaces	2
Confined spaces	4
Works in confined spaces	8
Specific training for excavation and trenching according to guide EM 385-1-1	2
Preventive practices in fires and emergency plans	4

Fire extinction and emergency	6
First aid preventive practices	4
First aid	4
Good preventive practices for electrical risks	4
High voltage works. Low voltage works	24
Assembly and dismantling of scaffolding	8
Work at height	8
Accident investigation	10
Prevention of Occupational Hazards at job position Maintenance personnel	2
Prevention of Occupational Hazards at job position Supervisor	2
Good preventive practices for biological risks	4
Good preventive practices for road safety	4
Coronavirus: prevention measures	2
Good preventive practices for ergonomics	4
Good preventive practices for the office sector	4
Good preventive practices for the use of PVD	4
Prevention of Occupational Hazards on working from home	4
Prevention of Occupational Hazards for electromedical devices	8
<b>TOTAL TRAINING HOURS</b>	<b>13,922</b>



### **Collaboration with Training Entities:**

**Fundación Laboral de la Construcción:** Training entity focused on the Construction Sector that provides workers with resources that make possible a more professional and trained sector, in terms of safety. In 2021 Grupo SANJOSE has continued with the Training Plan on Safety and Prevention by relying on many training actions developed by this entity.

**ADEMI:** During 2021, Grupo SANJOSE has participated actively (unless during lockdown) in the training actions designed by this Association, as well as in the Training Committee developed through the Virtual Classroom, where the associated companies exchange information, deepening the knowledge of the sector in different areas and activities, providing modernisation and optimisation of processes in order to improve the competitiveness of companies in an increasingly globalised world that requires continuous adaptation to market demands.

During this year we have used the **Online English Platform EF** (Education First) present in all countries. Training has been adapted to each worker, offering blended training. This platform has established a research unit in the department of theoretical and applied linguistics at the University of Cambridge.

We have also collaborated with other language training entities: School of English, Speak your mind, Grup CIEF, and we rely on English teachers for one-to-one lessons through the Virtual Classroom.

Within Specific Training and depending on the type of courses requested, we resort to other Prevention training entities such as Cualtis, Antea Prevention and Ralo Training. In other specific areas we have also resorted to: AyR Consulting, Kursalia, AERCE, Buhodra, AVATAR, Agremia.

Safety measures have been strictly followed in all face-to-face training actions (use of hand sanitiser, social distance of 1.5 metres and ventilation).

### **LEARNING PLATFORM (PHAROS PROJECT) "WE WANT TO REACH EVERYONE."**

The objective of this project is to provide all employees of Grupo SANJOSE regardless of the country with equal opportunities in the development of their careers.

The PHAROS Platform is a "living platform" that is continuously updated so that new training actions related to all areas of activity at both national and international level are incorporated providing users with the opportunity to learn about innovative technological tools, new construction methodologies, as well as training in skills, environmental management and sustainability. Training actions will be available in Spanish and, depending on the course, English version may also be available.

The purpose of the platform is to complement the training programmes of the Group.

Advantages:

- Certificates of Academic Institutions such as the Polytechnic University, University of Comillas, EOI (School of Industrial Organisation), UAX (University Alfonso X El Sabio), University of Isabel I, Institute of Engineering of Spain, etc.
- Constant update of contents.
- Regular incorporation of new courses demanded by the sector.
- Access to all courses.
- Access for all employees within the company.
- Tutorials carried out by experts (100 tutorials).

ESTEFANÍA CALVO IGLESIAS  
TRADUCTORA - INTERPRETE JURADA DE INGLES  
Nº 6427



- Downloading and printing documentation in .pdf
- Downloading of Diplomas.
- Courses both in English and Spanish.

The monitoring of the satisfaction level is carried out from the training area through internal questionnaires within the platform. Reaching an optimal level of satisfaction.

Training provided during 2021:

PHAROS 2021						
PARTICIPANTS	TRAINING ACTIONS	WOMEN	MEN	TOTAL HOURS	HOURS WOMEN	HOURS MEN
208	218	66	142	8,290	2,565	5,725

PHAROS 2021							
TYPE	TRAINING ACTIONS	PARTICIPANTS	WOMEN	MEN	HOURS TOTAL	HOURS WOMEN	HOURS MEN
WATER	1	1	0	1	75	0	75
ARCHITECTURE, BUILDING & URBANISM	34	34	9	25	1,095	295	800
BIG DATA	1	1	0	1	40	0	40
BIM	5	5	2	3	174	24	150
ROADS	1	1	0	1	40	0	40
FINANCE	4	4	1	3	190	45	135
PRODUCTION AND TRANSPORT OF ELECTRICAL ENERGY	1	1	0	1	40	0	40
MANAGEMENT	5	4	1	3	190	45	145
PROJECT MANAGEMENT AND CONTRACT MANAGEMENT CONTRACTUAL	8	7	3	4	475	225	250
LANGUAGES	1	1	1	0	5	5	0
CIVIL ENGINEERING / INFRASTRUCTURE	2	1	0	1	85	0	85
ENVIRONMENT (*)	102	102	26	76	4,080	1,040	3,040
NEW TECHNOLOGIES	2	2	1	1	145	100	45
REGULATION: QUALITY, COMPLIANCE AND PREVENTION OF OCCUPATIONAL HAZARDS	17	16	7	9	576	211	365
OFFICE AUTOMATION	16	10	8	2	320	260	60
SOFTWARE	17	17	7	10	765	315	450
STELENTIA	1	1	0	1	5	0	5
<b>TOTAL</b>	<b>218</b>	<b>208</b>	<b>66</b>	<b>142</b>	<b>8,290</b>	<b>2,565</b>	<b>5,725</b>

PROFESSIONAL CATEGORY	WOMEN	MEN
Senior Management	1	7
Managers	6	6
Technicians	57	124
Office staff	2	3
Operators	0	2
<b>TOTAL</b>	<b>66</b>	<b>142</b>

PROFESSIONAL CATEGORY	Nº OF TRAINING HOURS RECEIVED
Senior Management	297
Managers	394
Technicians	7,204
Office staff	270
Operators	125
<b>TOTAL</b>	<b>8,290</b>

TRANSACCIONES INTERNETAS S.L. Nº 6407

## INTEGRATION AND DEVELOPMENT PROGRAMME

The Integration and Development Programme aims to train, motivate and plan the career of the people who make it up based on their strictly professional values.

It is a two-year programme addressed to profiles with basic experience. The training and development of said professional is under the responsibility of a mentor appointed by the Company who shall monitor and carry out six-monthly assessment.

In 2021, 168 professionals have taken part in this programme (73% men and 27% women). A slight increase of women could be appreciated, 26% in 2020 compared to 27% in 2021.

**PARTICIPANTS THAT CONTINUE IN THE COMPANY 2021**

	TECHNICIANS		CLERKS		TOTAL	
	Men	Women	Men	Women	Men	Women
Spain	60	19	9	3	69	22
Portugal	17	7	7	2	24	9
Chile	6	3	0	1	6	4
<b>TOTAL</b>	<b>83</b>	<b>29</b>	<b>16</b>	<b>6</b>	<b>99</b>	<b>35</b>
<b>% INITIAL</b>	<b>80%</b>	<b>74%</b>	<b>89%</b>	<b>86%</b>	<b>81%</b>	<b>76%</b>

**PARTICIPANTS IN THE INTEGRATION AND DEVELOPMENT PROGRAMME**



REMARKS: During 2021, the number of participants in the Group's Integration and Development Programme was 168 people compared to the 240 who participated in 2020. This difference is due to the fact that it is a two-year programme and many participants joined the Company during 2020. During that year, the number of admissions to the Company was reduced due to the situation derived from COVID.



## **SOCIAL BENEFITS**

In order to maximise the net remuneration of workers, Grupo SANJOSE, through new compensation formulas, provides workers with a series of social benefits, which allow employees to have more cash.

Through a series of services hired by the company, employees who sign up to social benefits save on these services the withholdings that the Treasury would have carried out on their salary since, by law, when a business organisation provides these services for the benefit of workers, said services are exempt from personal tax withholdings.

This type of remuneration policy is addressed and available to all staff members within the Company, having all the option to enjoy the same as from their registration with the company and upon express request and subsequent approval.

Grupo SANJOSE has the following social benefits available to employees:

- Lunch Ticket (Eden Red).
- Nursery Ticket (Eden Red).
- Transport Ticket (Eden Red).
- Medical Insurance (Sanitas).

Through the fixed gross salary, each employee can access one or more of the so-called social benefits, according to limitations imposed by law and taking into consideration that salaries established by labour agreements cannot apply to this remuneration policy.

## **EQUALITY PLAN AND PREVENTION OF SEXUAL HARASSMENT**

Grupo SANJOSE commits to the establishment and development of policies for equal treatment and opportunities between women and men, not discriminating directly or indirectly due to sex, religion, race, or any other condition or personal or social circumstance, as well as to the implementation of measures so as to achieve real equality within the company, establishing equal opportunities between women and men as a strategic principle of our corporate and human resources policy.

In each and every one of the areas where the activity of the company is carried out, from selection to promotion, including salary, training, employment conditions, occupational health, working hours and work-life balance, equality of opportunities between women and men is assumed.

In compliance with Organic Law 3/2007, Royal Decree Law 6/2019 and Royal Decree Law 901/2020, for effective equality between women and men, an Equality and Harassment Prevention Plan has been designed. Among the measures established in matters of equality, highlight:

- The effective application of the principle of equality between men and women, guaranteeing the same opportunities for access, professional development and working conditions.
- The commitment to sustainability and social responsibility, favouring equal opportunities and the prevention of discrimination based on sex.
- There are channels devoted to facilitate communication at all levels within the company regarding equality and harassment.
- The disclosure of information and launching of awareness campaigns.



With regard to training and awareness-raising actions, it should be noted that remote training on Equal Opportunities is provided on the Pharos learning platform. This training has been made available to the Company's employees so as to boost training in this issue.

The Company has a Protocol of Action in matters of harassment, which aims to establish action guidelines that identify situations that could involve sexist harassment, harassment based on sex and / or psychological harassment, for involving violations of dignity, being harmful to the working environment and generating undesirable effects on health, confidence and self-esteem of people.

Thus, an effective and agile research procedure has been established and will be launched whenever one of these behaviours is reported. In this procedure, the confidentiality and protection of the identity of the people affected will be guaranteed, as well as that of all those involved in the process.

In order to guarantee the protection of the fundamental rights of a person, Grupo SANJOSE is committed to preventing and not tolerating inappropriate conduct of harassment at work, preventing the appearance of any behaviour that could be considered harassment in the workplace, and, therefore, any action or conduct of this nature is prohibited.

This protocol aims to establish a procedure to be followed when behaviours that may involve sexist harassment based on sex and psychological harassment occur within the organisation.

Complaints shall be issued in writing, and submitted by e-mail to the address provided for such purpose in the internal Forum of the company, or delivered by hand to the Harassment Officer of the group.

Employees lacking access to email, can phone the telephone number provided for this purpose.

Privacy, confidentiality and dignity of people affected is protected; thus, strict confidentiality will be maintained in all internal researches carried out.

There is a Harassment Prevention Committee responsible for verifying compliance, providing innovations and suggestions and changes.

In the event of harassment, a series of corrective and disciplinary measures will be adopted, including the opening of a disciplinary file in accordance with the applicable disciplinary regime.

Relevant corrective measures will be taken in relation to situations of harassment, to ensure the safety of all members of the organisation.

With regard to the protection of victims, the appropriate measures will be taken and whenever the sanction imposed on the harasser does not entail the leaving of the company, appropriate measures will be applied so that the harasser and the victim do not share the same working environment.

False Complaints are also included within this protocol; if it is proven that there has been no harassment in the situation reported, because the complaint lacks justification and grounds, in addition to its placement under bad faith, the corresponding disciplinary measures will be adopted.

The corresponding disciplinary measures will also be adopted if reprisals or acts of discrimination occur on the complainant, the victim or any other person involved in the process, whether determined or not the existence of harassment in any of its modalities.

**Notification channels**

- Research card.
- E-mail.
- Telephone.

As for year 2021, no complaint regarding harassment has been recorded.





## 5. ENVIRONMENTS, QUALITY AND SUPPLY CHAIN MANAGEMENT

### ENVIRONMENTAL MANAGEMENT SYSTEM

Grupo SANJOSE considers the preservation of the environment and sustainable development as fundamental premises within its strategic lines of business.

The general principles of SANJOSE's commitment to the environment and the promotion of sustainable development of society are established through our environmental policy, highlighting the following:

- Protection of the environment through the prevention or mitigation of environmental impact, the prevention of pollution, the reduction of waste generation, the sustainable use of resources and energy efficiency.
- Continuous improvement in the management of our environmental performance, through the establishment and monitoring of environmental objectives and goals, aimed at contributing to the improvement of processes and services.
- Compliance with applicable environmental legislation and regulations, as well as other commitments voluntarily acquired by the Group.
- Qualification and awareness, through training and awareness activities addressed to all workers, subcontractors and other concerned parties.

Since 1999 the Group has maintained a firm commitment to the environment in continuous review and adaptation to needs and expectations of the society and the environment itself. Hence, the implementation of an environmental management system in order to integrate business development, generate social value and environmental protection is a priority for the Group.

COMPANY	CERTIFICATE NUMBER
Constructora San José, S.A.	GA-2003/0398
Cartuja, S.A.U.	GA-2006/0028
EBA, S.L.	GA-2007/0371
Tecnocontrol Servicios, S.A.	GA-2007/0395
Constructora San José Portugal, S.A.	GA-2009/0351
Constructora Udra, Lda.	GA-2011/0013
Sociedad concesionaria San José Tecnocontrol, S.A.	BVCSG13007
San José Contracting, L.L.C.	G17300267

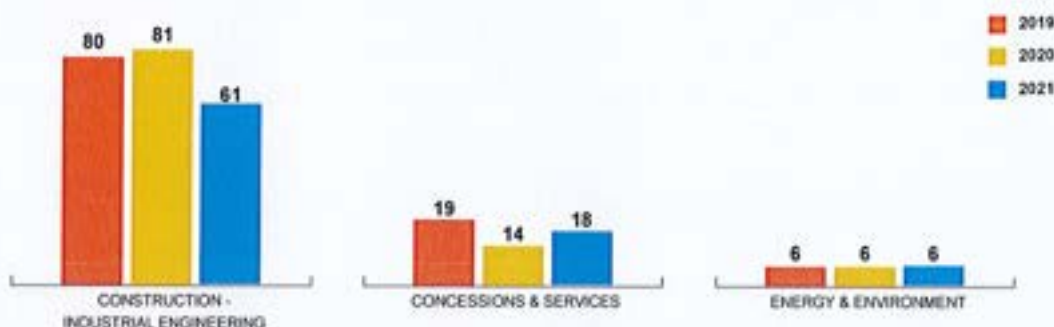
SANJOSE has obtained recognition for its commitment to the environment through the certification of its management system in accordance with the requirements under ISO 14001: 2015, by well-known entities, such as AENOR International, Bureau Veritas or Gabriel Registrar.

These certificates are internationally accepted by means of multilateral recognition agreements, signed by accreditation entities.

During 2021 a total of 85 audits were carried out in line with previous periods. Breakdown by scope of the audit: is as follows: 96,47% Quality, Environment and Energy Management, 2,35% R&D and innovation Management, 1.18% Energy services.

In accordance with preventive criteria, some of the audits have been carried out remotely, having conveniently adapted the internal procedures that regulate said activity.

#### AUDITS 2019-2021



## QUALITY MANAGEMENT SYSTEM

SANJOSE has as identity sign the continuous improvement of services and the adaptation to needs and expectations of customers, with the sole aim of providing clients with top quality and achieving their full satisfaction.

The result of this strategy is a quality, flexible and effective system appropriate for the business sectors of the Group, which provides the framework for setting and achieving improvement targets that result in the optimisation of services and adaptation to growing demands of customers.

The general principles of SANJOSE's commitment to the environment and excellence are developed through our quality policy, highlighting the following:

- To offer a service adapted to the requirements and expectations of our clients, guaranteeing the continuous improvement of the services provided.
- To provide a high level of quality in our works and services, ensuring compliance with applicable legislation and regulations.
- To provide permanent training programmes that allow all staff members to have a high level of qualification, to be involved, motivated and committed to identifying, satisfying and even anticipating our clients' needs.
- To establish quality objectives aimed at contributing to the improvement of processes and services.

The involvement, motivation and commitment of the entire Group with quality is total and global, having obtained recognition through the ISO 9001 certification the following Group companies:



COMPANY	CERTIFICATE NUMBER
Constructora San José, S.A.	ER-0510/1997
Cartuja, S.A.U.	ER-1363/1999
EBA, S.L.	ER-1170/2004
Tecnocontrol Servicios, S.A.	ER-1202/1998
Constructora San José Portugal, S.A.	ER-0011/2002
Constructora Udra, Lda.	ER-0102/2011
Sociedad concesionaria San José Tecnocontrol, S.A.	BVCSG13006
San José Contracting, L.L.C.	GR17300266

The Company is responsible for activities subsequent to the delivery of the work or termination of the service during the period of legal guarantee, due to contractual obligations, regulations or other commitments acquired by the Company. For this purpose, it has the necessary means to attend, monitor and resolve incidents and complaints both, during the execution of the work and after the delivery of the work or the end of the service, establishing the necessary corrective actions. Claims are managed in the corresponding regional scope of action, locally managing each country or region the claims of its competence, not having consolidated information.

## SUSTAINABILITY AND SUSTAINABLE CONSTRUCTION

SANJOSE works for a committed construction that represents our values as a company. With buildings that are innovative, functional, inclusive and capable of overcoming the challenges that come and are increasingly more pressing; those related to the environment and climate change, the optimisation and exemplary management of natural resources, energy efficiency, self-sufficiency, the reduction of emissions and the use of renewable energies, mobility, etc.

The smart construction of sustainable buildings represents an extraordinary opportunity to promote the circular economy and reduce the ecological footprint to the minimum expression. To incorporate corporate environmental responsibility into construction is a productive strategy. Buildings are often a large and long-term investment, and the returns, both economic and social, are greater when their design and construction are based on considerations on the ground of efficiency from all points of view: location and orientation, selection of materials, thermal insulation, self-consumption, use of new technologies, etc.

SANJOSE's environmental management system focuses on its commitment to sustainable development and to respond to increasingly demanding and sensitive social and environmental needs.

- The conservation of available resources by reusing and recycling them.
- The management of the life cycle.
- The efficient use of energy and water applied to the construction of the building and their use during operation.
- The reduction of the environmental impact caused by construction materials, products, systems and technologies.



The environmental certification is a tool that allows us to measure the degree of sustainability of a building, evaluating its environmental, economic and social aspects.

These certifications are voluntary and guarantee a quality standard regarding the behaviour of the building, with important economic and social benefits in aspects such as, energy and water consumption, air quality, reduction of impact on natural resources, well-being and comfort, reduction of waste, savings in maintenance costs, etc.

The Group has extensive experience in construction according to the main sustainability standards (LEED / United States, BREEAM / United Kingdom, PASSIVHAUS / Germany, GREEN / Spain, HQE / France), which have guided it in the execution of more than 1.8 million square metres around the world. Some examples:

- Judicial Centre of La Serena (Chile). Leed Platinum certification.
- Office building at 16, Paseo de la Castellana St., Madrid: Leed Gold certification.
- Plaza Río 2 Shopping Centre, Madrid. BREEAM ES Certificate with very good rating First shopping centre in Madrid to be granted this certification.
- Pescanova Biomarine Centre, Pontevedra. BREEAM ES Certificate with good rating.
- Torre Iberia Residential Complex in Malilla, Valencia. BREEAM ES Certificate with good rating.
- Bremond Son Moix Residential Complex in Palma de Mallorca. BREEAM ES Certificate with pass rating.

Similarly, some projects have also been recognised with several awards for representing an important contribution in the field of environmental, social and economic sustainability.

- Great Luxury 5\* Six Senses Ibiza Hotel Re think Award (Top 10) "Best hotel sustainability and refurbishment projects" in Spain 2021. Construction carried out according to the criteria of the BREEAM certificate that will make it the first tourist and residential complex in the Balearic Islands to obtain said certification.
- Martinhal Expo Offices / New headquarters of Ageas, in Lisbon (Portugal). Premio SIL (Salón Inmobiliario de Portugal) 2021 to "Best Sustainable Construction and Energy Efficiency" Construction carried out according to the criteria of the BREEAM certificate.
- Enlargement Factory of Nivea Beiersdorf Manufacturing in Tres Cantos (BMTc), Madrid. "Factory of the Year" 2021 for "Excellent Transformation Production Site", awards granted by AT Kearney. Construction carried out according to the criteria of the LEED certificate.
- Vialia Estación de Vigo Shopping Centre: National Award to "Best Initiative in Urban Regeneration" at the ASPRIMA-SIMA 2021 Awards. Construction carried out according to the criteria of the BREEAM certificate.
- Residential building at 11, Colón St., Vigo "Special Prize for Sustainability "of the Architecture and Refurbishment Awards of Galicia". First multi-family building in Galicia to obtain the German PASSIVHAUS certificate.



## **CARE AND PROTECTION OF ECOSYSTEMS AND BIODIVERSITY**

The effects on the natural environment, the conservation of biodiversity and the responsible use of natural heritage during the development of works and services is a strategic objective of SANJOSE.

Whenever required, the most significant impacts on biodiversity are contemplated under Environmental Impact Statements according to the legal framework of the given country, transferred to specific environmental monitoring plans applying the corresponding preventive, corrective and compensatory measures.

The implementation of measures for the conservation of flora and fauna is one of the environmental criteria applied to operational control and planning of works, especially when working at areas of high ecological value.

In order to preserve biodiversity, preventive or restoration measures are adopted, such as physical protection and / or transplantation of vegetation and trees, restoration of affected soils through the use of local species, planning of works taking care of the vital cycles of affected animal species, transfer of animal species, installation of protection barriers and construction of settling basins, etc.

It should be noted, that no activities have been carried out in protected areas in 2021. Be what as it may, whenever working in protected areas, projects are usually subject to the Environmental Impact Statement; therefore, any environmental impacts associated with the project have been duly identified so as to ensure their adequate prevention, while establishing effective correction or compensation mechanisms.

## **ENVIRONMENTAL PERFORMANCE AND MANAGEMENT OF ENVIRONMENTAL RISKS**

The Group's environmental management establishes the necessary resources and tools for the prevention and control of environmental risks, compliance with applicable regulations and the improvement of environmental performance.

The Group's Environmental Management System also contemplates the principle of environmental precaution, identifying risks and establishing action plans and appropriate measures to prevent damage. In this regard it should be noted that there are provisions and guarantees for environmental risks as already mentioned in the business risks section of this report.

Among the resources allocated by the Group to the prevention of environmental risks, the following stand out:

- Procedures for the identification and evaluation of environmental aspects arising during the execution of works, and that cause or may cause both direct and indirect impacts on the environment, and that are the basis of operational control and the establishment of improvement objectives.
- A team of professionals with extensive experience that acts as support and control teams in order to ensure the prevention and management of environmental risks in works and services.
- Specific budget items for the mitigation of environmental impacts (waste management plans, restoration programs, environmental surveillance plans, monitoring plans, environmental training, etc.).

The most significant environmental impacts identified in works and services and therefore deemed the main current and foreseeable impact on the environment are:

- Generation of waste.
- Atmospheric pollution: dust, noise, vibrations, etc.



- Decrease in natural resources: consumption of water, electricity, fuel, raw materials, etc.
- Affection to the environment (flora, fauna, etc.).

In order to minimise the impact on the environment and improve our environmental performance, the following measures are established:

- Adequate planning, monitoring and control of activities.
- The use of materials or execution procedures more respectful with the environment.
- Optimisation in the use of materials.
- Optimisation in the consumption of natural resources and raw materials.
- Flora and fauna protection.
- The implementation of good environmental practices.
- Training and awareness in environmental matters.

## CLIMATE CHANGE

SANJOSE shares the concern of society and interested parties in relation to climate change, assuming responsibility for the possible impacts derived from the development of works and services.

To adapt to the consequences of climate change, the Group promotes mitigation and adaptation measures that contribute to the transition to a low-carbon economy, namely:

- Energy saving and efficiency measures, replacing equipment and facilities for more efficient ones or boosting the generation of renewable energies.
- Study and implementation of environmental proposals to the client to improve the resilience of buildings in the face of the expected effects of climate change, promoting energy savings, the use of renewable energies, proper waste management, the integration of vegetation in projects.
- Sensitisation and awareness of all personnel involved in the development of projects and services in order to promote behaviours that contribute to reducing energy consumption and the environmental impact of the activities carried out.
- Energy services designed and executed in order to provide integral solutions adapted to clients' needs in order to guarantee the maximum energy efficiency of facilities, ensuring and developing sustainable energy solutions capable of reducing the consumption of energy and optimising its reuse.

## REDUCTION OF POLLUTANT EMISSIONS

Further, SANJOSE is committed to the prevention and minimisation of greenhouse gas emissions, noise emissions and other possible discomforts derived from its activity such as light pollution. Among the actions aimed at preventing and reducing them, highlight:

- Establishment of objectives and goals aimed at reducing emissions.
- Implementation of energy management measures under the ISO 50001 standard.
- Study and execution of works under standards of sustainability and almost zero energy consumption buildings.

- Training programmes.
- R&D& innovation towards reduction of emissions.
- Replacing conventional lighting with more efficient systems that minimise light pollution in work centres.

Similarly, and taking into account the conditions of the environment and / or project, operational control measures are established in works and services, aimed at the prevention and reduction of polluting gases and particles, noise pollution and light pollution, such as:

- Protection of powdery material during transport, storage and use.
- Shielding of broadcasting activities to minimize the impact on the environment.
- Preventive maintenance programs for machinery.
- Wetting of surfaces.
- Use of approved machinery.
- Establishment of working hours and limitation of the simultaneous use of machinery.
- Establishment of night lighting systems that respect the environment (directional lighting, presence detectors or timers, etc.).

## WASTE PREVENTION AND MANAGEMENT

One of the strategic objectives of the Group is the reduction of generation of waste, favouring reuse, recovery and recycling, promoting procedures aimed at preventing the generation of waste, correct segregation and treatment of waste and the development of R&D and innovation projects focused on the use of recycled materials.

Earthworks should be highlighted as the activity that generates the greatest environmental impact in the works. On-site reuse and optimisation of surplus land management leads to a significant reduction in waste generated, emissions associated with its transport and better landscape integration.

SANJOSE promotes the implementation of the following measures to prevent the generation of waste in order to facilitate recycling and subsequent reuse:

- To optimise the number of materials necessary for the execution of works, considering that an excess of materials is the origin of more waste left over from execution.
- To give preference to suppliers that make their containers / products with recycled, biodegradable, or returnable materials for reuse (pallets, wood, etc.).
- To give priority to the acquisition of recyclable materials over others with the same benefits but difficult or impossible to recycle.
- To collect the materials out of transit areas of the work so that they remain well packaged and protected until the moment of use, in order to avoid breakage and its consequent residues.
- Demolitions will preferably be carried out selectively.



- To separate waste by type to facilitate the management and recycling by authorised managers, collecting waste separately in correctly identified containers.
- To select, as far as possible, those products with the longest useful life.
- To request suppliers to send products with the least number of packaging, managing the return of pallets and reusable packaging.
- To consider the adequate storage conditions established by the supplier / manufacturer, in terms of moisture protection, etc.
- To carry out the earth moving planning so as to minimise the number of surpluses due to excavation and to enable the reuse of the earth in the work itself.

In relation to food waste, due to the type of activity carried out by SANJOSE, it is not considered a relevant aspect.

Fluctuations in the ratios of waste generated throughout the periods analysed are mainly due to variations in the portfolio of works and services of the Group, as well as to the type and execution phases of certain works.

In 2021, SANJOSE has managed the following waste:

- 799.7 thousand m<sup>3</sup> of clean earth and stones surplus from excavation, which have been fully recovered (664.3 thousand m<sup>3</sup> in 2020).
- 193.6 thousand tons of waste (481.5 thousand tons in 2020).

#### WASTE DATA GRUPO SANJOSE 2021



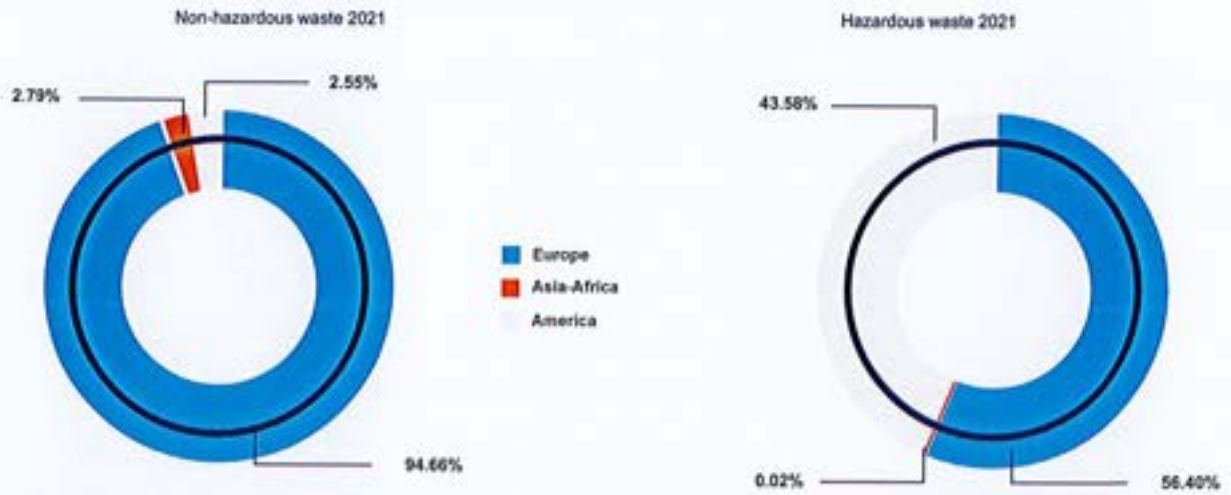
#### DATA BY AREA OF ACTIVITY 2021



ESTEFANIA CALVO IGLESIAS  
 TRADUCTORA · INTERPRETE JURADA DE INGLES  
 N° 6427

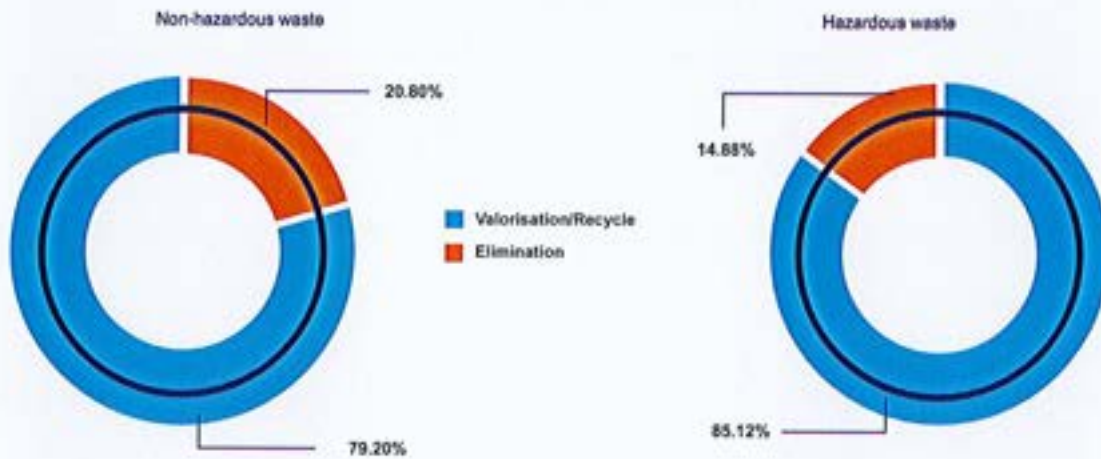


### DATA BY GEOGRAPHIC DISTRIBUTION 2021



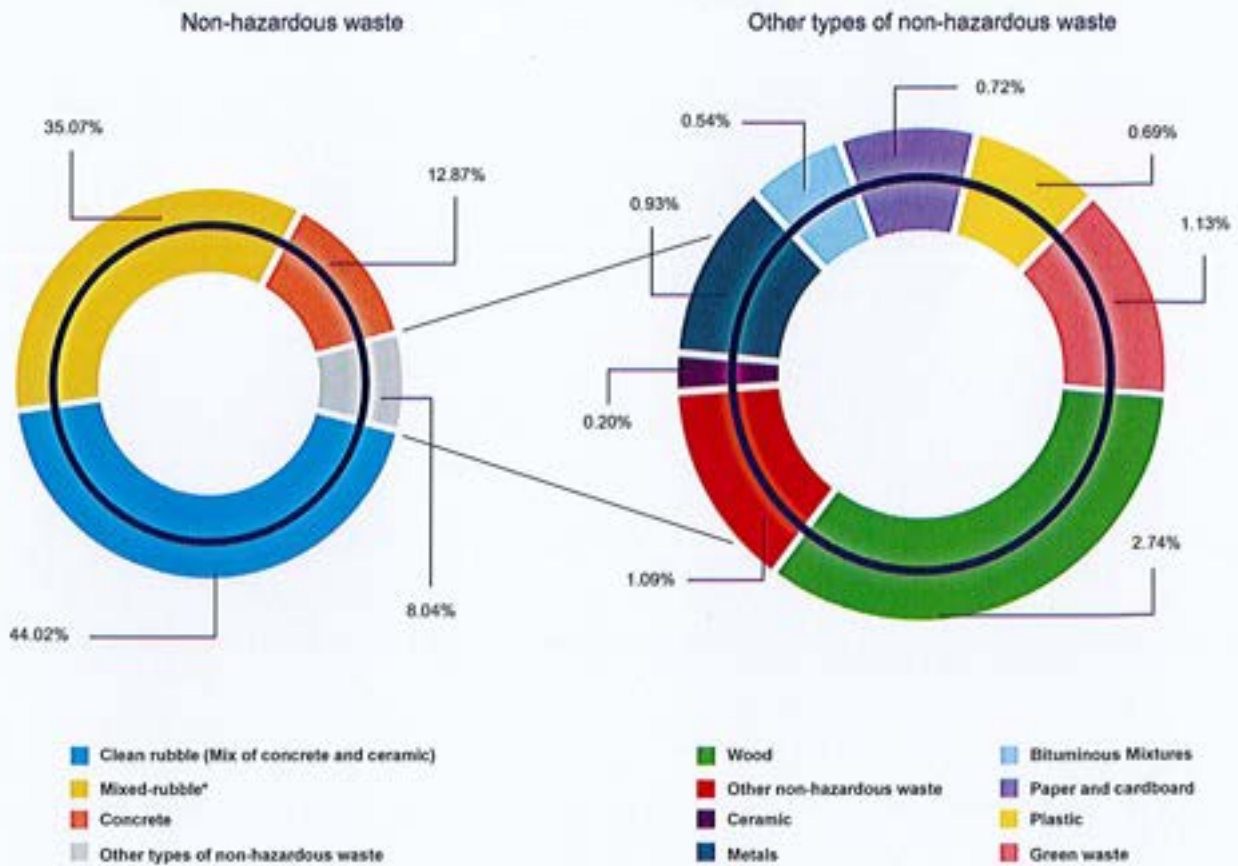
REMARKS: Waste is managed according to applicable regulations in force in each country. Being delivered to duly authorized managers or treatment plants for recycling, recovery or disposal.

### WASTE DATA BY TREATMENT METHOD 2021



REMARKS: Waste from contaminated land, materials containing asbestos and waste from health-care activities have not been taken into consideration.

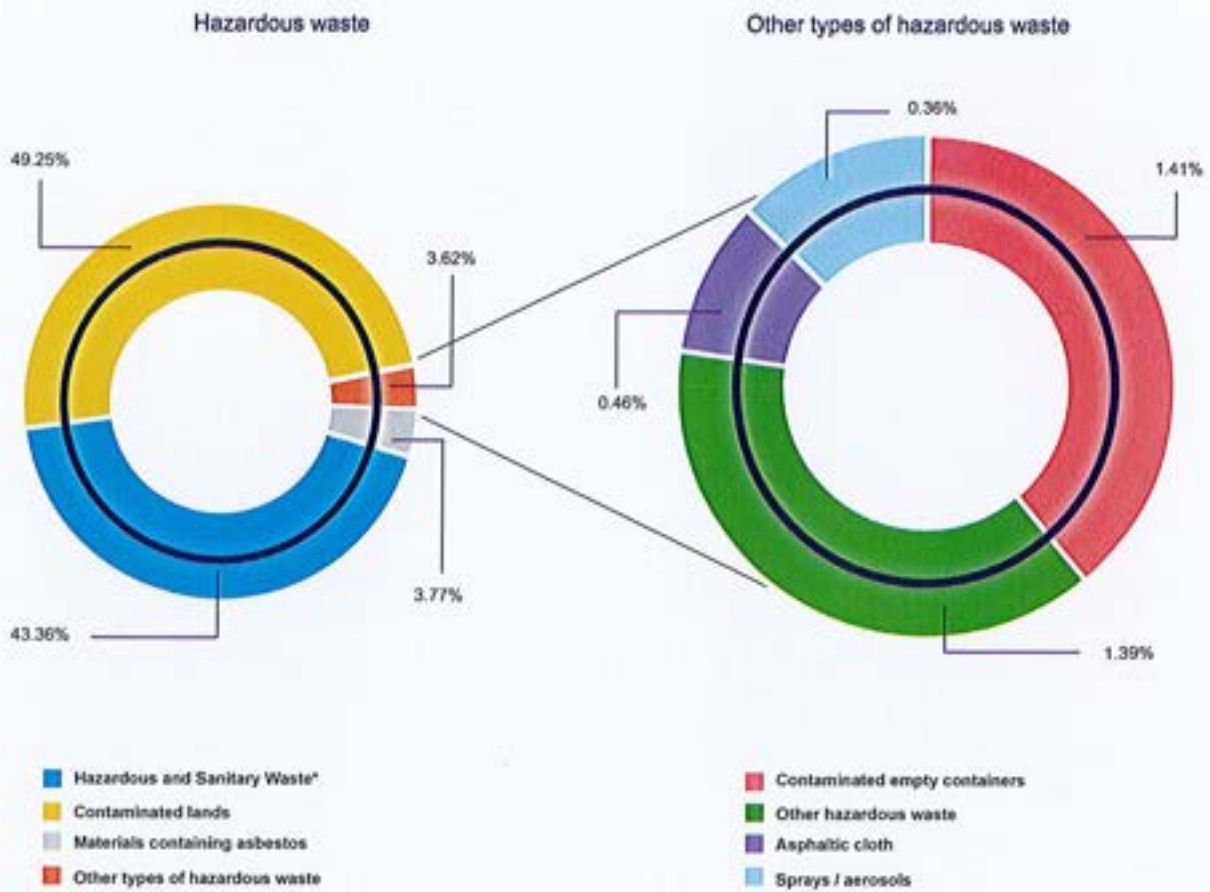
### NON-HAZAROUS WASTE BY TYPE 2021



REMARKS: Excavation surplus clean earth and stones are excluded from the data previously presented, amounting to 799,699 m<sup>3</sup>, which have been fully valued.

REMARKS: The mixed rubbish\* is mostly delivered to treatment plants where the waste is subjected to segregation and recovery processes.

**HAZAROUS WASTE BY TYPE 2021**



REMARKS: Waste from health-care activities corresponds to concession contracts in hospital facilities, which include the management of waste produced therein.

ESTEFANÍA CALVO IGLESIAS  
 TRADUCTORA - INTERPRETE JURADA DE INGLÉS  
 Nº 427



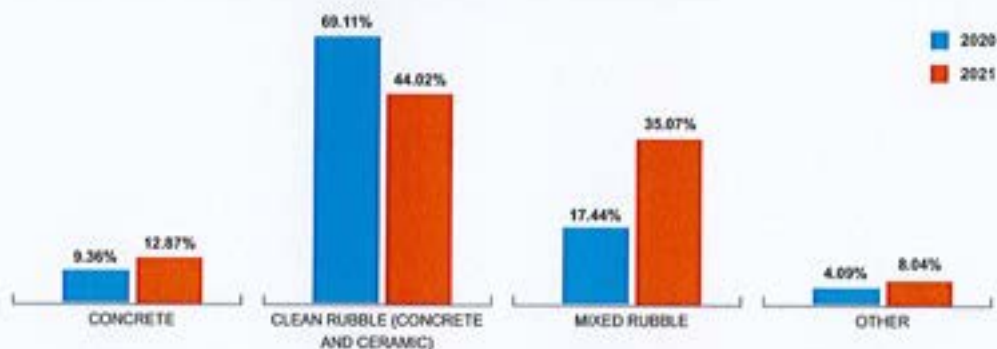
Regarding the distribution by type of waste, as can be seen in the graphs, most of the waste generated is considered non-hazardous.

Therefore, we attach two comparative graphs corresponding to non-hazardous waste in relation to the most outstanding treatment methods and typologies.

NON-HAZARDOUS WASTE TREATMENT METHOD 2020-2021 (%)



NON-HAZAROUS WASTE BY TYPE 2020-2021 (%)



## CIRCULAR ECONOMY AND RESPONSIBLE MANAGEMENT OF RESOURCES

The construction sector is one of the key sectors of our economy, its conversion to a circular economy being key, given that its optimisation and a reduced use of resources will help to generate a more competitive and resilient economic system.

SANJOSE's commitment to the circular economy encompasses the entire life cycle of the construction process, not being limited to the management of waste produced in its activities.

The process begins from the study of the construction project, planning the space taking into account the current circumstances (location, purpose, selection of resources and local suppliers, etc.), optimising the use of materials, minimising the production of waste and boosting the consumption of natural resources, seeking alternatives for the use of industrialised construction elements, promoting the use of products that can be reused or recycled after use and providing for maintenance and possible deconstruction.

In accordance with the principles of the circular economy, the Group adopts the following measures to improve the efficiency of the sustainable use of resources:

- To use the minimum number of natural resources, including efficient energy and water management (in accordance with possible established local limitations), to satisfy the needs required at all times.

- To select resources wisely, minimising non-renewable and critical raw materials, and favouring the use of recycled materials whenever possible.
- To efficiently manage the resources used, maintaining and recirculating them in the economic system for as long as possible and minimising the generation of waste.
- To minimise environmental impacts.

The responsible, efficient and rational consumption of natural resources are guidelines established by SANJOSE in the development of its activities. All employees are responsible for the environmental performance within their professional performance and rely on two key tools, training and a specialised human support team. Thus, one of the strategic objectives of SANJOSE is to promote the ecological awareness of workers by involving them in the Group's environmental strategy.

## MITIGATION OF CLIMATE CHANGE

Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investments (Taxonomy Regulation), lays the foundations for determining whether an economic activity is considered environmentally sustainable, for the purpose of establishing the degree of environmental sustainability of an investment. As from 1 January 2022, the environmental objectives related to mitigation and adaptation to climate change shall be taken into account (article 9 sections a and b).

The Taxonomy Regulation has been developed through the publication of delegated acts by the Commission, which define the technical criteria to assess in what cases an investment can be considered not to cause significant harm to the environment or make a significant contribution to some of the environmental objectives.

The Delegated Regulation (EU) 2021/2139 includes the most relevant activities for the reduction of greenhouse gas emissions and for the improvement of climate resilience, including sectors with the greatest contribution to CO<sub>2</sub> emissions (energy, manufacturing, transport, buildings), as well as the activities that allow their transformation.

In response to the activities detailed in the aforementioned regulation, Grupo SANJOSE has carried out a preliminary analysis of the activities that could contribute to the mitigation and adaptation to climate change, identifying the following:

- Construction (construction and refurbishment of buildings, installation and maintenance of energy efficiency equipment and renewable energy technologies).
- Generation of electricity through photovoltaic solar technology.
- Distribution of heating and/or cooling (Cogeneration).
- Environmental protection and restoration activities.
- Construction or expansion of water collection, purification and distribution systems.

The company is analysing the mechanisms to obtain information on the manner and extent to which the company's activities are associated with economic activities that are considered environmentally sustainable. To this end, it contemplates the establishment of a policy to identify the activities that contribute to the mitigation and adaptation to climate change, as well as the necessary procedures to carry out the calculations that determine the contribution to the different environmental objectives according to the information required in Article 8 of Regulation (EU) 2020/852.



## SUPPLY CHAIN

Grupo SANJOSE considers it essential to have an orderly purchasing management within the different sectors that allows analysing, optimising and always choosing the most appropriate option for their needs, establishing an intermediate point between decentralisation and centralised global purchasing.

In order to incorporate social, gender equality and environmental issues into Grupo SANJOSE's purchasing policy, the Group includes in all contracts entered into with third parties such as subcontractors, suppliers, business partners and other agents, terms intended to release the values which the Group's culture of regulatory compliance is based on and the acceptance of their application in the commercial relations with these business group. To this end, SANJOSE provides these third parties with access to the Code of Conduct, which is available on the Group's corporate website ([www.gruposanjose.biz](http://www.gruposanjose.biz)).

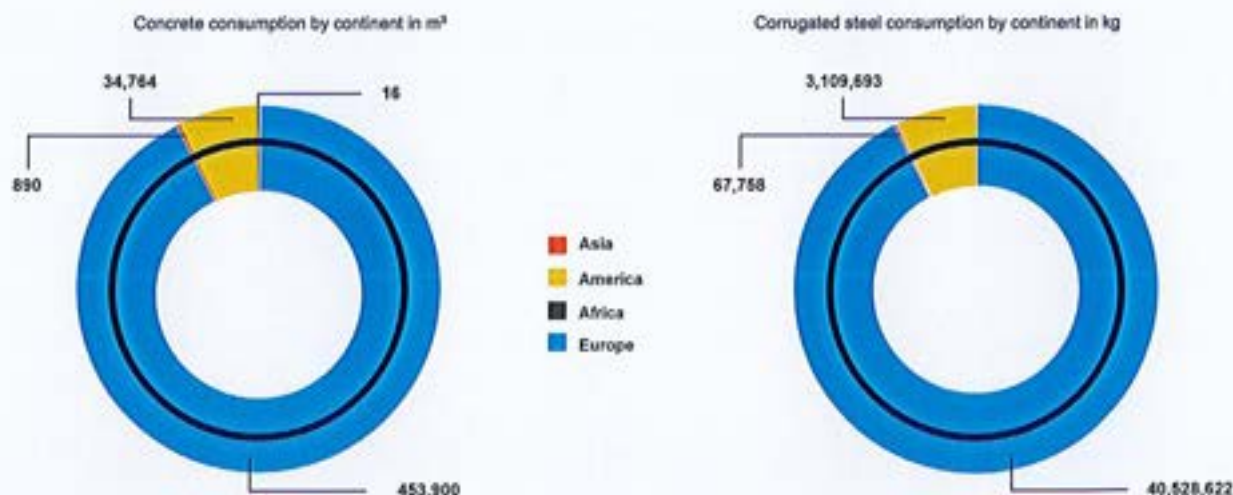
In year 2021, SANJOSE has made the following main consumptions of raw materials for the development of its activity:

Type	Ud	TOTAL ASIA	TOTAL AMERICA	TOTAL AFRICA	TOTAL EUROPE	TOTAL WORLDWIDE
		Total	Total	Total	Total	Total
301.1- LANDFILLS / FILLINGS WITH CONTRIBUTION	m <sup>3</sup>	525	23,494	0	478,772	602,791
301.10- PAPER	kg	4,132	14,807	0	11,125	30,064
301.11- PAPEL OFFICES	kg	50	623	0	10,442	11,115
301.12- FLUORATED GAS	kg	0	0	0	27	27
301.2- LANDFILLS / FILLINGS WITH IN SITU MATERIAL	m <sup>3</sup>	1,540	18,992	0	1,365,260	1,385,792
301.3- CONCRETE	m <sup>3</sup>	890	34,764	16	453,900	489,570
301.4- LAMINATED STEEL	kg	71,900	343,507	0	6,236,526	6,651,933
301.5- CORRUGATED STEEL	kg	67,758	3,109,693	0	40,528,622	43,706,073
301.6- CHIPBOARD	Tm	0	0	0	19,687	19,687
301.7- NATURAL STONE	m <sup>3</sup>	0	33	0	2,421	2,454
301.8- GLASS	m <sup>3</sup>	18	126	0	1,464	1,608
301.9- WOOD	m <sup>3</sup>	60	614	0	9,696	10,370
302.1- ELECTRICAL ENERGY CONSUMPTION	Kwh	304,182	6,019,391	29,249	10,809,537.7	17,162,359.7
302.2- FUEL CONSUMPTION	L	342,166	147,156	7,293	2,164,423.0	2,661,038.8
302.3- GAS CONSUMPTION	Kwh	0	11,718	0	98,415,746	98,427,464
303.1- CONSUMPTION OF WATER FROM MUNICIPAL SUPPLY	m <sup>3</sup>	18,158	63,690	655	280,451	363,354
303.2- CONSUMPTION OF WATER FROM ELIMINATION PROCESS	m <sup>3</sup>	0	0	0	4,366	4,366

REMARKS: Consumption of the ST4 (Heat & Cold polygeneration power plant) is included.



### CONSUMPTION OF CONCRETE AND CORRUGATED STEEL BY CONTINENT YEAR 2021



Some of the main purchases made in the construction sector such as corrugated steel, rolled steel, wood, etc. have suffered a small decrease in their purchase volume in 2021 due to the pandemic, in many cases due to periods of work stoppage, for instance, Grupo SANJOSE's worldwide accumulated purchases of corrugated steel have suffered a 13.6% decrease compared to 2020, or a 16.5% decrease in the purchase of rolled steel.

Yet, a 1.4% increase in concrete consumption or a 37.6% increase in earthworks with contribution should be noted.

Comparison of main consumptions for years 2020 and 2021 is as follows:

TYPE	UD	TOTAL 2020	TOTAL 2021	%INCREASE/ DECREASE
301.1- LANDFILLS / FILLINGS WITH CONTRIBUTION	M3	365,276	502,791	37.6%
301.2- LANDFILLS / FILLINGS WITH IN SITU MATERIAL	M3	1,503,377	1,385,792	-7.8%
301.3- CONCRETE	M3	482,861	489,570	1.4%
301.4- LAMINATED STEEL	KG	7,969,450	6,651,933	-16.5%
301.5- CORRUGATED STEEL	KG	50,574,060	43,706,073	-13.6%
301.6- CHIPBOARD	Tn	45,662	19,687	-56.9%
301.8- GLASS	M3	3,054	1,608	-47.3%
301.9- WOOD	M3	14,529	10,370	-28.6%
302.1- CONSUMED ELECTRICAL ENERGY	KWH	23,610,132	17,162,360	-27.3%
302.2- FUEL CONSUMPTION	L	4,765,138	2,661,038	-44.2%
303.1- CONSUMPTION OF WATER FROM MUNICIPAL SUPPLY	M3	328,514	363,354	10.6%
303.2- CONSUMPTION OF WATER FROM ELIMINATION PROCESS	M3	17,333	4,366	-74.8%
301.- PAPER	KG	58,049	41,179	-29.1%
302.3- GAS CONSUMPTION	KWH	73,662,938	98,427,464	33.6%



Unlike Industry, construction purchases take place in widely dispersed production centres within the territories of the countries where Grupo SANJOSE are to be considered present. The works and therefore the purchasing needs occur at very different points within the same country or territory and this fact in addition to the temporary nature of the supplies make purchasing and subcontracting especially difficult when manpower and construction material is to be provided.

On many occasions local purchases are required and we must adapt to their particularities; that is the case of purchases of concrete, aggregates or landfills; other times, low volume works are subject to local hiring.

We should also mention that the different regulations of each country make it difficult to centralise purchases since we will find ourselves with different requirements for the purchase of the same material. However, for large volume purchases, the price of materials plus the cost of transport and export tariffs are carefully studied versus local supply.

For this reason, Grupo SANJOSE establishes several purchase management options that vary according to the country, the company and the type of work to be executed, and even the purchase volume; and based on the parameters set forth above, purchasing regulations are established by country, by company or by type of work, when deemed necessary, yet on the ground of a common and general purchasing policy.

One of the keys of the success of Grupo SANJOSE is the interconnection of all countries and their works with the purchasing centre in such a way that the most important actions to be taken are always shared by managers and the purchasing centre and recorded on the pertinent computer application so that information regarding any specific work, suppliers, prices, execution quality of a company or a subcontractor is available at any time.

In accordance with the internal purchasing policy, all suppliers are subject to a rigorous selection and assessment procedure based, among others, on criteria of sustainability, technical feasibility, etc.

The Group enhances environmental criteria such as the use of materials made from recycled raw materials, services with recognition of environmental management or manufacturing processes that respect the environment, as well as the proximity of materials in order to minimise the impact of the carbon footprint on the environment.

SANJOSE is currently participating in works under Leed or Breeam criteria, where the minimisation of environmental impact is promoted from the beginning of the project to its final commissioning, as well as the achievement of increasingly sustainable buildings with high energy efficiency that will minimise CO<sub>2</sub> emissions.



## RELATIONSHIPS WITH CLIENTS AND SUPPLIERS

The relationships, management and control of suppliers and subcontractors which the group works with is paramount for Grupo SANJOSE, so to be able to formalise a purchase or subcontracting agreement, said supplier or subcontractor should have previously gone through an approval process, since the works or supplies to be carried out will have a direct impact on the good execution of the project.

Grupo SANJOSE works so that its subcontractors and suppliers collaborate in the execution of the works complying with applicable requirements of safety, quality, environment, deadline and price, being one of the objectives of SANJOSE to establish long-term collaboration relationships with those companies that meet these requirements in order to provide clients with a truly satisfactory outcome.

Long-term relationships will ensure that both, clients and subcontractors and suppliers choose us over our competitors.

The data shows the great loyalty of our suppliers and subcontractors.

In 2021, the most important contracts, which represent 30-60% of the total amount of contracts depending on the company and country, were analysed. Of these, 81% of the largest contracts have been entered into with suppliers and subcontractors that had previously worked with Grupo SANJOSE.

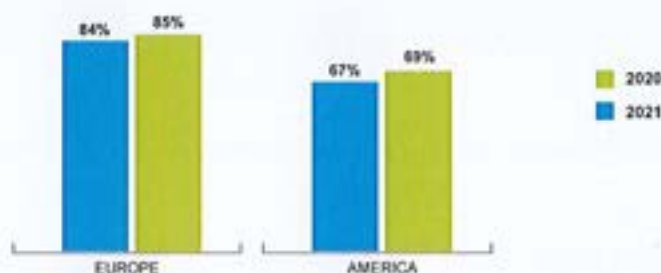
TOTAL WORLDWIDE GLOBAL GRUPO SANJOSE YEAR 2021	TOTAL
Number of contracts with greater value	294
Contracts with greater value entered into with new companies	55
Repetition of companies	239
Percentage of subcontractors or suppliers that work again for Grupo SANJOSE in the most important contracts	81%

This percentage shows that companies having already worked with Grupo SANJOSE, want to continue working not only on one project but on more, seeking long-term synergies, which will generate greater loyalty with our Group and, in turn, attract other companies. The objective being to collaborate with the best to obtain the best product.

### ***Loyalty by continent and country***

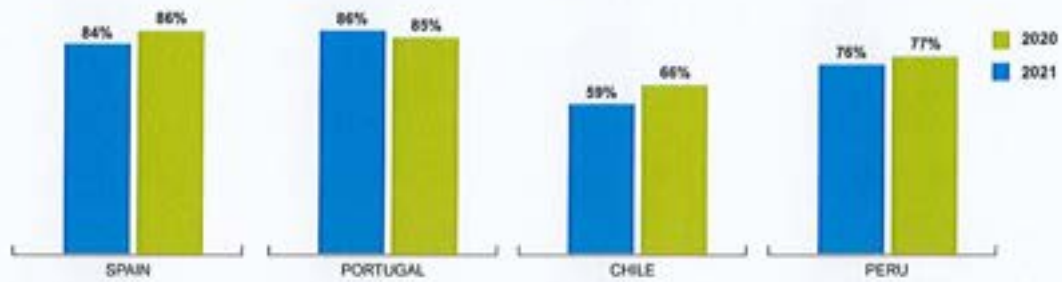
Loyalty and repetition of existing companies have been analysed both by country and by continent, obtaining the following data.

**LONG-TERM RELATIONSHIPS WITH COMPANIES BY CONTINENT YEARS 2020-2021**



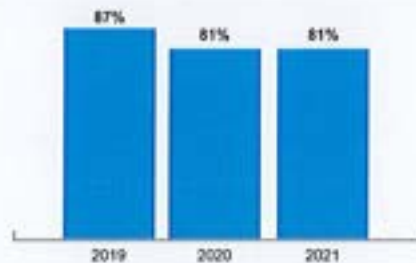
REMARKS: Asia has not been considered because ongoing works are being executed in JV with local companies, nor has Africa for its small contribution.

**LONG-TERM RELATIONSHIPS WITH THE MOST REPRESENTATIVE COUNTRIES YEARS 2020 & 2021**



Comparing years 2019 and 2020 with year 2021, the stability of the long-term relationships has been contrasted. During these two years, more than 81% of the most representative contracts have been entered into with already consolidated suppliers or subcontractors.

**LONG-TERM RELATIONSHIPS WITH THE MOST REPRESENTATIVE COUNTRIES YEARS 2019 - 2021**





## **ENERGY AND EMISSIONS**

The EU has agreed ambitious targets for 2030 in relation to reducing greenhouse gas emissions, renewables and energy efficiency. In 2018, the Commission released its long-term strategic vision for a prosperous, modern, competitive and climate-neutral economy by 2050.

The current situation calls for swift and decisive action to reduce greenhouse gas (GHG) emissions and create a low-carbon economy that is resilient to climate change. SANJOSE assumes and promotes the reduction of greenhouse gas emissions as well as the use of renewable energies and energy efficiency.

Thus, SANJOSE is committed to the efficient use of energy for the development of its activities by boosting the necessary mechanisms so as to constantly improve energy performance.

SANJOSE designs and executes comprehensive solutions adapted to clients' needs in order to guarantee the maximum energy efficiency of facilities, ensuring and developing sustainable energy solutions capable of reducing the consumption of energy and optimising its reuse. In turn, it promotes the use of renewable energies, both for its activity and its clients.

As a result of this business commitment, the Group has developed its own know-how in the field of energy efficiency that has been successfully implemented in the numerous projects executed. This methodology is complemented by the numerous accreditations, approvals and certifications obtained by companies of the Group and its professionals, that guarantee the fulfilment of objectives with the highest quality in strict compliance with current regulations. Namely:

- Energy Services Provider according to Royal Decree 56/2016 as of 12 February and included in the List of Energy Services Providers of IDAE, Registration Numbers: 2016-01152-E, 201601153-E and 2016-01154-E.
- Energy Services Provider according to standard UNE, 216701. PSE-2016/0030.
- Energy management systems according to standard UNE-EN ISO 50001.
  - Constructora San José, S.A. GE-2013/0010-002/1.
  - Tecnocontrol Servicios, S.A. GE-2013/0010-001/1.
- Certified professionals in measurement and verification of savings (CMVP).
- Certified professional installer.

Grupo SANJOSE is a member of the board of directors of prestigious associations in the field of energy efficiency and renewable energy, such as AMI or ADHAC, and collaborates with public and private entities in the dissemination and development of the same.

SANJOSE works on the research and development of sustainable energy solutions capable of reducing the consumption of energy and optimising the use of clean energies by the application of Avant Garde technologies.

Grupo SANJOSE assumes efficient energy management as a differentiating factor. Therefore, it annually establishes objectives and energy efficiency measures that are audited on an annual basis and verified by means of a verification and measurement protocol.

These measures focus on the facilities of the object building (conditioning, lighting, etc.) and the operation and maintenance.

It also performs global audits every 4 years in compliance with Royal Decree 56/2016, taking appropriate measures and communicating the results to the Administration.



Further, it promotes energy efficiency, production and acquisition of green energy with a certificate of origin in third-party facilities and implements improvement measures that result in the improvement of energy performance of the facilities within the scope of application of its contracts.

Similarly, SANJOSE is committed to the prevention and minimisation of greenhouse gas emissions, noise emissions and other possible discomforts derived from activity such as light pollution.

Among the actions aimed at preventing and reducing them, highlight:

- R & D and innovation actions aimed at reducing acoustic impact during the execution of works.
- Replacing conventional lighting with more efficient systems that minimise light pollution in work centres.
- Study and execution of works under standards of sustainability and almost zero energy consumption buildings nZEB (Nearly Zero Energy Buildings).
- Promotion of the use of electric vehicles and / or low emissions.
- Training and awareness programmes related to these issues.

The energy balance of emissions for 2021 was as follows:

TNCO <sub>2</sub>	ASIA-ÁFRICA	AMÉRICA	EUROPE	TOTAL
Consumption of electrical energy	306.93	2,452.55	1,795.12	4,554.61
Consumption of gas	-	2.13	17,911.67	17,913.80
Consumption of fuel	803.93	338.53	4,979.26	6,121.72
Refrigerants*	-	-	47.66	47.66
Electrical energy supplied	-	-	6,387.61	6,387.61
Heat supplied	-	-	954.19	954.19
Cold supplied	-	-	927.45	927.45
<b>TOTAL EMISSIONS TnCO<sub>2</sub></b>				<b>20,368.54</b>

\* Refrigerants used in own facilities.

Sources for emission factors:

- Documents "Emission Factors" version 17 of the Ministry of Ecological Transition dated 04/2021.
- In-depth study "Electricity-specific emission factors for grid electricity" of Ecometrica dated 08/2011.
- Data on "Emissions and emission factor of CO2 equivalent to generation" downloaded from the Red Eléctrica Española website.

The emission factors for electricity contemplate the energy mix of every country and, therefore, are different in each region.

The emission factors for natural gas are also different for every country and depend both on the nature and on the distribution and storage network.

The emission factors for fuels and refrigerants are inherent to their nature.

For the heat and cold supplied, emissions equivalent to the production of cold with COP 3 chillers and heat with boilers with an 85% efficiency rate have been considered.

For the electricity supplied, emissions equivalent to production with the energy mix of a country have been considered.

## Indicators

Energy indicators for business activity are broken down below:

### GHG Emissions:

Indicators related to GHG emissions are as follows:

- Direct GHG emissions

KEY INDICATORS	MEASUREMENT UNIT	OUTCOME
Direct GHG emissions from sources owned or controlled by the company: combustion in boilers, greenhouse gases, vehicle fuel, etc.	Metric tons of CO <sub>2</sub>	24,036 tCO <sub>2</sub>

- Indirect GHG emissions

KEY INDICATORS	MEASUREMENT UNIT	OUTCOME
Indirect GHG emissions that are produced in sources that are owned or controlled by the company: generation of electrical energy consumed, etc	Metric tons of CO <sub>2</sub>	4,602 tCO <sub>2</sub>

- Purpose of the GHG emissions

KEY INDICATORS	MEASUREMENT UNIT	OUTCOME
Absolute GHG emission reduction target for the period 2021-2025	Metric tons of CO <sub>2</sub> reduction, compared to the base year (M/ME) by 5% until 2025	It shall be assessed at the end of the cycle
The target is to reduce GHG emissions from electricity consumption at all the headquarters in Spain, 2021-2025	10% reduction with regards to the base year until year 2025	At least 30% green energy It shall be assessed at the end of the cycle

### Energy:

Indicators are as follows:

KEY INDICATORS	MEASUREMENT UNIT	OUTCOME
Total consumption of energy from non-renewable sources	MWh	117,312 MWh
Total consumption of energy from renewable sources	MWh	939 MWh
Total energy consumption from high-efficiency sources	MWh	0 MWh
Total production of energy from non-renewable or high-efficiency sources	MWh	4,271 MWh
Total production of energy from renewable sources	MWh	9,896 MWh
Total production of energy from high-efficiency sources	MWh	56,958 MWh



### Energy Efficiency

Indicators are as follows:

KEY INDICATORS	MEASUREMENT UNIT	OUTCOME
Improvement in consumption per million euros of electrical energy turnover at global level for the period 2021-2025	Percentage	5% improvement for year 2025 (1% annual improvement). It shall be assessed at the end of the cycle

## **R&D and innovation**

SANJOSE is fully committed to technological development and innovation. Understood as key elements for the competitiveness of the company, driving progress and being able to offer more effective solutions adapted to real needs of clients and society.

R&D and innovation is a priority of all business areas of SANJOSE. In this sense, a commitment has been made from the Top Management and an organisational structure has been developed so as to promote the generation of ideas and the most innovative practices.

R&D and innovation policy focuses on incorporating new technology for construction activities, boosting applied technology, optimising resources and procedures and seeking continuous improvement and efficiency. Among the technology areas, highlight the following:

- Technology applicable to construction works.
- Durability and safety of construction works.
- New materials and execution procedures.
- Renewable energy and energy efficiency.
- Industrial automation.
- Specialised maintenance services of facilities.
- Preservation of the environment, etc.

Likewise, Grupo SANJOSE has projects in the area of R&D and innovation related to the construction activity which have been financed by the CDTI (Centre for Industrial Technological Development), that has been established within the framework of Law on Science, Technology and innovation as the financing agent of the General State Administration of business R&D and innovation.

As an example, the following Grupo SANJOSE projects financed with funds from CDTI are listed:

NAME OF THE PROJECT	PROJECT #	FINANCING ENTITY
Selection and evaluation of the potential of implantation of autochthonous xerophilous species in gardens of continental Mediterranean climate	IDI-2010-0256	CDTI
Research on the structural behaviour of granular layers of a firm depending on moisture	IDI-2010-1292	CDTI
Acoustic insulation system by means of tubular screens based on Kundt effect	IDI-2010-1737	CDTI
Use of recycled products in civil works	IDI-2011-0109	CDTI
Automated and fixed detection and dissipation system for fog precipitation on hydrometric data	IDI-2015-0870	CDTI

Other projects within the scope of action of Grupo SANJOSE are as follows:

NAME OF THE PROJECT	CERTIFICATION COMPANY
Development of new anchoring systems for facades	EQA
Tunnel pumping test development in high permeability terrain	EQA
Research and Development in ecological and landscape restoration	EQA
New special curtain wall developments	EQA
Development of new energy efficient systems for sustainable buildings	EQA
Efficient thermal and PV solar plants minimising the environmental impact	EQA

Among the initiatives developed by the Group, highlights the "R&D and innovation project for an automated and fixed detection and dissipation system for fog precipitation on hydrometric data". Designed by GSJ Solutions, SANJOSE Constructora submitted the project to the Ministry of Public Works in order to solve out the fact of the A-8 Highway of the Cantabrico, running through Alto do Fiuoco, in the province of Lugo, being frequently affected by dense and persistent fog with very specific characteristics that seriously affect visibility during a 4-km-long stretch.

After an arduous project selection process by the Ministry, and which gave rise to SANJOSE Constructora being granted to patents, this project came to an end in 2021 with the construction of the on-site prototype of the projected system. The system, consisting of the dissipation of fog by means of an automatic diffusion system by nebulisation of a hygroscopic material on a fixed structure, such as a road tunnel, obtained promising results, which are the beginning of possible expectations for its use in other types of projects of transport infrastructure.

The change in circumstances since the outbreak of the COVID-19 pandemic in 2020 have disrupted our way of living and communicating. One of the consequences, among many others, has undoubtedly been the acceleration of innovative developments and their application to new forms of data transmission and communication. The basis of the enormous boost experimented in this area has been digitisation, becoming the main tool to safeguard human and labour relationships during the pandemic and lockdown. Digital technologies



have allowed us, in these times, to be more efficient, to be more flexible, to be better communicated and to maintain many of our work activities, as well as to explore new ways of working.

The COVID-19 pandemic has caused an unprecedented scenario that generates a multitude of challenges in all spheres of society. Despite this, it has also provided opportunities for innovation. As a consequence, the pandemic has reinforced the need for greater data collection and analysis in real time; and innovation has played a paramount role in connecting ecosystems.

This has served as core of sundry projects that, as a result of this pandemic period, have not been able to crystallise, but which continue to be a target for Grupo SANJOSE in its desire to innovate, focusing above all on the R&D and innovation – Technologies binomial of the so-called Industry 4.0, as the leitmotif of the projects started.

These include, for example: the development of a system through the generation of 3D dynamic maps by means of sensors that configure an integrated control and communication system that would allow the transformation of traditional methods of occupational risk prevention into a highly technical activity; the use of aerial vehicles such as drones for internal transport in construction logistics and with the possibility of collecting data for construction status updates by introducing the Internet of Things (IoT); the use of additive manufacturing or 3D printing as tools for solutions in the field of refurbishment of buildings; or finally, the impact of in situ robotics and automation for the use of resources that appear in certain construction projects and that would enhance the concepts of sustainability and use of materials. In short, ideas that nourish construction projects with new technological tools, making them more digital, more collaborative and more sustainable.

As a constant source of power for technological surveillance in the sector, SANJOSE Constructora, as a member of SEOPAN, has actively collaborated in this period in the R&D an innovation commission, for the publication of the important document "Construction Disruption Radar" that collects the latest news from the sector in terms of R&D, while showing the need for support from the administration and more specifically with the European recovery funds. Also, as a great objective of the document we find the need to integrate the construction sector within the Industry 4.0.

SANJOSE aims to provide value in each project and positively impact society in terms of quality, sustainability, efficiency, etc. For this, it promotes the sustainable origin of raw materials, the optimisation of resources, the respect for the natural environment, reuse and recycling, and projects capable of reducing consumption, innovating in areas such as energy efficiency, the rational use of water, new construction systems, management models, materials, valuation, etc.

The R&D and innovation system implemented has obtained recognition trough the certification UNE 166002.

COMPANY	CERTIFICATE NUMBER
Constructora San José, S.A.	IDI-0056/2010

- 
- 1 Business Model of Grupo SANJOSE
  - 2 Corporate Governance
  - 3 Business Risks
  - 4 People
  - 5 Environmental, Quality and Supply Chain Management
  - 6 **HUMAN RIGHTS**
  - 7 Ethical Management and Regulatory Compliance
  - 8 Commitment to Society



## 6. HUMAN RIGHTS

For the Group, it is essential to have solid, transparent ethical principles and apply them in each action and market.

SANJOSE assumes as own the 10 principles of the United Nations Global Compact, based in turn on the Universal Declaration of Human Rights, the Declaration on principles and Rights at work, International Labour Organisation, the Declaration of Rio on Environment and Development and the United Nations Convention against Corruption:

- To support and respect the protection of internationally proclaimed human rights in the international arena.
- To make sure they are not complicit in human rights abuses.
- To respect freedom of association and the effective recognition of the right to collective bargaining.
- To eliminate all forms of forced or compulsory labour.
- To effectively abolish child labour.
- To eliminate discrimination in respect of employment and occupation.
- To support preventive methods with respect to employment and occupation.
- To undertake initiatives to promote greater environmental responsibility.
- To encourage the development and diffusion of environmentally harmless technology.
- To work against corruption in all its forms, including extortion and bribery.

SANJOSE understands Corporate Social Responsibility as its commitment to society and people. It is a key element of business strategy and a differentiating item which has been in continuous development since its foundation. This commitment is materialised as follows:

- Maximum attention to people, to the quality of their working conditions, equality and training.
- Prevention of Occupational Hazards as company culture, especially preventive at all hierarchical levels of the Group.
- Respect for diversity and creation of a policy of equal opportunities and personal and professional development.
- Commitment to sustainable development and greater respect for the environment, avoiding any possible pollution and minimising waste generation.
- Public Vocation and generation of wealth. Understanding of R&D and innovation and the quality of products and services as the Groups' contribution to improve the social, economic and environmental development of the regions or countries where it operates.
- Implementation of formal procedures and open dialogue with all stakeholders.
- Transparency policy.

Throughout 2021, the Company has not received any type of complaint for cases of human rights violations.

As indicated herein, Grupo SANJOSE transfers to all departments and countries an egalitarian policy of values and corporate governance. Thus, the principles of the United Nations Global Compact are transferred to the entire organisation and are reflected in all human resources policies, contracts formalised with suppliers and clients, and in any other aspect that could have an impact on these principles.

Grupo SANJOSE has due diligence mechanisms in the field of human rights, having established operational procedures and communication channels in order to forge appropriate conduct from all the people who form an integral part of or participate in the Company and enable access to information and regulations established.

All employees who join the Group access said training through the available communication tools and channels, including the Hal computer system, the internal forum and the corporate website, that provide them with relevant information on this matter: Code of Conduct, Anti-Corruption Policy, Organisation and Management Model for Crime Prevention, Welcome Manual, etc.

Similarly, in addition to the Company's general communication channel, there are other information channels addressed to specific interest groups, such as shareholders and investors, clients, suppliers, etc. so as to share with them the policies established by the Company regarding Human Rights.

- 
- 1 Business Model of Grupo SANJOSE
  - 2 Corporate Governance
  - 3 Business Risks
  - 4 People
  - 5 Environmental, Quality and Supply Chain Management
  - 6 Human Rights
  - 7 **ETHICAL MANAGEMENT AND REGULATORY COMPLIANCE**
  - 8 Commitment to Society



## 7. ETHICAL MANAGEMENT AND REGULATORY COMPLIANCE

The Group has an Organisation and Management Model for Crime Prevention that has as main objective to institutionalise the corporate ethical culture implemented in the Group, with the purpose of regulatory compliance and the development and improvement of corporate social responsibility.

During year 2021, no complaint has been recorded so the intervention of the Supervisory Body in relation to the areas mentioned below has not been necessary:

- Urban crimes.
- Environmental crimes.
- Offenses of corruption and transnational bribery.
- Bribery crimes to officials.
- Influence trafficking crimes.
- Crimes against worker's rights.
- Crimes of discovery and revelation of secrets.
- Hacking.
- Scam.
- Crimes of manipulation of market prices.
- Offenses of improper use of privileged information.
- Money laundering.
- Offenses against the Treasury Department.
- Offenses of breach of accounting obligations and falsification of financial information.
- Offenses of alteration of prices in public calls and auctions.

### CODE OF CONDUCT AND ANTI-CORRUPTION POLICY

In order to establish professional, ethical and responsible behaviour guidelines and to establish a system for monitoring their adequate implementation and the identification of any possible irregularities, SANJOSE has a "Code of Conduct" and an "Anti-Corruption Policy" of mandatory compliance for all directors, executives and employees.

SANJOSE's Code of Conduct and Anti-corruption Policy include the basic principles that should guide the activity of the Group and each of its companies and professionals, regardless of the activity, the country where the registered office is and where they develop their activity.

The Group has an Internal Supervisory Body (that maintains a fluid and constant communication with the Board of Directors) to oversee the proper operation and compliance with the principles defined by the Group.

Both, the Code of Conduct and the Anti-Corruption Policy of Grupo SANJOSE are published in full on its website – [www.gruposanjose.biz](http://www.gruposanjose.biz) – - available to professionals, stakeholders and any other concerned third parties.



The Organisation and Management Model for Crime Prevention contemplates, as a basic pillar to ensure an adequate culture of compliance, the existence of a series of tools, guidelines, protocols and procedures implemented by the Group, that minimise the risk of default. It is worth highlighting the existence of computer control tools implemented in the Group, especially the corporate ERP system. It is a computer system devised for the management and planning of resources and business activities. It provides a complete computer system that, among others, includes the management of human resources, the planning and control of financial resources, commercial management, complete management of works and projects, etc. Specifically, it provides a powerful support for the registration of financial information and management of documentation, ensuring an adequate and complete system of registration, documentation and approval of transactions.

- The ERP is an essential tool for the internal control system of non-financial information.

The body in charge of analysing potential events of default and propose, if necessary, corrective actions and/or sanctions is the Supervisory Body. It is an internal body responsible for supervising the performance and compliance of the Model through the execution, among others, of the following tasks:

- To review the adequacy of the Model and its update whenever deemed appropriate.
- To disclosure and disseminate the Model and to supervise the training activities carried out.
- To receive and manage complaints received through the Whistleblowing Channel.
- To address internal review procedures that are carried out whenever there is any indication of wrongful act.
- To report to the Board of Directors.

The Supervisory Body is appointed by the Board of Directors, following a report from the Nominating, Compensation and Corporate Governance Commission, and enjoys full autonomy and independence to carry out its functions. Among its members, highlights the Compliance Officer, who is responsible for leading the actions entrusted to the Supervisory Body.

## **MONEY LAUNDERING**

Grupo SANJOSE is subject to the regulations on the prevention of money laundering.

In compliance with this regulation, the acquisition, conversion and transfer of goods of illicit origin, the acts of concealment, the provision of aid to avoid the legal consequences of illegible acts, and the concealment of the true nature, origin, location, destination, movement or rights over goods or property thereof knowing their illicit origin are strictly forbidden.

To guarantee the effectiveness of these prohibitions, all directors, executives and employees of Grupo SANJOSE must apply internal regulations on the prevention of money laundering and financing of terrorism.

In this sense, Grupo SANJOSE has sundry protocols and internal tools to guarantee faithful compliance with the measures adopted. Namely:

- Procedure for the control and limitation of powers through the existence of an authorisation protocol by which, depending on different criteria (type of supplier/creditor, total volume of the contract, etc.), approval by different levels of the Company may be necessary.
- Internal control department that, through the Group's ERP, evaluates the reasonableness and evolution of the different economic magnitudes at different levels.



- Internal audit department that ensures regulatory compliance of all departments of the Company, such as purchases, treasury, stocks, etc.
- The Compliance Officer and the Supervisory Body enjoy full autonomy and monitor the operation and control of the Organisation and Management Model for Crime Prevention.

## **DATA PROTECTIONS**

Grupo SANJOSE requires its directors, executives and employees to comply with the current regulations on the protection of data, intellectual and industrial property, protecting the confidential information entrusted by clients, employees, candidates involved in selection processes or by any other third parties. In compliance with this requirement, all directors, executives and employees of Grupo San José must keep in the strictest confidentiality all the information which they have had access to as a result of the performance of their professional obligations. Grupo SANJOSE has adopted the corresponding Security Documents that contain technical and organisational measures to guarantee the security of personal data and to prevent the alteration, loss, treatment or unauthorised access. All personnel involved in the treatment of personal data must respect the content of the Security Documents.

## **PREVENTION OF OCCUPATIONAL HAZARDS**

SANJOSE boosts preventive training of all its employees and compliance with any applicable regulations on the prevention of risks that may affect the health and safety of workers.

In relation to the Covid-19 pandemic, the instructions of the Health Authorities, both at state and regional level, have been strictly followed. Technicians in the Prevention of Occupational Hazards, in their visits to work centres, have verified that all mandatory measures had been duly implemented. Any setbacks were successfully solved out.

The Prevention of Occupational Hazards Management System implemented in the company was certified in 2021 under the framework of standard ISO 45001, previously and for many years under the frameworks of standard OHSAS 18001, and reflects the reality of the preventive policy implemented in the business structure. This system includes the companies: Tecnocontrol Servicios, S.A., Eraikuntza Birgaikuntza Artapena, S.L. (EBA), Cartuja Inmobiliaria, S.A.U. and Constructora San José, S.A.

Prevention is an essential tool for the prevention of risks that may affect the health or safety of people and SANJOSE invests in it providing employees with the adequate training as they are its most valuable asset and their protection is a priority objective.

The Joint Prevention Service that covers Constructora San José, S.A., Cartuja Inmobiliaria, S.A.U., Eraikuntza Birgaikuntza Artapena, S.L. (EBA) and Tecnocontrol Servicios, S.A., is responsible for the following preventive disciplines:

- Safety at work.
- Industrial hygiene.
- Ergonomics and applied psychosociology.

Occupational medicine is contracted with an External Prevention Service (Cualtis) and is renewed annually.

The other companies of the Group have contracted the four preventive disciplines (safety at work, industrial hygiene, ergonomics and applied psychosociology, and occupational medicine) with an External Prevention Service. Services are renewed on an annual basis.

In 2021, the claims ratio of Group companies in Spain, Cape Verde, Portugal, Peru and Chile amounted to:

- 93 accidents without medical leave (108 in 2020).
- 77 minor accidents with medical leave (126 in 2020).
- 5 accidents with medical leave in itinere (14 in 2020).
- 1 severe accident (1 in 2020).
- 0 mortal accidents (0 in 2020).
- 0 occupational diseases (0 in 2020).

Accident rate by gender is as follows:

- Men 98.3% (97.2% in 2020).
- Women 1.7% (2.8% in 2020).

The accident rates in 2021 corresponding to Group companies in Spain were as follows:

Incidence rate 37.10 (39.80 in 2020).

The incidence rate represents the rate of occupational accidents involving leave, excluding accidents in itinere and relapses, observed within a working day for every 1,000 workers exposed to risk.

Frequency rate: 21.20 (22.68 in 2020).

The frequency rate is the number of occupational accidents involving leave, excluding accidents in itinere and relapses, arisen during a working day by one million hours worked.

Severity rate 0.34 (0.75 in 2020).

The severity index is defined as the number of days lost by 1,000 hours worked. Relapses are included and accidents in itinere are excluded.

Average duration: 15.84 (33.13 in 2020).

The average duration is defined as the number of days not worked in the study period for each accident that occurred during the working day. Relapses and accidents in itinere are excluded.

Regarding the Joint Prevention Service of the construction and maintenance division in Spain, which encompasses a total of 1,492 people (1,486 in 2020), during year 2021 the following preventive activities have been carried out:

- Review or update of risks assessment: 1,011 employees affected (291 in 2020).
- Planning of preventive activity: 1,011 employees affected (291 in 2020).
- Emergency plans: 1,011 employees affected (291 in 2020).
- Planning of individual Health Surveillance :1,492 employees affected (1,486 in 2020).



## **TRAINING IN COMPLIANCE**

Grupo SANJOSE reaffirming its commitment to compliance with regulations and the observance of ethically correct behaviour as the core of its business activity, agreed on 12 May 2016 upon an Organisation and Management Model for Crime Prevention -a set of elements, that the company adopts so that its members, in all business activities, do what the rules require and do not do what the rules prohibit.

And, in order to ensure the correct implementation of the Model, Grupo SANJOSE wants to make sure that the principles and contents of the Model are sufficiently known. For this reason, the Supervisory Body has delivered to all staff members of the Group specific training related to the five key elements of the aforementioned Organisation and Management Model for Crime Prevention, that is:

- The Code of Conduct.
- The Anti-Corruption Policy.
- The Supervisory Board.
- The whistle-blower Channel.
- The Disciplinary Action.

The viewing of such training and the commitment to the rules of action explained therein are mandatory for all members of Grupo SANJOSE, given their relevance so as to inculcate a true culture of compliance within the company.

At 31 December 2021, all staff members have received proper training on compliance.

## **HEALTH AND SAFETY**

The company guarantees to all its workers the monitoring of their state of health based on the risks inherent to the workplace; Thus, it carries out regular medical examinations on an annual basis to all staff members and to new hires of Grupo SANJOSE.

## **WHISTLE-BLOWER CHANNEL**

The directors, executives and employees of the Group shall inform the Supervisory Body of any fact that may constitute an offence or breach of the Model and the controls which the Model refers to (Code of Conduct, Anti-Corruption Policy, and other tools, guidelines, protocols and internal procedures), including those related to aspects of a financial or accounting nature.

For reporting allegedly unlawful acts or events of non-compliance (including irregular conduct of a financial, accounting or any other similar nature) the complainant may use any of the following channels:

- By email, at the address established by the Group for these purposes.
- Through a personal interview or telephone call with the Compliance Officer.

Regardless of the formula chosen by the complainant, the Group fully guarantees the confidentiality of the identity of the complainant.

The Compliance Officer will perform the instructional activities deemed appropriate to assess, analyse and resolve any arising complaints, relying, with total and absolute confidentiality and discretion, on internal and/or external experts.

With regard to irregularities of a financial and accounting nature, the Supervisory Body will adequately inform the Audit Committee.

During year 2021, no claims have been received.

- 1 Modelo de Negocio de Grupo SANJOSE
- 2 Corporate Governance
- 3 Business Risks
- 4 People
- 5 Environmental, Quality and Supply Chain Management
- 6 Human Rights
- 7 Ethical Management and Regulatory Compliance
- 8 **COMMITMENT TO SOCIETY**



## 8. COMMITMENT TO SOCIETY

SANJOSE intends to create a positive impact on society with each project developed; to boost growth, to provide added value in a responsible and sustainable manner and to help day-to-day activities of people and society.

- The promotion, design and execution of more than 5,500 social housing units in Peru. SANJOSE is executing top quality affordable important social housing developments under the framework of the My Home ("Mi Vivienda") Programme which provides thousands of families in LATAM with home purchase assistance. The Group is currently executing an important urban development in Lima, the new Nuevavista Condominium, with 1,104 housing units, in the Bellavista district.

The Group also developed and delivered the 1,392 housing units of the Condominio del Aire (already sold out); and the 3,072 housing units of the Parques de la Huaca Condominium (already sold out), and sponsored the restoration and enhancement of a Huaca (archaeological remainder) of 3,651 m<sup>2</sup> in close collaboration with the National Institute of Culture.

- Training programme on Quality and Prevention of Occupational Hazards in several countries LATAM.
- Full commitment to energy efficiency and the use of renewable energies, as well as collaboration with public and private entities for the dissemination and development of them.

During 2021, Grupo SANJOSE has continued to carry out and participate in solidary actions, among which highlight:

### INDIA

Participation in the project "Training programme for the promotion of the quality of life of poor women and girls" to be carried out in the Delhi - NCR area and other parts of India; together with the AK Mishra Foundation (AKMF) this programme will favour the integration of 100 girls and women in to 18 to 40 age group.

- The programme will design a way to provide extensive technical and business training on 3 trades: custom cutting and tailoring, embroidery and lace, and fashion design for women and girls so they can access different trades and receive the adequate training in order to obtain employment and self-employment in nearby cities and metropolitan areas.
- The majority of young people in different parts of India, including women and girls, lack employment, education and job training of any kind. Being the lack of technical and business skills the main reason. Poverty also weighs since they cannot afford the cost of technical education and, in addition, the area lacks the educational facilities necessary to improve the quality of life of its inhabitants. The situation becomes desperate due to the non-implementation of the programme by the state and central government. The poor youth cannot access a source of empowerment and self-employment in order to raise their socio-economic status and get rid of the curse of poverty and therefore, tend to get involved in antisocial work.
- The skills development training programme has been designed in such a way that it provides extensive technical and business training to unemployed women and girls. This will allow them to receive training on different trades and access empowerment and self-employment in different parts of the country. Training on different trades has tremendous scope for the empowerment and self-employment of the beneficiaries. The demand for these trades is increasing at a very rapid pace, creating a great demand for personnel. Thus, upon completing the training programme,



the young women are expected to obtain employment in large and small cities and improve their socio-economic status thereof.

Participation in the project "Proposal for educational support for poor students from state and private schools in Delhi-NCR".

- The AK Mishra Foundation (AKMF), which will develop this programme, has created this proposal so as to support poor students and provide them with a better education and quality of life. The programme is expected to reach more than two thousand children.
- The Foundation wishes to provide poor students with free education resources, such as books, uniforms, bags, shoes, pens, pencils, geometry boxes, notebooks, erasers, water bottles, lunch boxes and notebooks.
- Education is recognised as a fundamental right, along with other needs, such as food, housing and water. Education allows people to make informed decisions about their lives and their rights as citizens within a democracy. Gender justice receives a boost when women have access to education since improving their knowledge and employment capacity, increases their sense of autonomy and self-esteem. The state of health improves as education levels are increased.

## SPAIN

As an honorary member, sponsor and collaborator of the Celta de Vigo Foundation, SANJOSE Constructora has participated and collaborated in sundry activities carried out by the Foundation:

- National and international summer camp.
- Football school.
- Fundación Celta-integra.
- Sundry clinics.
- Solidarity tier.
- Coach training.
- Mus, domino and other championships.
- Christmas card contest,
- Recycling campaign together with ecoembes of selective waste collection, as well as environmental awareness, education and dissemination activities.

Grupo SANJOSE, has been collaborating with the Spanish Red Cross for several years. During 2021, it has made several donations associated with the social emergency of the Coronavirus.

SANJOSE Constructora participates as a partner in the MWCC Association, Madrid World Capital of Construction, Engineering and Architecture.

This association is composed of important companies within the sector, as well as agents of the public administration, technological institutes, universities and foundations.

The main objective is the international positioning of Madrid and Spain as a world reference in attracting companies, talent, congresses and fairs, as well as positioning Madrid and Spain as a hub for innovation, sustainability and responsibility.

## PROFIT/(LOSS) PER COUNTRY

In 2021, profit/(loss) per country has been as follows:

COUNTRY	OPERATING PROFIT/(LOSS) (EBITDA) PER COUNTRY (THOUSANDS OF EUROS)
Spain	45,358
Chile	4,224
Portugal	8,816
Peru	4,217
Others	(8,231)
<b>TOTAL GRUPO SANJOSE</b>	<b>54,384</b>

REMARKS: The information contained herein corresponds to Grupo Empresarial San José, S.A. and Subsidiaries.

## DUTIES AND TAXES

In year 2021 SANJOSE has returned €16.7 million to society, of which €12.0 million correspond to the payment of Income Tax and the outstanding, €4.7 million. To the payment of duties and taxes.

63.59% out of the total were paid in Spain.

COUNTRY	ACCRUED INCOME TAX	TAXES AND FEES	TOTAL (THOUSANDS OF EUROS)
Spain	7,730	2,891	10,621
Chile	373	330	703
Portugal	1,851	413	2,264
Peru	1,826	168	1,994
Mexico	146	2	148
Other	94	879	973
<b>TOTAL GRUPO SANJOSE</b>	<b>12,020</b>	<b>4,683</b>	<b>16,703</b>

REMARKS: The information contained herein corresponds to the scope of consolidation of Grupo Empresarial San José, S.A. and Subsidiaries Grupo SANJOSE has received public grants during year 2021 amounting to €65 thousand.

REMARKS: During year 2021, Grupo Empresarial San José S.A. and subsidiaries have contributed to non-profit organisations €210 thousand.



## ANNEX I

### Materiality analysis

Grupo SANJOSE is fully committed to ensure the transparency of the information it furnishes to the market through the continuous improvement of communication channels with stakeholders on the ground of innovative corporate information that, in addition to financial aspects, takes into account environmental, social, human rights and anti-corruption parameters.

Interest groups are those individuals and groups with a legitimate interest, that are impacted by current and future activities of the Group. This definition includes both, interest groups within the chain value of the Group (shareholders, employees, investors, clients and suppliers) and external interest groups (Administrations, Governments, media, analysts, unions and society as a whole).

In order to prepare this Report, criteria established by the Management have been taken into account, taking into consideration the different sensitivities across groups of interest based on a series of international standards (ISO 9001, ISO 14001, ISO 45001) implemented in the group.

Information regarding relevant non-financial matters has been reported in accordance with the Global Reporting Initiative Standards (indicated in Annex II), including the additional applicable information required by the Construction and Real Estate sector – included in Annex II of this report.

This information has been verified by an independent third party.

Further, the Activity Report for year 2021 is available on the Group's website; this report is partially fed by the information contained in the Non-Financial Information Report herein. Said document is not subject to verification.

Grupo SANJOSE has carried out a materiality analysis process for which both public and private sources linked to the sector where the Group operates have been analysed in order to identify the main trends and challenges of the sector and have been evaluated in accordance with the regulatory changes introduced in the area of reporting of non-financial information and diversity (Law 11/2018).

Internally, information provided by the different interest groups is evaluated through day-to-day business. In this way, those responsible for each of the business lines of activity (clients), the purchasing manager (suppliers), the investor relations management and the human resources management meet regularly to jointly assess what are the most relevant aspects for the purposes of the content of the Non-Financial Information Report.

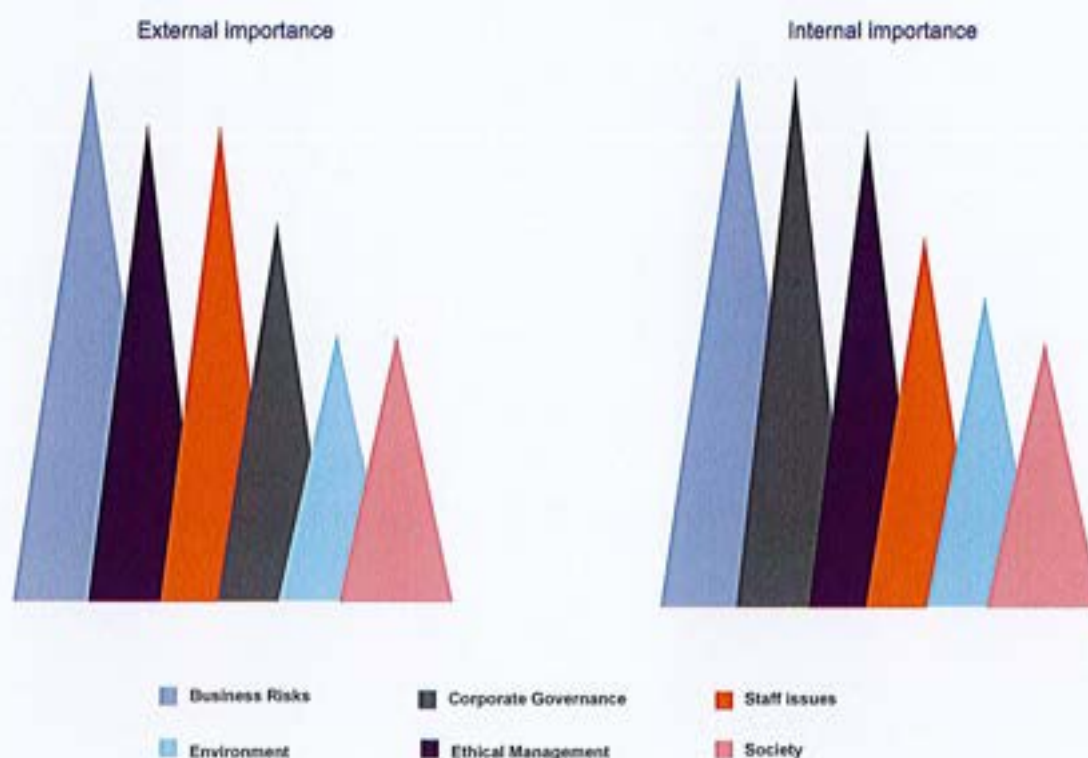
Following this methodology, the materiality study has been divided into the following phases:



This, the most relevant identified issues in our materiality analysis have been:

- Values of the Organisation and good Corporate Governance.
- Risks linked to the business.
- Social & Staff Issues.
- Environmental and Quality issues.
- Ethical management issues.
- Issues regarding the commitment of the Group to society.

In order to prepare a more detailed outcome, the analysis carried out is presented in a materiality matrix that represents the results obtained based on its external and internal relevance:



At an external level, the different interest groups express as special concern the ethical management of the company and the business risks. At a lower level, they are interested in how the company collaborates with society and its concern for the environment.

Internally, ethical management and good governance are detected as the main concern, as well as personnel matters and business risks; To a lesser extent, there is a concern about the company's contribution to society and the environment.

Grupo SANJOSE gives higher priority to those aspects that, internally and externally, generate greater concern.

In relation to the risks associated with personnel management, and given the current health and market circumstances, mechanisms have been put in place in order to promote work-life balance and maintain productivity, such as:



- The provision of computer tools that allow working from home, ensuring the correct development of the different professional activities that are carried out.
- The flexibility of the working schedule, thus allowing an adaptation to the different needs, both personal and professional.
- The implementation of mechanisms for the management of human resources and on-line training, ensuring that all arising needs are duly covered in any of the scenarios.

Similarly, in relation to the psychosocial follow-up derived from the pandemic situation, emotional responses regarding insecurity both in the field of health and in that of personal and work projection have been identified. In this regard, health prevention and protection mechanisms have been put in place to help professionals and their families, facilitating the performance of diagnostic tests, access to the necessary health protection equipment, establishing preventive protocols and providing health support, as needed.

As for business dynamics, the lack of certain professional profiles necessary for the development of the activity has been identified; the company is designing training and talent management programmes to cover these needs.

Grupo SANJOSE evaluates in all the regions where it operates the risks associated with the businesses developed. In each case, it takes the appropriate measures to mitigate them and it periodically monitors them.

During year 2021, Grupo SANJOSE has continuously analysed the evolution of raw materials associated with its main line of activity, construction. The growths experienced have been analysed and reviewed, confronting them with the work-in-progress budgets, implementing the necessary corrective measures to try to mitigate the impact on the execution of each project.

## ANNEX II

Index of contents required by Law 11/2018 on 28 December.

AREA	CONTENT	RELATED GRI STANDARDS
Business Model	Business Lines of Activity. Organisation. Structure. Markets where it operates. Business environment.	102-1/102-2/102-3/102-4/102-5/102-6/102-7
Corporate Governance	Capital Structure. Corporate Governance Structure. Annual General Meeting. Board of Directors. Other committees of the Board of Directors. Relevant facts published during the year ended 31 December 2021.	102-18/102-19/102-20/102-22/102-23/102-24/102-26/102-27/102-28
Business risks	Civil Liability. Environmental Liability. Rate of accidents of own staff. Professional General Liability. Civil Liability of Board Members and Executives. Insurance policies to cover assets of the Group. All-risk construction policies. Management of accidents and balance for the year.	102-15
People	Staffing structure of Grupo SANJOSE at 31/12/2021. Staff with disabilities. Recruitment. Training. Knowledge Platform (Pharos Project). Integration and Development Programme. Social Benefits. Equality Plan & Plan for the Prevention of Sexual Harassment.	102-8/401-1/403-2/404-1/405-1/405-2
Environmental, Quality and Supply Chain Management	Environmental System. Quality Management System. Sustainability and Sustainable Construction. Care and Protection of Ecosystems and Biodiversity. Environmental Performance and Management of Environmental Risks. Climate Change. Reduction of Pollutant Emissions Waste. Prevention and Management. Circular Economy and Responsible Management of Resources. Supply Chain. Relationship with Clients and Suppliers. Energy and Emissions. R&D and investment.	102-9/302-1/303-1/305-1/306-2/306-4
Human Rights	Promotion and compliance with the provisions of the fundamental conventions of the International Labour Organisation related to 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. The effective abolition of child labour. Complaints for cases of violation of human rights.	406-1/407-1/408-1/409-1
Ethical Management and Regulatory Compliance	Measures taken to prevent corruption and bribery. Measures to fight money laundering. Data protection. Prevention of Occupational Hazards. Training in Compliance. Health and Safety. Whistle-blower Channel.	102-16/102-17
Commitment to Society	Support for social and solidarity causes. Cultural and leisure activities. Profit(Loss) per country 2021. Fees and taxes in year 2021.	102-12/102-13/201-1/203-1/413-1

**CERTIFICATION**

**CERTIFICACIÓN**

*I, Estefanía Calvo Iglesias, English Sworn Translator, certified by the Spanish Ministry of Foreign Affairs,*

**do hereby certify**

*that the preceding is a true and faithful English translation, on the essentials, of a document issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.*

In Madrid, on the twenty-first of February, two thousand and twenty-two.

*Yo, Estefanía Calvo Iglesias, Traductora e Intérprete Jurada de inglés por el Ministerio de Asuntos Exteriores del Gobierno de España,*

**certifico que**

*la que precede es traducción fiel y completa al inglés de un documento redactado en español. En caso de discrepancia, el documento original redactado en español prevalece.*

Madrid, a veintiuno de febrero de dos mil veintidós.



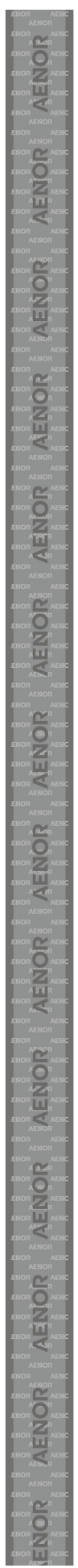
Estefanía Calvo Iglesias







FIRMADO por:  
Versión imprimible con información de firma generado desde VALiDe (<http://valide.redsara.es>)  
Firma válida.



# AENOR

Confía

GRUPO EMPRESARIAL SAN JOSE, S.A (hereinafter the organization) with registered office at: : CL ROSALÍA DE CASTRO, 44, 36001, PONTEVEDRA and on its behalf, D. Ramón BARRAL ANDRADE, in charge of Consejero Independiente, has commissioned AENOR to carry out a verification under a limited level of assurance of its Non-Financial Information Statement (hereinafter NFIS) in accordance with Law 11/2018 amending the Commercial Code, the revised text of the Law on Corporations approved by Royal Legislative Decree 1/2010 of 2 July and Law 22/2015 of 20 July on the Auditing of Accounts, with regard to non-financial information and diversity (hereinafter Law 11/2018).

As a result of the verification carried out, AENOR issues this Statement, of which the verified NFIS forms part. The Declaration is only valid for the purpose entrusted and reflects only the situation at the time it is issued.

The purpose of the verification is to provide the interested parties with a professional and independent opinion about the information and data contained in the organization's NFIS, prepared in accordance with Law 11/2018.

**Responsibility of the organization.** The organization was responsible for reporting its non-financial information status in accordance with Law 11/2018. The formulation and approval of the NFIS, as well as its content, is the responsibility of its Governing Body. This responsibility also includes designing, implementing and maintaining such internal control as is deemed necessary to ensure that the NFIS is free from material misstatement due to fraud or error, as well as the management systems from which the information required for the preparation of the NFIS is obtained. The organisation, in accordance with the commitment formally undertaken, has informed AENOR that no events have occurred, from the date of the close of the financial year reported in the non-financial report until the date of verification, that might require corrections to be made to the report.

**Verification program in accordance with ISO/IEC 17029:2019 AENOR,** in accordance with the aforementioned Act, has carried out this verification as an independent provider of verification services. The verification has been developed under the principles of "evidence-based approach, fair presentation, impartiality, technical competence, confidentiality, and accountability" required by the international standard ISO/IEC 17029:2019 "Conformity assessment - General principles and requirements for validation and verification bodies".

1995/0146/VNOF-2022

AENOR INTERNACIONAL S.A.U. C/ GÉNOVA 6, 28004 MADRID



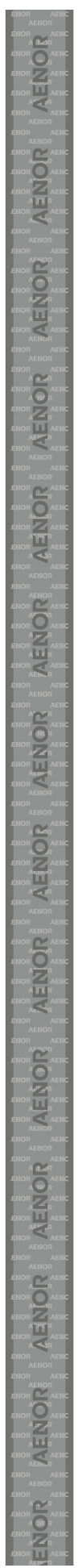
Likewise, in the verification program, AENOR has considered the international requirements of accreditation, verification or certification corresponding to the information matters contemplated in the Law:

- European Regulation EMAS (Environmental Verification)
- SA 8000 (international labour principles and rights in accordance with the ILO (International Labour Organization), the Universal Declaration of Human Rights and the Convention on the Rights of the Child. SAAS Procedure 200)
- Environmental Management System (ISO 14001).
- Social Responsibility Management System, IQNet SR 10 and SA8000 schemes
- Quality Management System (ISO 9001).
- Energy Management System (ISO 50001).
- Occupational Health and Safety Management System (ISO 45001).

Additionally, the criteria and information that have been taken into account as a reference to carry out the Verification Program have been:

- 1) Law 11/2018 of 28 December, which amends the Commercial Code, the revised text of the Companies Act approved by Royal Legislative Decree 1/2010 of 2 July, and Law 22/2015 of 20 July on the Auditing of Accounts, with regard to non-financial information and diversity.
- 2) Directive 2014/95/EU of the European Parliament and Council of 22 October 2014 amending Directive 2013/34/EU as regards the disclosure of non-financial information and diversity reporting by certain large companies and certain groups.
- 3) Communication of the European Commission 2017/C 215/01, Guidelines on non-financial reporting (methodology for non-financial reporting)
- 4) the international standard ISO/IEC 17029.2019 Conformity assessment - General principles and requirements for validation and verification bodies
- 5) The criteria established by the global sustainability reporting initiative in the GRI standards where the organisation has opted for this recognised international framework for disclosure of information relating to its corporate social responsibility performance

FIRMADO por:  
Versión imprimible con información de firma generado desde VALiDe (<http://valide.redsara.es>)  
Firma válida.



# AENOR

Confía

AENOR expressly disclaims any liability for decisions, investment or otherwise, based on this Declaration.

During the verification process carried out, under a limited level of assurance, AENOR conducted interviews with the personnel in charge of compiling and preparing the Report and reviewed evidence relating to:

- Activities, products and services provided by the organization.
- Consistency and traceability of the information provided, including the process followed to collect it, sampling information about the reported.
- Completion and content of the statement of non-financial information in order to ensure the completeness, accuracy and veracity of its content.
- Letter of statements from the Administrative Body.

The conclusions are therefore based on the results of this sample process, and do not absolve the Organization of its responsibility for compliance with applicable legislation.

Information related to the Taxonomy of environmentally sustainable activities prepared in accordance with the EU Regulation 2020/852 of the European Parliament and of the Council of June 18, on the establishment of a framework to facilitate sustainable investments, regarding the obligation to disclose information on the manner and extent to which the activities of the obligated company are associated with economic activities that are considered environmentally sustainable according to the environmental principles and objectives established in said Regulation, is among the evidence reviewed. In line with this new requirement, the organization has included in the Non-Financial Information Report the information which, in their opinion, best enables compliance with this new obligation, and which is included in section 5 of the attached Disclosure of Non-Financial Information.

The personnel involved in the verification process, the review of findings and the decision to issue this Statement have the knowledge, skills, experience, training, supporting infrastructure and capacity to effectively carry out these activities.

1995/0146/VNOF-2022

AENOR INTERNACIONAL S.A.U. C/ GÉNOVA 6, 28004 MADRID







---

ISSUER IDENTIFICATION DETAILS

---

Year-end date:

[ 31/12/2021 ]

TAX Id#:

[ A-36046993 ]

Company name:

[ GRUPO EMPRESARIAL SAN JOSE, S.A. ]

Registered address:

[ ROSALIA DE CASTRO 44, BAJO (PONTEVEDRA) ]

## A. CAPITAL STRUCTURE

A.1. Complete the table below with details of the share capital of the company:

Date of last change	Share capital (Euros)	Number of shares	Number of voting rights
27/06/2008	1,950,782.49	65,026,083	65,026,083

Please state whether there are different classes of shares with different associated rights

Yes  
 No

A.2. Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name of shareholder	of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
MS. MARIA VIRTUDES	4.73	0.00	0.00	0.00	4.73
MR. JACINTO REY GONZÁLEZ	24.95	0.00	0.00	0.00	24.95
MS. JULIA SÁNCHEZ	7.44	0.00	0.00	0.00	7.44
MARIA JOSÉ SÁNCHEZ ÁVALOS	3.83	0.00	0.00	0.00	3.83
MR. JUAN VILLALONGA NAVARRO	1.99	0.00	0.00	0.00	1.99

Breakdown of the indirect holding:

Name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
NA				

State the most significant shareholder structure changes during the year:

A.3. In the following tables, list the members of the Board of Directors (hereinafter “directors”) with voting rights in the company:

Name of director	of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% of total voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR ROBERTO ÁLVAREZ ÁLVAREZ	0.28	0.00	0.00	0.00	0.28	0.28	0.00
MR RAMON BARRAL ANDRADE	0.23	0.00	0.00	0.00	0.23	0.23	0.00
MR JACINTO REY LAREDO	0.33	0.00	0.00	0.00	0.33	0.33	0.00
MR JOSE MANUEL OTERO NOVAS	0.03	0.00	0.00	0.00	0.03	0.03	0.00
MR ENRIQUE MARTIN REY	0.00	0.00	0.00	0.00	0.00	0.00	0.00

<b>Total percentage of voting rights held by the Board of Directors</b>	<b>49.16</b>
---	--------------

Mr. Enrique Martin Rey has 152 shares, since the percentage is very small, the programme does not allow its inclusion for representing 0.00000157%.

Breakdown of the indirect holding:

Name of director	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% of total voting rights that can be transmitted through financial instruments
N/A					

Mr. Enrique Martin Rey has 152 shares, since the percentage is very small, the programme does not allow its inclusion for representing 0.00000157%.

<b>Total percentage of voting rights held by the Board of Directors</b>	<b>60.54</b>
---	--------------

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

**A.4.** If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A.6:

Name of related party	Nature of relationship	Brief description
MS MARÍA VIRTUDES and DOÑA JULIA SANCHEZ AVALOS, MS MARIA JOSÉ SÁNCHEZ ÁVALOS	Family	The three holders of significant stakes are siblings;

**A.5** If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Name of related party	Nature of relationship	Brief description
NA		

**A.6.** Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of legal-person directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders:

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
MR JACINTO REY GONZÁLEZ	PINOS ALTOS XR, S.L.	GRUPO EMPRESARIAL SAN JOSE, S.A	Mr. Jacinto Rey González is majority shareholders of Pinos Altos XR, S.L.
MR JACINTO REY LAREDO	MR JACINTO REY GONZÁLEZ	GRUPO EMPRESARIAL SAN JOSE, S.A	Family relationship to the first degree, father and son
MR ENRIQUE MARTIN REY	MS MARIA JOSE Y JULIA SÁNCHEZ ÁVALOS	GRUPO EMPRESARIAL SAN JOSE, S.A	Mr. Enrique Martín Rey is the brother-in-law of Ms. Julia Sánchez Avalos and
MR JAVIER REY LAREDO	MR JACINTO REY GONZÁLEZ	GRUPO EMPRESARIAL SAN JOSE, S.A	Family relationship to the first degree, father and son



**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

**A.7.** State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociedades de Capital ("Corporate Enterprises Act" or "LSC"). If so, describe these agreements and list the party shareholders:

- Yes  
 No

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

- Yes  
 No

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

[ The Company is not aware of the existence of covenants or agreements among shareholders. ]

**A.8.** State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act" or "LMV"). If so, please identify them:

- Yes  
 No

Name or company name
JACINTO REY GONZÁLEZ

**A.9.** Complete the following table with details of the company's treasury shares:

At year-end:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
		0.00

(\*) Through:

Name of direct shareholder	Number of direct shares
NA	

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

**A.10.** Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares:

On 30 March 2021, the AGM authorised the board for the derivative acquisition of treasury shares of the company, directly or through entities controlled by it, and for the acceptance of treasury shares as collateral or other form of guarantee, in accordance with the applicable legislation in each case and subject to the following limits and requirements:

- Modalities of the acquisition: acquisition by title of sale or by any other inter vivo act for consideration.
- Maximum number of shares to be acquired: a number such that the par value of the shares to be acquired, added to those owned by both the company and any of its controlled companies, does not exceed 10% of the company's capital stock.
- Minimum and maximum acquisition price: the minimum acquisition price of the shares will be equal to 75% of their listed value on the acquisition date, and the maximum price will be 120% of their listed value on that same date.
- Duration of the authorisation: five years as from this date.
- Use of authorization: the board of directors will make use of this authorization in the terms established by the internal regulations of the applicable code of conduct of the company in force at that time.
- Possible delivery of shares to workers or executives: the board of directors is empowered to allocate, totally or partially, the treasury shares acquired to remuneration programmes intended to or involved in the delivery of shares or stock option rights, in accordance with the provisions of section 1 a) of article 146 of the Capital Companies Act.

In the event that a pledge, collateral or guarantee is constituted on treasury shares and the same shall be executed, limits and requirements applicable in accordance with the applicable regulations and the present agreement for the acquisition of treasury shares, where appropriate, shall be fulfilled.

The board may delegate this authorisation in favour of any other person that it expressly empowers for this purpose.

**A.11.** Estimated free-float:

	%
Estimated free-float	32,74

**A.12.** State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

- Yes  
 No

**A.13.** State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007.

- Yes  
 No

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

**A.14.** State if the company has issued shares that are not traded on a regulated EU market.

- Yes  
 No

If so, please list each type of share and the rights and obligations conferred on each:

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

### B. ANNUAL GENERAL MEETING

---

**B.1.** State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail:

Yes  
 No

**B.2.** State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

Yes  
 No

**B.3.** State the rules for amending the company's Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders' rights in the event of amendments to the Articles of Association

In accordance with provisions under Article 17 of the bylaws of the company, so that the General Meeting can validly agree on the increase or reduction of capital and any other modification of the bylaws, the issuance of obligations, the suppression or limitation of the right of preferential acquisition of new shares, as well as the transformation, merger, spin-off or global assignment of assets and liabilities and the transfer of the registered address abroad, it will be necessary, in first call, the presence in person or by proxy of, at least, 50% of the subscribed social capital with the right to vote.

In second call, it will be required the presence of 25% of said capital is enough, although when shareholders representing less than the fifty percent (50%) of the subscribed capital with voting rights are present, the agreements referred to in this paragraph may only be validly adopted with the favourable vote of two thirds of the capital present or represented at the Meeting. 3. Absences once the General Meeting has been constituted will not affect the validity of its celebration or alter the voting quorum.

Article 21 of the Bylaws. - Deliberation and adoption of agreements.

5. For the adoption of the agreements referred to in Article 194 of the Capital Companies Act, if the capital present or represented exceeds fifty percent, the agreement may be adopted by an absolute majority. However, the favourable vote of two-thirds of the capital present or represented at the meeting is required when shareholders hold a second call representing at least 25% or more of the subscribed capital with voting rights without reaching 50%.

Article 14 of the Regulations of the General Meeting. Constitution of the general meeting.

1. So that the general meeting, ordinary or extraordinary, can validly agree on the increase or reduction of capital and on any another modification of the bylaws, the issuance of obligations (where legally appropriate), as well as the transformation, merger, spin-off or global transfer of assets and liabilities and the transfer of the registered address abroad, it will be necessary, in first call, the presence of shareholders representing at least, fifty percent of the subscribed social capital with the right to vote. In second call, the concurrence of twenty-five percent of said capital shall be enough.

Article 21 of the Regulations of the General Meeting. Resolutions and notifications.

2 For the adoption of special agreements referred to in Article 14 of the Regulations, if the capital present or represented amounts to at least fifty percent of the share capital, resolutions will be adopted by an absolute majority. However, the favourable vote of two-thirds of the capital present or represented at the meeting will be required on second call, when there are shareholders who represent at least 25% of the subscribed capital with voting rights without reaching 50%.

Article 15 of the Bylaws. - Call of the general meeting.

4. Shareholders representing at least three percent (3%) share capital may request the publication of an addendum to the announcement of the General Meeting of Shareholders including one or more additional agenda items, as long as such items are duly justified.

The exercise of this right must be made by means of reliable notification that must be received at the registered office within the five (5) days following the publication of the call. The addendum shall be published at least fifteen (15) days prior to the date set for the General Meeting.

5. Shareholders representing at least three percent (3%) of the share capital may, in the same period prescribed in the preceding paragraph, submit proposals on agreed-on matters already included or to be included on the agenda of the meeting called. The Company shall ensure the dissemination of these proposed resolutions and documentation through its website.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

**B.4.** Give details of attendance at General Shareholders' Meetings held during the year of this report and the two previous years:

Date of General Meeting	Attendance data					Total
	% distance vote		% distance vote		Other	
	physically present	present by proxy	Electronic voting			
21/06/2018	50.44	14.78	0.00	0.00	65.22	
<b>Of which, free-float:</b>	0.91	1.01	0.00	0.00	1.92	
27/06/2019	50.49	15.43	0.00	0.00	65.92	
<b>Of which, free-float:</b>	0.00	1.21	0.00	0.00	1.21	
29/07/2020	49.80	13.76	0.00	0.00	63.56	
<b>Of which, free-float:</b>	0.64	1.61	0.00	0.00	2.25	
29/07/2020	49.24	20.02	0.00	0.00	69.26	
<b>Of which, free-float:</b>	0.28	1.35	0.00	0.00	1.63	

**B.5.** State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by shareholders for any reason.

Yes  
 No

**B.6.** State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

Yes  
 No

Number of shares required to attend General Meetings	100
Number of shares required for distance voting	100

**B.7.** State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting:

Yes  
 No

**B.8.** State the address and manner of access to the page on the company website where one may find information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website:

Information on Corporate Governance is available on the Company's website ([www.gruposanjose.biz](http://www.gruposanjose.biz)), under "Shareholders & Investors", within "Corporate Governance".



**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

**C. COMPANY ADMINISTRATIVE STRUCTURE**

**C.1. Board of Directors**

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	5
Number of directors set by the general meeting	11

C.1.2 Please complete the following table on directors:

Name of director	Representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
MR. JOSE LUIS GONZALEZ RODRIGUEZ		Executive	CEO	25/06/2020	29/07/2020	RESOLUTION AGM
MR ROBERTO ÁLVAREZ ÁLVAREZ		Other external	DIRECTOR	27/06/2008	21/06/2018	RESOLUTION AGM
MR RAMÓN BARRAL ANDRADE		Independent	INDEPENT COORDINADOR	30/06/2009	21/06/2018	RESOLUTION AGM
MR JACINTO REY GONZÁLEZ		Executive	CHAIRMAN & CEO	18/08/1987	21/06/2018	RESOLUTION AGM
MR JACINTO REY LAREDO		Executive	VICE CHAIRMAN	31/10/2006	21/06/2018	RESOLUTION AGM
MR JOSE MANUEL OTERO NOVAS		Independent	DIRECTOR	28/08/2014	27/06/2019	RESOLUTION AGM
MS AMPARO ALONSO BETANZOS FÁTIMA		Other External	DIRECTOR	17/12/2020	30/03/2021	RESOLUTION AGM

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

Name of director	Representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
MR ENRIQUE MARTIN REY		Proprietary	DIRECTOR	28/06/2013	27/06/2019	RESOLUTION AGM
MS. ALIINA DE FATIMA		Other External	DIRECTOR	27/06/2008	21/06/2018	RESOLUTION AGM
MR JAVIER REY LAREDO		Executive	DIRECTOR	28/06/2012	21/06/2018	RESOLUTION AGM
MR NASSER HOMAID SALEM ALI ALDEREI		Other External	DIRECTOR	17/12/2015	29/07/2020	RESOLUTION AGM

<b>Total number of directors</b>	11
----------------------------------	----

State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
NA					

C.1.3 Complete the following tables regarding the members of the Board and their categories:

**EXECUTIVE DIRECTORS**

Name of director	Post in organisational chart of the company	Profile
MR. JOSE LUIS GONZALEZ RODRIGUEZ	CEO	Degree in Economics from the University of Santiago de Compostela, with a Master in Financial Management and International Trade from ESEUNE University and Berkeley. He has developed his professional career in different companies belonging to Grupo SANJOSE. He joined in 1999 in the commercial area. Since this date, he has held and held positions of strategic responsibility in the Company, assuming the General Management of the Group. At the end of 2015, he was appointed General Manager of Grupo Empresarial San José.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

MR JACINTO REY GONZÁLEZ	Chairman & CEO	Chairman Grupo SANJOSE (Company listed on the Spanish Stock Exchange) Chairman Carlos Casado S.A. (Company listed on the Buenos Aires and New York Stock Exchange) Previously he has been a member of different boards of directors: Banco Simeón, Banco Caixa General, among others.
MR JACINTO REY LAREDO	Vice Chair	He graduated in Law by the Complutense University of Madrid and was certificated in European Law by the San Pablo CEU University. Mr. Jacinto Rey Laredo majored in International Law at the University of Columbia, in Communication by the New York University School of Continuing Education and participated in a management development programme (PADE) at the IESE. He has almost developed his entire professional career within Grupo SANJOSE, being the Deputy-chairman of the Group and the Chairman of SANJOSE Constructora.
MR JAVIER REY LAREDO	Director	Diploma in Business Science by the European University of Madrid. Postgraduate studies by IED in Top Management He has developed his entire professional career within companies of Grupo SANJOSE. Current positions: Deputy to the Chairman and CEO of Grupo SANJOSE, Member of the Board of SANJOSE Constructora, Executive Chairman of Comercial Udra, Director Carlos Casado S.A. Previous professional experience: Chairman of SANJOSE Desarrollos Inmobiliarios, responsible for the domestic and international management (Douro Atlántico Galicia S.L. and Douro Atlántico S.A. in Portugal), Member of the Board of Comercial Udra. Domestic and international management, Managing Director of SANJOSE Constructora, Branch office of Galicia, Management Director of C&C, regional construction, rehabilitation and conservation company in Galicia.

<b>Total number of executive directors</b>	4
<b>Percentage of the Board</b>	36.36

**PROPRIETARY DIRECTORS**

<b>Name of director</b>	<b>Post in organisational chart of the company</b>	<b>Profile</b>
MR ENRIQUE MARTIN REY	MS MARIA JOSE & JULIA SÁNCHEZ AVALOS	Graduate in Business Science by the Complutense University of Madrid (1993 - 1999), MBA by the Escuela de Negocios Caixanova (2000) and Master Programme in Banking and Finance by the ISTP Banking Scholl (2009). He is the Business Manager and Corporate Business Development Manager of Carrión S.A. Establecimiento Financiero de Crédito. Where he has developed his professional career since 2005, after having worked as strategic counsellor for the Instituto Tecnológico de Galicia (ITG) and for LKS Consultores (Grupo Mondragon Scoop).

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

<b>Total number of proprietary directors</b>	1
<b>Percentage of the Board</b>	9,09

<b>INDEPENDENT DIRECTORS</b>	
<b>Name of director</b>	<b>Profile</b>
MR RAMÓN BARRAL ANDRADE	Economist Professor at the School of Higher Business Studies of A Coruña, Bachelor of Economic and Business Sciences and Censor Jury of Accounts (promotion 1976). In the professional career of Mr. Ramón Barral, he emphasises his work in sundry positions of responsibility at Banco Simeon until becoming General Director (1995 - 2003), member of the Mixed Commission for State transfers - Xunta de Galicia (1977 - 1979), Professor of the Middle Management School in the Chamber of Commerce of Pontevedra. Editorial Galaxia advisor. Special attention should be given to the important and lasting collaboration of Mr. Ramón Barral with Grupo SANJOSE throughout its history, until becoming an advisor and chairman of the audit commissions and appointments, remuneration and good governance of the Group.
MR JOSE MANUEL OTERO NOVAS	Professional Lawyer:> Law Degree, Extraordinary Award. > He entered by Opposition in the Body of State Lawyers in 1967.> He entered by Opposition Contest in Inspectors of the Services of the Ministry of Economy and Finance in 1974.> He practiced State Advocacy in the Province of Lugo, in the National Court, and finally in the Supreme Court. > Also, the Inspection of the Services of the Ministry of Finance, in several tasks. > He has been -and still is- Counselor, or sometimes President, of several companies, among which stand out: Cepsa, Grupo SANJOSE, Banco Exterior de España and foreign subsidiaries, Gesca fi x., Euro Transfac, Unión Inversora Internacional. , International Technical Union, The Union and the Phoenix, AGF Unión Fénix Seguros y Reaseguros, Transfesa (Including Presidency) and Transfesa UK, International Real Estate Union, Gran Alacant, Costa Canaria Veneguera, Northwest Corporation, Cementos Cosmos, Society for the Development of Galicia (SODIGA), Vocal Executive Committee and Board of Directors of the Independent Business Confederation of Madrid (CEIM). Social:> It has been for the maximum statutory periods Vocal (and Vice President) of the Board of Trustees of the San Pablo CEU University Foundation and of the San Pablo College. > President of the Institute of Studies of Democracy of the San Pablo University-CEU. > Since 1997, he has been a member of the Social Sciences Jury of the Prince of Asturias Awards every year. Honours:> Knight Grand Cross of three Spanish Orders, Carlos III, Isabel the Catholic and Alfonso X the Wise. > Knight Grand Cross of the Order of the Lion of Finland; Idem of the Order of Merit of the Italian Republic; and Idem of the Order of Merit of the Republic of Peru. > Gold Medal of the Ibero-American Organization for Education, Science and Culture. > Gold Medal of the San Pablo University Foundation.



**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

<b>INDEPENDENT DIRECTORS</b>	
<b>Name of director</b>	<b>Profile</b>
Ms AMPARO ALONSO BETANZO	<p>Degree in Chemistry, major in Industrial Chemistry (1984) and PhD in Physics (1988), with an extraordinary award, from the University of Santiago de Compostela. She has been a Postdoctoral Fellow at the Medical College of Georgia, USA (1988-90), where she worked on the development of expert systems for medical applications. Later on, she has worked both in the development of artificial intelligence applications in sundry areas (Environment, Health, Industry 4.0, etc.), as in the development of machine learning algorithms. She is currently a professor at the University of A Coruña (UDC) since 2002 in the area of Computer Science and Artificial Intelligence, where since 1990 she coordinates the LIDIA group (Laboratory of R + D in Artificial Intelligence), which belongs to the CITIC (Centre of Research in Information and Communication Technologies). She is currently commissioner of the UDC for the development of the Artificial Intelligence node of the City of ICT in A Coruña (2019). She has been vice dean and Erasmus coordinator (1999-2005), director of the Department of Computing (2007-09), coordinator of the Intelligent Systems Specialty of the Master in Computer Science (2006-07) and coordinator of the Master's Degree in Bioinformatics for Health Sciences (2016-17), at the Faculty of Informatics of the UDC. She received in 1998 the LÓreal-UNESCO Prize for Women in Science in Spain, the Galicia ICT Prize for Digital Innovation in 2004, and the Galicia Prize ICT to Professional Career in 2019. President of the Spanish Association of Artificial Intelligence since 2013, and member of the “Reserve List” of the High-Level Expert Group on Artificial Intelligence (AI HLG) of the European Commission since 2018. She has participated as member of the GTIA, Working Group on Artificial Intelligence, of the Ministry of Science, Innovation and Universities (MINCIU), which collaborated in the drafting of the Spanish Strategy for R &amp; D &amp; I in Artificial Intelligence presented in 2018. He is currently a member of the Group of Work on the role of of fi cial Statistics in Data Administration and Management (Data Stewardship), as well as she as a member of the Arti fi cial Intelligence Advisory Council of the Government of Spain. She is also Senior Member of the IEEE and ACM professional associations.</p>

<b>Number of independent directors</b>	3
<b>Percentage of the Board</b>	27.27

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

State whether any independent director receive from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

In this case, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name of director	Description of the relationship	Statement of the Board
NA		

**OTHER EXTERNAL DIRECTORS**

Please identify other external directors and explain why they are not deemed to be proprietary or independent, and their relationship with the company, executives and shareholders:

Name of director	Reasons	Company, director or shareholder to whom the director is related	Profile
MR NASSER HOMAID SALEM ALI ALDEREI	He is a shareholder of San José Contracting, LLC and Tecnocontrol Contracting, LLC, companies owned by Grupo San José companies.	SAN JOSÉ CONTRACTING LLC	Businessman Commander in the reserve of the Army of the United Arab Emirates. CEO of Gulf Connection. Business consultant / service provider located in Abu Dhabi and with a presence in the United Arab Emirates, which provides support to international companies that intend to establish themselves in their region of influence, an area that due to its growth and financial strength represents an attractive market and great business opportunities for companies in international expansion. This company brings its experience in the strategic planning of implementation, definition of the market of action and of the main objectives. Executive Chairman of New Art. Company specializing in interior design and operating in

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

**OTHER EXTERNAL DIRECTORS**

Please identify other external directors and explain why they are not deemed to be proprietary or independent, and their relationship with the company, executives and shareholders:

Name of director	Reason	Company, director or shareholder to whom the director is related	Profile
			the United Arab Emirates, Qatar and Morocco. Currently New Art is part of Gulf Connection. General Director of SANJOSE Contracting L.L.C., an Emirati company specializing in all types of construction projects. Local agent / partner of several companies, among which stand out: SANJOSE Constructora, Lane Middle East Contracting, CPC, Crane Middle East, PMK Consultant, Dal Riada.

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

<p>MS ALTINA DE FÁTIMA SEBASTIÁN GONZÁLEZ</p>	<p>Ms. Altina Fatima Sebastian was appointed director by first time on 27.06.2008 The article 529 4.i establishes that in no case may be considered independent directors those who have been directors for a continuous period of more than 12 years. For this reason, the Member Ms. Altina Fatima Sebastian changes category from Independent to Other External</p>	<p>GRUPO EMPRESARIAL SAN JOSE, S.A</p>	<p>Degree in Economics and Business Administration from the Catholic University of Lisbon, Doctor of Business and Business Management from IESE and she has completed a post-doctorate at Harvard Business School. She is currently a Non-Executive Director, Member of the Audit Committee and Chairman of the Governance Committee of Caixa Geral de Depósito, the largest Portuguese bank, Independent Director of Banco Caixa Geral (former Banco Simeón), Chairman of the Audit and Compliance Committee and Chairman of the Appointments and Remuneration Committee (2003 - October 2019 date of the sale of the Bank to Abanca), Director and Member of the Audit Committee of Grupo Empresarial San José, a company listed on the Madrid Stock Exchange, Member of the Expansión Advisory Board and Economic News and Councilor of the Diaspora of the Portuguese Republic - World Portuguese Network. In addition, she has been an Independent Director, Chairman of the Audit Committee of the Instituição Financeira de Desenvolvimento, bank specialised in financing to SMEs, and Counselor, Chairman of the Audit Committee of Parquesol, a listed company on the Madrid Stock Exchange, and Founding Partner of the AB Research and Diagnostic &amp; Solutions Consultants. She has recently been appointed by the Commission Nacional del Mercado de Valores, member of the jury of the 2019 Antonio Moreno Espejo Journalism Award. In the academic field, she is a professor in the Department of Financial Administration and Accounting of the Complutense University Madrid and Visiting Professor at the Portuguese Catholic University. Her teaching experience is focused on training for executives in the banking sector in Spain, Portugal, Angola, Mozambique and Ecuador. She has posted seven books and more than one hundred articles in the economic press and magazines specialized in Banking and Finance.</p>
---	--	--	--



**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

MR. ROBERTO ALVAREZ ALVAREZ	<p>Mr. Roberto Álvarez Álvarez was appointed director for the first time on 27.06.2008 The article 529k 4.i establishes that members who have been acting as directors for a continuous period of more than 12 years shall not be considered as independent directors.</p> <p>For this reason, the Director Mr. Roberto Álvarez Álvarez changes category from Independent to Other External</p>	GRUPO EMPRESARIAL SAN JOSE S.A.	<p>Bachelor of Economics from the University of Buenos Aires, Business Administration for Directors by the Catholic University of Argentina, expert in Capital Markets Dean Witter (New York), Technician in Foreign Trade and specialised in Futures Trading at the London School of Economics. In addition to his distinguished career as Director of Grupo SANJOSE, highlights his experience in sundry companies: Director and Partner of Casa de la Bolsa Aldazabal and Cia. founded in 1980, Vice President of Carlos Casado, Director of Mapfre Argentina since year 2000, Board Member of the Stock Exchange of Commerce of Buenos Aires and representative thereof for relations with Spain, Director of Metrogas -company controlled by Repsol- (2002 - 2008), Director of the Boldt Group, Director of Banco Caudal (1989 - 1992), Vice President of the AA of the Museum of Modern Art and Vice President of the Athletic Club San Lorenzo de Almagro</p>
-----------------------------	---	---------------------------------	---

Total number of other external directors	3
Percentage of the Board	27.27

State any changes in status that have occurred during the period for each director:

Name of director	Date of change	Previous Status	Current status
NA			

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of directors for each category			
	Year 2021	Year 2020	Year 2019	Year 2018	Year 2021	Year 2020	Year 2019	Year 2018
Executive					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

<b>Independent</b>	1	1	1	1	33.33	25.00	16.66	16.66
<b>Other External</b>	1	1			33.33	50.00	0.00	0.00
<b>Total</b>	2	2	1	1	18.18	18.18	9.09	9.09

C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

- Yes  
 No  
 Partial policies

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

**Description of policies, objectives, measures and how they have been implemented, including results achieved**

El The Board of Directors of Grupo Empresarial San José, S.A. agreed in 2016 on its director selection policy through which the transparency of the director selection process is deemed essential within its corporate governance strategy.

Likewise, corporate regulations on directors establish, among others, the following principles and objectives:

- Maximum attention to people, to the quality of their working conditions, equality and training.
- Respect for diversity through a policy of equal opportunities, as well as human and professional development.
- Information transparency policy.

The management of the human resources of Grupo San José is inspired by the ethical codes of equal opportunities, cultural diversity, internal promotion of the best and demand for values such as merit, ability, involvement, responsibility, perseverance, commitment and honesty.

These commitments should inspire all the policies of selection, promotion and access to training, compensation and conciliation within the Group SANJOSE.

Any form of discrimination within Grupo San José is strictly forbidden (be it for reasons of ethnicity, race or national origin, sex, sexual identity or orientation, for reasons of gender, illness, religion, political option, social origin or disability).

Through a public, specific and verifiable policy, it is ensured that the proposals for appointment or re-election are based on a prior analysis of the needs of the board of directors, while at the same time favouring the diversity of knowledge, experiences and gender in its composition.

The board of directors will choose candidates who meet the qualities and aptitudes for their appointment, with the advice and report of the appointments and remuneration committee. An adequate balance will be sought in order to enrich decision-making and provides plural points of view to the debate on matters within its competence.

The Appointments and Remuneration Committee must also ensure that the selection procedures do not suffer from implicit biases that may imply any discrimination and, in particular, facilitate the selection of female directors. In this sense, in addition to promoting the diversity of knowledge and experience in the board, the policy of selecting directors will ensure that in a few years the number of female directors represents at least 30% of the total number of board members.

The proposal for the appointment or re-election of the members of the board of directors corresponds to the appointments and remuneration committee, in the case of independent directors, and to the board itself in all other cases.

Said proposal must be accompanied in any case by a report on the competence, experience and merits of the proposed candidate. The appointments and remuneration committee will assess the skills, knowledge and experience required in the board of directors. For this purpose, it will define the functions and aptitudes necessary to be fulfilled in each vacancy and assess the time and dedication necessary to perform the tasks effectively.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

C.1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women. Indicate whether the company takes measures to boost the presence of women on senior executive positions.

**Explanation of means**

The Company its goal to increase the number of women in the Board of Directors in order to achieve a more balanced presence of women and men, in which progress has been made with the appointment as director of Ms. Amparo Alonso Betanzos by co-option at December 2020 so as to fill in the vacancy left by the director Mr. Sunil Kanoria, ratified by the AGM on 30 March 2021.

In the event that there are few or no female directors in spite of any measures adopted, please explain the reasons that justify such a situation:

**Explanation of reasons**

As indicated in the previous section, during 2021 the AGM ratified the appointment of a second female directors, Ms. Amparo Alonso Betanzos.

In the future, the company will evaluate the opportunity to continue increasing the number of female directors and senior executives with sufficient experience and knowledge who can contribute to the development of the business, in compliance with the policy of non-discrimination on the grounds of sex contained in its documentation of CSR and in the approved director selection policy.

C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors in order to promote an adequate composition of the members of the Board of Directors by the year 2020.

The Appointments Committee has applied during 2020. the same criteria as previous years for both the recruitment of Members and personnel.

Criteria is based in policies devoted to seek and incorporate candidates with the best requirements in terms of suitable competence, knowledge and experience for the development of the functions entrusted, ensuring equity.

C.1.8 If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name of shareholder	Reason
NA	

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

- Yes
- No

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name of director or committee	Brief description
JACINTO REY GONZÁLEZ	As CEO of Grupo Empresarial San José he has all Powers delegated by the Board unless those stated by law.
JOSE LUIS GONZALEZ	As CEO of Grupo Empresarial San José he has all Powers delegated by the Board unless those stated by law.

C.1.10 Identify any members of the Board who are also directors, representatives of directors or officers in other companies in the group of which the listed company is a member:

Name of director or committee	Name of the Company	Position	Does the director have executive powers?
Mr. JOSE LUIS GONZALEZ	GSL SOLUTIONS	Sole director	yes
Mr. JOSE LUIS GONZALEZ	Constructora san jose Colombia, sas	Liquidator	yes
Mr. JOSE LUIS GONZALEZ	Tecnocontrol servicios sau	Sole director	yes
Mr. JOSE LUIS GONZALEZ	Tecnocontrol sisemas de seguridad, sau	Sole director	yes
Mr. JOSE LUIS GONZALEZ	Tecnocontrol instalaciones slu	Sole director	yes
Mr. JOSE LUIS GONZALEZ	Fotovoltaica el gallo, sl	Sole director	yes
Mr. JOSE LUIS GONZALEZ	Poligeneracion parc del alba st4, sa	CEO	yes
Mr. JOSE LUIS GONZALEZ	Comercial udra sau	Member	no
Mr. JOSE LUIS GONZALEZ	Pinar villanueva SA	Joint director	no
Mr. JOSE LUIS GONZALEZ	Sanjose marco, sarlau	Sole director	yes
Mr. JOSE LUIS GONZALEZ	Sociedad consesionaria san jose – tecnocontrol, sa	directos	yes
MR JACINTO REY GONZÁLEZ	San José Peru SAC	Chairman	yes
MR JACINTO REY GONZÁLEZ	San José Contracting LLC	General Manager	yes
MR JACINTO REY GONZÁLEZ	San Jose Constructora Peru, S.A.	Chairman	yes



**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

MR JACINTO REY GONZÁLEZ	Inmobiliaria 2010, S.A.	Chairman	yes
MR JACINTO REY GONZÁLEZ	Carlos Casado, S.A.	Chairman	yes
MR JACINTO REY GONZÁLEZ	Sociedad concesionaria San José Tecnocontrol	Chairman	yes
MR JACINTO REY GONZÁLEZ	San José Tecnologías Peru, SAC	Chairman	yes
MR JACINTO REY GONZÁLEZ	Inmobiliaria Americana de Desarrollos Urbanísticos SAU	Sole Director	yes
MR JACINTO REY GONZÁLEZ	Desarrollos Urbanísticos Udra, S.A.	Sole Director	yes
MR JACINTO REY LAREDO	Udra Obras Integrales	Chairman	yes
MR JACINTO REY LAREDO	SJB Mullroser Baugesellschaft MBH	Sole Director	yes
MR JACINTO REY LAREDO	San Jose BAU GMBH	Sole Director	yes
MR JACINTO REY LAREDO	Constructora Udra Lda	Sole Director	yes
MR JACINTO REY LAREDO	San José Construction Group	Chairman	yes
MR JACINTO REY LAREDO	San José France, S.A.	Sole Director	yes
MR JACINTO REY LAREDO	Constructora San José Cabo Verde, S.A.	Director	yes
MR JACINTO REY LAREDO	Udra Mexico, S.A. CV	Chairman	yes
MR JAVIER REY LAREDO	Constructora San José representação em Portugal	Legal representative	yes
MR JAVIER REY LAREDO	San José Concesiones y servicios	Sole Director	yes
MR JAVIER REY LAREDO	Carlos Casado, S.A.	Director	yes
MR JAVIER REY LAREDO	Tecnoartel	Chairman	yes
MR JAVIER REY LAREDO	Centro Comercial Panamericano	Chairman	yes
MR JAVIER REY LAREDO	Inmobiliaria sudamericana de desarrollos urbanísticos	Chairman	yes
MR JAVIER REY LAREDO	Constructora San José, S.A.	Director	yes
MR JAVIER REY LAREDO	Comercial Udra, S.A.	Chairman & CEO	yes
MR JAVIER REY LAREDO	Cadena de Tiendas SAU	Sole Director	yes

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

MR JAVIER REY LAREDO	Constructora san jose in Portugal	Legal representative	Yes
MR ROBERTO ALVAREZ ALVAREZ	Carlos Casado	Deputy president	No
MR ROBERTO ALVAREZ ALVAREZ	Tecnoartel	Member	No

C.1.11 List any directors or representatives of legal person-directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name of director	Name of listed company	Position
MR ROBERTO ALVAREZ ALVAREZ	Bolsa de Comercio de Buenos Aires	MEMBER
MR ROBERTO ALVAREZ ALVAREZ	Fundación Bolsa de Comercio	MEMBER
MR ROBERTO ALVAREZ ALVAREZ	Aldazabal y Cia (Casa de Bolsa)	MEMBER
MR ROBERTO ALVAREZ ALVAREZ	Udra Argentina, S.A.	MEMBER
MR RAMON BARRAL ANDRADE	Editorial Galaxia, S.A.	MEMBER
MR RAMON BARRAL ANDRADE	Barral e Fillos, S.L.	MEMBER
MR JACINTO REY GONZÁLEZ	Udra Argentina, S.A.	SOLE DIRECTOR
MR JACINTO REY GONZÁLEZ	Pinos Altos de Argentina, S.R.L.	CHAIRMAN – CEO
MR JACINTO REY GONZÁLEZ	Pinos Altos XR, S.L.	SOLE DIRECTOR
MR JOSE MANUEL OTERO NOVAS	Patronato Fundacion San Pablo CEU	SOLE DIRECTOR
MR JOSE MANUEL OTERO NOVAS	SOCIEDADE PARA O DESENVOLVEMENTO DE PROXECTOS ESTRATÉXICOS DE GALICIA, S.L.	MEMBER
MS ALTINA ALONSO BETANZOS	SOCIEDADE PARA O DESENVOLVEMENTO DE PROXECTOS ESTRATÉXICOS DE GALICIA, S.L..	MEMBER
MS ALTINA ALONSO BETANZOS	Asociación Española de Inteligencia	CHAIRMAN
MR ENRIQUE MARTIN REY	Financiera Carrión, S.A.	MEMBER
MS, ALTINA DE FATIMA SEBASTIAN	Caixa Geral de Depositos	MEMBER

The position of Independent Director that Ms. Amparo Alonso Betanzos holds in the SOCIEDADE PARA O DESENVOLVEMENTO DE PROXECTOS ESTRATÉXICOS DE GALICIA, S.L. is a position in which allowances are only received for attending the Board.

The position of Director of Mr. Roberto Álvarez in the company Aldazabal y CIA (Brokerage House) is remunerated.

State, if applicable, other remunerated activities of the directors or representatives of the directors, whatever its nature, other than those indicated in the previous table

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

Identification of the member or representative	Other remunerated activities
MR JOSE MANUEL OTERO NOVAS	The performance of MR JOSE MANUEL OTERO NOVAS as a lawyer is a remunerated activity
MS AMPARO BETANZOS ALONSO	University Professor at the University of Coruña
MS, ALTINA DE FATIMA SEBASTIAN	Complutense University of Madrid – Professor of Degree and Master University of Barcelona – Professor of Degree on Training of Members of Boards of Directors of Bancos y Cajas Rurales Estatates are remunerated activities.

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

Yes  
 No

C.1.13 State total remuneration received by the Board of Directors:

<b>Board remuneration in financial year (thousand euros)</b>	3,725
<b>Amount of vested pension interests for current members (thousand euros)</b>	
<b>Amount of vested pension interests for former members (thousand euros)</b>	

C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year:

Name	Position
MR JOSÉ ANTONIO SÁNCHEZ DE ROJAS PANFIL	Director of Consolidation
MR JOSÉ MÁRQUEZ MARROQUI	Managing Director south America
MR MIGUEL ANGEL BRAVO	Middle East Director
MR NILTON RAMOS	Portugal & Cape Verde Director
MR FRANCISCO REY	Managing Director Portugal, Cape Verde & Brazil
MR JUAN ARESES VIDAL	Director General of Civil Works & Procurement Constructora San José
MR PEDRO ALLER ROMÁN	General Manager Carlos Casado
MR ANGEL RODRÍGUEZ TEJO	Director North Área
MR JUAN ANTONIO ACEDO LÓPEZ	Director of Peru
<b>Female on senior executive positions</b>	
<b>% over total senior executives</b>	0.00
<b>Total senior management remuneration (thousand euros)</b>	1,541

C.1.15 State whether the Board rules were amended during the year:

Yes  
 No

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.

The members of the Board of Directors are appointment by the General Meeting or by the Board itself.

The proposal to reappoint members corresponds to the Appointment, Remuneration and Good Governance Committee for Independent member and to the Board for all other members.

The proposal shall be submitted together with a report on competence, excellence and merits of the member which shall be provided with the Minutes of the General Meeting or the Meeting of the Board.

The reappointment proposal for members other than independent members shall be backed up by a report from the Appointment, Remuneration and Good Governance Committee. The Appointment, Remuneration and Good Governance Committee shall assess the quality of the work.

The board of Directors includes proprietary, independent, executive and other external members.

Proprietary and Independent members should represent majority regarding executive members due to the complexity of the Group and the participation percentage of the executive members in the social capital of the company.

Independent members should be well known professionals with sound experience and competence.

C.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

### Description of changes

The Board of Directors analysed the assessment of the members and agreed that there is no need to apply any changes within the internal organisation nor the procedures applicable to its activities.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

### Description of the evaluation process and evaluated areas

The Nominating, compensation and corporate governance commission has updated the self-assessment questionnaire of members of the Board and their committees, and all members have been required to fill it up.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

Not applicable

C.1.19 State the situations in which directors are required to resign.

Article 25 of the Board of Directors Regulations – Resignation of Directors

Directors shall resign from their posts upon expiration of the period for which they were appointment, whenever elected by the General Meeting or when incurring into legal reason for such resignation.

Members of the Board must place their post at the dismissal of the Board of Directors and resign whenever incurring into prohibitions established by Art. 213 of the Companies Act and any other legal applicable provisions.

The Board of Directors shall not propose the cessation of independent directors until completion of the period which they were appointment for unless reasonable cause and duly reported to the Appointment, Remunerations and Good Governance Commission. Reasonable cause is that related to the non-compliance with obligations and liabilities inherent to the post. Additionally, the cessation of independent board members from mergers or other similar transactions which may involve a change in the social capital structure of the company.



**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

C.1.20 Are any qualified majorities other than those established by law required for any specific decision?

- Yes
- No

If so, please explain.

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors:

- Yes
- No

C.1.22 State whether the Articles of Association or the Board Rules establish any limit as to the age of directors:

- Yes
- No

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors or other more stringent requirements in addition to those established by law:

- Yes
- No

C.1.24 State whether the Articles of Association or Board Rules establish specific rules for granting proxies to other directors at Board meetings, how they are to be delegated and, in particular, the maximum number of proxies that a director may have, as well as if there is any limit regarding the category of director to whom a proxy may be granted beyond the limitations imposed by law. If so, please briefly describe the rules.

Article 26 of the By-Laws and 20 of the Board of the Board of Directors' Regulations state that representation shall be held by other member and when not being able to attend personally, the proxy shall have been provided clear and detailed instruction on the issues of the agenda, when applicable.

Non-executive members can only delegate their representation on non-executive members.

C.1.25 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

<b>Number of Board meetings</b>	5
<b>Number of Board meetings without the chairman</b>	0

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

<b>Number of meetings</b>	0
---------------------------	---

Please specify the number of meetings held by each committee of the Board during the year:

<b>Number of meetings held by the Executive Committee</b>	3
<b>Number of meetings held by the Audit and Risk Supervision Committee</b>	2
<b>Number of meetings held by the Appointments Committee</b>	5
<b>Number of meetings held by the Remuneration Committee</b>	2

C.1.26 State the number of meetings held by the Board of Directors during the year and information regarding the attendance of its members:

<b>Number of meetings with the attendance of at least 80% of the directors</b>	5
<b>% personal attendance of total votes during the year</b>	100.00
<b>Number of meetings with all directors attending in person or by proxy with specific instructions</b>	
<b>% of votes cast in person and by proxy with specific instructions of all votes cast during the year</b>	0.00

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

- Yes  
 No

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

The Group has an internal control system whose main objective is to minimise the Group's exposure to risks which it is exposed to due to the intrinsic conditions of the activity it performs and the legal framework of the country where it operates.

Within the internal control system, the internal control system of financial information (ICSFI) gains special importance, whose purpose is to ensure the adequate generation of financial information at an individual and consolidated level within the Group, respecting the criteria and applicable accounting regulations. The Administration and Finance Department is responsible for the application of the SCIIF and that it is adequately updated.

Additionally, the Internal Audit Department of the Group is entrusted with direct responsibility for the generation of the financial statements and explanatory notes and periodic information to be published both individually and / or consolidated in the companies that make up the Group, reviewing said information and confirming that it is appropriate to the reality of the business, and that applicable accounting regulations have been properly applied, and that the judgments and estimates adopted by the Management of Finance are reasonable and consistent.

Once the accounting information has been generated as described in the previous paragraphs, it is subject to review by the external auditor. The level of internal confidence about the correctness and goodness of the accounting information is very high. However, in addition to avoid the existence of possible exceptions that may arise from work of the external auditor, the following work procedure is established:

-It is coordinated jointly with the external auditor so that several reviews are carried out at various times throughout the year: half-year review (July), preliminary stage of the review work by the audit (November) and final stage of the audit work (months of February and March).

-In addition, the external auditor is immediately informed of any extraordinary operation that could be subject to interpretation or complex application of the accounting regulations, in order to check the registration and / or valuation criteria, information to be provided, etc.

-The final stage of the audit work begins prior to the formulation of financial statements by the Board of Directors.

Finally, prior to its formulation by the board of directors, the financial information is reviewed by the audit committee. Referred to half-year and annual closures, and partly justified by the fact that said information is subject to review and / or audit, the audit committee receives the conclusions issued by the external auditor, and reviews a draft of the auditor's report. Once verified that this report is correct, and lacks any kind of qualification. For the formulation of financial information in general, the board of directors has the positive opinion of the audit committee

C.1.29 Is the secretary of the Board also a director?

- Yes  
 No

If the secretary is not a director, please complete the following table:

Name of the secretary	Representative
MR FERNANDO CALBACHO LOSADA	

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

Article 33 of the by-laws and Article 16 of the Board Regulations empower the audit committee to raise the board for the selection, appointment, reappointment and removal of the external auditor as well as to set out the conditions of recruitment and to regularly gather information on the audit plan while preserving its independence in the exercise of its functions.

It is also authorised to establish appropriate relations with the external auditor and receive information on those issues that may jeopardize its independence and any others related to the process as well as other communications envisaged related to audit legislation and auditing standards.

In any case, it should receive annually from the external auditors an independence declaration in relation to the entity or entities related to it directly or indirectly, as well as information of any further services, of any kind, provided and the fees received from these entities by the external auditor, or by people or entities related to it, in accordance with audit regulations and provisions.

Finally, it must issue annually, prior to the issuance of the audit report, a report on the independence of the auditor. This report shall contain, in any case, the assessment of the provision of additional services referred to in the preceding paragraph.

For the effectiveness of the exercise of its duties, the audit committee may seek the assistance of experts if it considers that for reasons of independence or specialisation, it is not enough with the technical means of the Company.

The committee can as well ask for the cooperation of any of the Company's employee or directors, even ask them to appear before the committee without the presence of any other director.

C.1.31 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

- Yes  
 No

State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

- Yes  
 No

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:

- Yes  
 No

	Company	Group Companies	Total
<b>Amount invoiced for non-audit services (thousand euros)</b>	0	5	5
<b>Amount invoiced for non-audit services/Amount for audit work (in %)</b>	0.0	2.02	1.67



**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given to the shareholders at the General Meeting by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations

- Yes  
 No

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
<b>Number of consecutive years</b>	27	27

	Individual	Consolidated
<b>Number of years audited by the current audit firm/number of fiscal years the company or its group has been audited (by %)</b>	100.00	100.00

C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

- Yes  
 No

**Explanation of procedure**

Article 26 of the Board of Directors Regulations - Disclosure rights

The Director shall be duly informed on the performance of the Company and, with such purpose, may request information to top management executives, informing the Chairman or CEO of the same. Further, any Director may request, through the Chairman, CEO, Secretary and Deputy-Secretary of the Board, information deemed appropriate on the Company. Information Rights affect branch offices, both at domestic and international markets. Each member of the board shall have all the information submitted to the Board.

The Chairman, Deputy-Chairman, the CEO, the Secretary and the Deputy-Secretary shall try to respond to information request directly or providing the name of the adequate person within the organisation. If the Chairman considers said information may negatively affect the organisation, the issue may be dealt with by the Board.

Article 27 – External Advice

In order to appropriately develop their functions and duties, Directors, Commissions and Committees may request the Chairman of the Board the support of legal, accountancy and financial counsellors.

Only certain problems of great significance and complexity may be subject to these services.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

C.1.36 State whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:

Yes  
 No

**Explanation of procedure**

Article 25 of the Board of Directors Regulations.

Directors shall resign from their posts upon expiration of the period for which they were appointment, whenever having incurred into legal prohibitions established by the Companies Act or any other applicable regulations.

C.1.37 State, unless there have been special circumstances that have been recorded in the minutes, if the board has been informed or has otherwise learned of any situation that affects a director, related or not to their performance in the company itself, that could harm credit and reputation of this one:

Yes  
 No

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

No agreement has been formalised.

C.1.39 Identify individually for directors, and generally in other cases, and provide detail of any agreements made between the company and its directors, officers or employees providing severance payments or golden parachutes in the event of resignation or unfair dismissal or termination of employment due to a takeover bid or any other type of transaction.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

Number of beneficiaries	4
Type of beneficiary	Description of agreement
Executive directors	<p>The agreement contained in the contract of the executive directors is as follows: In the event of termination of the contract at the company's discretion, the executive director will be entitled to receive severance indemnity, except in the event that such termination is due to a serious breach of any of the obligations of the executive director, in which case he will not be entitled to receive any compensation for the termination of the contract. The termination indemnity shall be equivalent to: (i) Three annual payments of the annual fixed remuneration of the executive director at the time of termination and of the last annual variable remuneration received, if the aggregate of these two amounts is less than 750,000 euros. (ii) Two annuities of the annual fixed remuneration of the executive director at the time of termination and of the last annual variable remuneration received, if the aggregate of these two amounts is more than 750,000 euros but less than 1,100,000 euros. (iii) Two annuities of remuneration annual of the executive director at the time of cessation and of the last annual variable remuneration received, if the aggregate of these two amounts is greater than 1,100,000 euros. Withdrawal compensation will be deducted on account of Personal Income Tax of and Social Security contributions in charge of the executive director according to current legislation.</p>

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance clauses	√	

	Yes	No
Are these clauses notified to the General Shareholders' Meeting?	√	

Information has been made available to the Meeting by means of the Annual Corporate Governance Report.

**C.2. Committees of the Board of Directors**

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

**Appointment, Remuneration and Good Governance Commission**

Name	Position	Category
MR ROBERTO ÁLVAREZ ÁLVAREZ	DIRECTOR	Other external
MR RAMÓN BARRAL ANDRADE	CHAIRMAN	Independent
MR JOSE MANUEL OTERO NOVAS	DIRECTOR	Independent
MR ENRIQUE MARTIN REY	DIRECTOR	Proprietary

% of executive directors	0,00
% of proprietary directors	25.00
% of independent directors	50.00
% of other external directors	25.00

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

Article 34 of the bylaws and Articles 17 and 18 of the Board of Directors' Regulations deal with the composition, standards, performance and functionality of the Appointments, Remunerations and Good Governance Commission.

The Appointment, Remuneration and Good Governance Commission will consist of a minimum of three members and a maximum of 5. The Commission shall be composed exclusively of non-executive directors appointed by the Board of Directors, two of whom, at least, must be independent directors. The Chairman of the Commission shall be appointed from among the independent directors. The term of office of the Chairman shall be four (4) years and may be reappointed after the expiry of one (1) year from the date of termination. Any member of the management or personal team of the company is obliged to attend the meetings of the Committee when required to do so.

The request for information to the Commission shall be issued by the Board of directors or the Chairman. The Commission will meet, whenever called by the Chairman, when most of its members request it, or whenever required by the Board of Directors. Without prejudice to this, the Commission shall meet at least twice a year.

The Secretary will take record of the resolutions of the Commission, which shall be adopted by a majority of its members.



## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

Without prejudice to the aforementioned regulation, the Board of Directors may establish any other additional rules of operation for the Committee.

The functions of the Commission are:

1. To evaluate the competencies, knowledge and experience required for the Board of Directors. For this purpose, it defines the functions and skills of the candidates for each vacancy and assess the necessary time and dedication so that they can effectively play their role.
2. To establish a goal of representation for the under-represented sex in the Board and draw up guidelines on how to achieve this objective.
- 3 To raise proposals to the Board of Directors for the appointment of independent directors, for their designation by co-optation or for the submission to the decision of the general meeting of shareholders, as well as to propose candidates for re-election by the general meeting of shareholders.
- 4 To submit proposals for appointment of the remaining directors by co-optation or for its submission to the decision of the general meeting of shareholders.
- 5 To inform of the proposals for appointment and cessation of senior managers and the basic terms of their contracts.
6. To examine and arrange the succession of the Chairman of the Board of Directors and the Chief Executive Office and, where appropriate, make proposals to the Board of Directors of such succession in an orderly and planned manner.
- 7 To propose the remuneration policy of the directors to the Board of Directors, members of the committees or CEOs, as well as the Individual remuneration and other contractual conditions of the Executive Directors.
- 8 To report to the Board of Directors on transactions with associates.
9. To supervise and monitor transparency in social actions, compliance with the Company's rules and principles and the compliance with applicable standards of all members and directors of the company, informing the board of Directors of any breach of conduct, so as it to be corrected or, if not corrected, to be reported to the general meeting.
- 10 To propose to the Board of Directors the amendment of its regulations.
11. To raise to the Board of Directors, for consideration and approval, any other proposals deemed appropriate.
12. The Commission should ensure that procedures for the selection of advisors encourage gender diversity, and not suffer from any implicit biases that may involve any discrimination and, in particular, facilitate the selection of counsellors.

### Executive Commission

Name	Position	Category
MR JACINTO REY GONZÁLEZ	CHAIRMAN	Executive
MR JACINTO REY LAREDO	DIRECTOR	Executive
MR JOSE MANUEL OTERO NOVAS	DIRECTOR	Independent
MR JAVIER REY LAREDO	DIRECTOR	Executive

% of executive directors	75,00
% of proprietary directors	0,00
% of independent directors	25,00
% of other external directors	0,00

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Executive Committee is dealt with in Article 31 of the By-Laws and Article 14 of The Board's Regulations. The Executive Committee will be comprised of a minimum of three (3) and a maximum of five (5) directors, nominated by the Board of Directors among its component, for a period equal to the term in the office of each Member of the Board.

The Executive Committee, will have the powers which may be delegated by the Board of Directors, which in turn will determine the rules for the operation of the same.

The Chairman of the Board of Directors shall chair the Executive Committee. In the absence of the Chairman, his functions shall be exercised by the Vice Chairman, and if there are several, it depends on number priority, and in the absence of all of them, the Member the Committee designates from among its members.

It is borne to the following performance rules:

1. The Executive Committee will meet according to the schedule of meetings to be set at the beginning of each year and whenever the Chairman deems it appropriate in order to ensure the proper performance of the Committee.
2. Insofar, provided not incompatible with their nature, provisions of the Bylaws relating to the convening of meetings shall apply.
3. Executive Committee will be quorate when at least half of its members are present or represented. Whenever Directors Member of the Executive Committee cannot personally attend the meeting, Directors may delegate their representation to another attendee members by letter addressed to the Chairman.
4. Meetings shall be chaired by the Chairman of Board. In the absence of the Chairman, his duties shall be exercised by the Deputy-Chairman, and in the event of being several priorities, these shall be set out by number, and in default of these, the Director appointed by the Committee from among its members to fulfil this function.
5. Secretary and Deputy Secretary of the Board of Directors shall act as Secretary and Deputy-Secretary of the Executive Committee and, in the event of being several priorities shall be set out by priority number, and in the absence of these, the Director appointed by the Commission from among its members to fulfil this function.
6. Agreements shall be adopted by majority Resolutions shall be adopted by an absolute majority of those present at the meeting.
7. The Executive Committee may pass resolutions without a calling a meeting pursuant to the same conditions of the Board.

Notwithstanding the foregoing, the Board of Directors may establish any additional rules or operating rules applicable to the Executive Committee.

The Board of Directors shall have knowledge of matters discussed and any decisions adopted by the Executive Committee.

Similarly, the Board of Directors may constitute, if so, it is deemed desirable or necessary, other commissions, including and an Audit Committee and an Appointments, Remunerations and Good Governance Commission.

Without prejudice to the possible attribution of other functions decided by the Board of Directors, advisory committees have powers of information, advisory and proposal on matters determined by the following articles, as well as in any other established by the Board of Directors. The powers of the commissions do not mean that the Board may decide on these issues on its own initiative.

The chairman of each Committee shall be appointed from among its members by the Board of Directors and must an independent director.

The Secretary is the Secretary of the Board of Directors. In the event of the absence or disability of the Secretary, there is a Deputy Secretary and, if not, whoever is appoint by the Committee from among its members. In matters not provided, standards established by this regulation in relation to the Executive Commission apply as long as they are consistent with the nature and function of the Committee concerned.

### Audit Committee

Name	Position	Category
MR RAMÓN BARRAL ANDRADE	CHAIRMAN	Independent
MR JOSE MANUEL OTERO NOVAS	DIRECTOR	Independent
MR ALTINA DE FÁTIMA SEBASTIÁN GONZÁLEZ	DIRECTOR	Other external

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

% of executive directors	0,00
% of proprietary directors	0,00
% of independent directors	66,67
% of other external directors	33,33

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

Article 33 of the By-laws and Articles 15 and 16 of the Board of Directors' Regulations deal with the Audit Committee.

The audit Committee shall be composed exclusively of non-executive directors appointed by the Board of Directors, two of whom, at least, shall be independent directors and one of them shall be appointed taking into account the knowledge and experience in the field of accounting or audit or both.

The Chairman of the Audit Committee will be appointed from among the independent directors who forma part of the Committee and must be replaced every four years, and may be re-elected once after a period of one year from its cessation.

The mandate of members of the Committee shall end by replacement, for the end of the period which they were appointed for, by own will or by the loss of the condition of member.

The legal consultant shall also be member of the Committee, with voice yet without vote. The Secretariat of the Committee shall be the Secretary of the Board of Directors.

Any member of the management team or staff of the company must attend the meetings if required to do so. External auditors may also be required to attend a meeting.

The Committee has powers regarding the information, monitoring, advisory and proposal of matters within its competence.

The Audit Committee shall meet whenever called by its Chairman, who shall do so whenever the Board of Directors, the Chairman or two members of the Audit Committee require so and whenever it is deemed convenient for the proper exercise of its functions. In any case, the Audit Committee shall meet not less than four times a year.

The Chairman of the Audit Committee shall chair the meetings and lead the discussions. The Audit Committee's meeting is understood to be validly constituted when attended by the most of its members, with a minimum of three.

Provisions set out by the by-laws apply for the running and calling of meeting of the Audit Committee.

The Audit Committee shall prepare an annual report on its activities to be included within the management report of the company.

The responsibilities of the Committee are:

To inform the General Meeting of Shareholders on the issues raised regarding matters within its competence.

To supervise the efficiency of the internal control system of the Company, internal audit and risk management systems.

To supervise the elaboration of financial information.

To propose the Board of Directors, for its subsequent submission to the General Meeting, the appointment of external auditors, the terms of the contract, the scope of the mandate and, its termination or non-renewal.

To maintain relations with external auditors to receive information on any issues that may jeopardize their independence and any others matters related to the development process of the audit and other communications provided, if applicable, by auditing legislation and technical auditing standards.

To issue on an annual basis, prior to the issuance of the auditor's report, a report regardless the auditor's impressions.

To inform, previously, the Board of directors of all issues applicable by law, by-laws and regulations of the Board regarding:

Financial information to be released regularly.

The creation or acquisition of stakes in special purpose vehicles.

In the exercise of its functions, the Audit Committee may request the assistance of experts whenever it considers that, for reasons of independence or specialization, technical means of the company are not sufficient.

In addition, the Committee may request the collaboration of any employees or directors of the company.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

<b>Name of directors with experience</b>	MR RAMÓN BARRAL ANDRADE / MR JOSE MANUEL OTERO NOVAS / MS ALTINA DE FÁTIMA SEBASTIÁN GONZÁLEZ
<b>Date of appointment of the chairperson</b>	21/06/2018

International Executive Committee		
Name	Position	Category
MR ROBERTO ÁLVAREZ ÁLVAREZ	DIRECTOR	Other external
MR JACINTO REY GONZÁLEZ	CHAIRMAN	Executive
MR JACINTO REY LAREDO	DIRECTOR	Executive
MR JAVIER REY LAREDO	DIRECTOR	Executive
MR NASSER HOMAID SALEM ALI ALDEREI	DIRECTOR	Other external

<b>% of executive directors</b>	60,00
<b>% of proprietary directors</b>	0,00
<b>% of independent directors</b>	0.00
<b>% of other external directors</b>	40.00

Explain the duties exercised by this committee, different from those indicated under C19, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

Article 18 (2) of the regulations of the Board of Directors reflects the composition, functioning and internal regulation of the International Executive Committee.

Composition.

The International Executive Committee will comprise a maximum of twelve members, who shall be appointed by the Board of Directors under the unique proposal of the Chairman.

The members of the International Executive Committee shall be either members of the Board of Directors, as directors, or either technicians, with the character of international advisors or sector experts, especially appointed for this function.

The International Executive Committee is responsible for the information, monitoring, advisory and proposal of matters of its competence in the international arena. The Committee will be chaired by the Chairman of the Board of Directors. The resolutions of the Committee, adopted with the Chairman, shall be considered as legal decisions by the Chairman in accordance with the delegated powers of the Board.

The members of the International Executive Committee shall cease by substitution, the termination of the period which they have been appointed for, willingly or by loss of the condition of Member.

The International Executive Committee shall meet whenever the Chairman deems it appropriate. The sessions of the Committee may be plenary or by sections, consisting the latter in private meetings with the members invited in each case by the Chairman, in response to a variety of countries, areas of specialization or sectors of activity.

Competencies:

Without prejudice to other tasks assigned by the Board of Directors, the International Executive Committee shall have the following powers:

- To collaborate in the development of the Group's international area in all its divisions, both in construction and in concessions, energy and real estate projects and urban or any other type of business.
- To contribute to the increase of the international relations of the Group with public and private, local and international partners.
- To search for new business opportunities and projects, elaborate proposals for foreign, either public or private, institutions, and other entities that develop projects worldwide.
- To raise capital and investment financing for international projects.
- To propose projects with the appropriate partners.

C.2.2 Complete the following table with information regarding the number of female directors who were

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

members of Board committees at the close of the past four years:

	Number of female directors							
	Year 2019		Year 2018		Year 2017		Year 2016	
	Number	%	Number	%	Number	%	Number	%
<b>Appointments Committee</b>	0	0.00	0	0.00	0	0.00	0	0.00
<b>Executive Committee</b>	0	0.00	0	0.00	0	0.00	0	0.00
<b>Audit Committee</b>	1	33.33	1	33.33	1	33.33	1	33.33
<b>International Executive Committee</b>	0	0.00	0	0.00	0	0.00	0	0.00

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

The commissions of the Board are borne to the following articles of the by-laws: Article 31 Executive Commission, Article 33 Audit Committee and Article 34 Appointment, Remuneration and Good Governance Commission. And the Following articles from the Board of Directors' Regulations: Article 14 Executive Commission, Articles 15 and 16 Audit Committee, Articles 17 and 18 Appointment, Remuneration and Good Governance Commission and 18 82) International Executive Committee.

Documents for each commission are available online.

Reports on their activities are issued on an annual basis.



**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

**D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS**

**D.1. Describe, if applicable, the procedure and competent bodies for approval of related-party and intragroup transactions**

Article 32 of the Board of Directors Regulation – Intragroup transactions

All the transactions executed by the Company, either direct or indirectly, with Members of the Board, significant shareholders or representatives of Members of the Board, require the authorisation of the Board and the prior approval of the Appointment, Remuneration and Good Governance Committee, unless for daily business common transactions.

Transactions referred to in the previous paragraph must comply with principles of equal treatment and market conditions and shall be listed in the Annual Good Governance Report and public information released according to applicable standards and regulations.

Persons connected to members of the Board are those fulfilling requirements by law for such consideration.

**D.2. Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company’s significant shareholders:**

Name of significant shareholder	Participation %	Name of company or entity within the group	Amount (thousand euros)	Authorising body	Significant abstain shareholders or member	The proposal has been approved by the board without a majority of negative votes
PINOS ALTOS XR, S.L.	23.34	Grupo Empresarial San José, S.A.	113	Board of Directors		Yes
PINOS ALTOS XR, S.L.	23.34	Xornal de Galicia, S.A.	1.193	Board of Directors		Yes
PINOS ALTOS XR, S.L.	23.34	Carlos Casado	22	Board of Directors		Yes
PINOS ALTOS XR, S.L.	23.34	Constructora San José, S.A.	164	Board of Directors		Yes

	Name or company name of the shareholder or subsidiary	Nature of the relationship	Transaction and other relevant information
(1)	PINOS ALTOS XR, S.L.	Trade	Leasing meeting hall for meetings of the board of directors and executive committee.
(2)	PINOS ALTOS XR, S.L.	Trade	Loan of Pinos Altos to Xornal de Galicia renewable on an annual basis
(3)	PINOS ALTOS XR, S.L.	Trade	Office leasing in Argentina of Pinos Altos to Carlos Casado.
(4)	PINOS ALTOS XR, S.L.	Trade	Office leasing in Argentina of Pinos Altos to Constructora San Jose.

**D.3. Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the directors or officers of the company:**

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

Name of director or manager	Name of the related party	Relationship	Amount (thousand euros)	Authorising body	Significant abstain shareholders or member	The proposal has been approved by the board without a majority of negative votes
MR NASSER HOMAID SALEM ALI ALDEREI	Tecnocontr ol General Contracting LLC San José	Incorporation of company in Abu Dhabi, 10% property of Nasser Homaïd Al Dareï	38	Board of directors	MR NASSER HOMAID SALEM ALI ALDEREI	No
MR PEDRO ALLER ROMÁN	Grupo Empresarial San José, S.A.	Loan of Grupo Sanjose for the acquisition of shares	35	Board of directors	MR PEDRO ALLER ROMÁN	No

Name or company name of the members	Nature of the transaction and other relevant information
(1) DON NASSER HOMAID SALEM ALI ALDEREI	Trade, Nasser Aldarei is funder of said company.
(2) DON PEDRO ALLER ROMÁN	

**D.4.** Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
NA		N.A.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

**D.5.** Describe significant transactions conducted with other related parties that have not been reported in the previous sections.

Name of the related party	Brief description of the transaction	Amount (thousand euros)
NA		N.A.

**D.6.** Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

The Board of Directors Regulations details the general obligations and commitments of the members pursuant to Article 225 and the following articles of the Companies Act.

**Article 28 – General obligations**

1. Directors shall fulfil functions and obligations in compliance with applicable laws and by-laws, taking into consideration the nature of the position and the main functions attributed to each of them.
2. Directors shall be devoted to their position and adopt all necessary measures for the smooth performance and control of the Company.
3. Within its functions, the Members shall request all Company Information for the fulfilment of the obligations.
4. Directors shall perform their functions according to loyalty and good faith practises and for the interest of the company.

Loyalty commits Directors to:

- a) Not to use powers for purposes other than those for which they have been granted to.
- b) Keep secret all information, data, reports and records released within the performance of this position, even after its office, unless requested by law.
- c) Not to take part in the decision-making process of the any issues, agreements or decisions which the director or any other person linked to the same may be interested in, either directly or indirectly. Decisions affecting his condition as member are excluded, such as the renewal or cessation of Directors.
- d) To develop the tasks and functions under the principle of personal liability regardless any third parties.
- e) To adopt as many measures may be deemed necessary so as not to incur in any conflict of interest with the company.

The commitment to not face any conflict of interest, obliges the Member:

- a) Not to perform transactions with the Company, other than ordinary transactions, under standard conditions for clients, understanding as such those which request equity, or financial information of the Company.
- b) Not to use the name of the Company or the condition of Director to force any private transactions.
- c) Not to use company assets, even confidential information of the company, with private purposes.
- d) Not to take advantage of the Company's business opportunities.
- e) Not to get any advantages or disadvantages from third parties other than courtesy events.
- f) Not to develop activities which may involve direct or indirect competence with to the company or represent a conflict of interest.

Art. 29 Confidentiality, Article 30 – non-competence, Article 31 – Conflict of interest, Article 32 – Associate transactions.

Article 33 – Confidential information, Article 34 - Waiver of rights by Members.

**D.7.** Indicate whether the company is controlled by another entity within the framework of Article 42 of the Commercial Code, listed or not, and has, directly or through its subsidiaries, business relationships with said entity or any of its subsidiaries (other than those of the listed company) or develops activities related to those of any of them.

- Yes  
 No

## E. RISK MANAGEMENT AND CONTROL SYSTEMS

---

### E.1. Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

Grupo SANJOSE is a group of companies operating globally in various fields of activity: construction, concessions, maintenance, real estate, etc.

To do this, it has a local address in each of the countries where it is present, with professionals with great experience and knowledge related to the country and the type of activity. Additionally, it has support and control departments at central level, located at the Group's headquarters in Madrid, highlighting mainly the Tax and Consolidation and Audit Department.

The scope of the risk management system covers the entire Group, regardless of the activity and / or geographical region. The Internal Audit Department of the Group, based on the principles of:

-Integral management of risk.

-Valuation of risks and establishment of the level of risk assumed.

-Respect for the ethical code and anti-corruption, and

-Consistence and coherence of the internal control system of financial information, identifies and evaluates the risks which it is exposed to. This process allows to identify in advance and assess the risks which the Group is exposed to, based on its probability of occurrence and its potential impact on the strategic objectives of the business, in order to take management and assurance measures tailored to the nature and location of the risk.

The Board of Directors approves the policy on control and risk management that the Audit Committee, or other special according to the matter, analyses and evaluates together with the reports of the Internal Audit Department.

### E.2. Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.

Without prejudice to the supervisory functions that correspond to the Board according to the Law and the Articles of Association, the Board of Directors and the Audit Committee supervise the work carried out by the different departments of the Group for the purpose of correct application of the Internal Control System.

The Group has a risk management policy and has approved the periodic monitoring of internal information and control systems. This function is transferred to the Audit Committee, which periodically checks the correct design and development of the internal control system.

In the preparation and execution of the risk management system, it is particularly important that all business divisions and the management of the investee companies identify and assess the risks, including those of a fiscal nature, that they face in achieving their objectives. In order to identify in advance, the mitigating measures that minimise or eliminate the possibility of occurrence of the risk and its possible impact on the Group's objectives.

### E.3. State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives:

The main risks which the Group is exposed to, arising from the type of activity it carries out and related to the risks inherent to the markets where it operates, which affect the development of the Group's strategy, its ability to create value and, in general, the achievement of its objectives, are the following:

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

-Market risk: in particular, those related to the demand for services and products offered by the Group. The slowdown in growth in economic activity worldwide as a result of the economic and financial crisis has reduced the demand for infrastructure and construction in general. This circumstance increases competition, with the consequent increase in price pressure and reduction of margins.

- Regulatory and political risk: relating to compliance with legal requirements that affect the development of the activity. The number of countries in which the Group operates is high, being subject to the regulatory framework of each country. Additionally, some of the assets managed by the Group are subject to specific regulations, considered in the preparation of their business plans. There may be unforeseen regulatory or legislative changes that may modify the legal and regulatory environment, conditioning the Group's ability to manage and capitalise on its businesses. In certain cases, the Group's adequate and complete business development may be affected and conditioned by political decisions or changes in governance structures that may be contrary to the interests of the Group, increasing the difficulty of achieving the business plan.

- Compliance with environmental regulations and adequate management and minimisation of possible damage to the environment: the Group is especially aware of the importance of proper environmental management, waste management and minimisation of possible negative impacts on the environment derived from the development of its activity.

-Information security and cyber-attacks: occurrence of criminal acts, cybernetic in nature, that may affect their assets and suppose prolonged paralysis of operations.

-Work conflict: provision of labour-intensive services, diversity of geographical locations and applicable labour laws. Possibility that individual or collective conflicts may arise with employees that damage the productive capacity of the Group and / or the corporate reputation.

-Financial risk: exposure to credit risk, liquidity risk, exchange rate risk and interest rates.

-Operational risk: The Group's activity consists mainly of the design, development and management of construction projects.

The Group is endowed with very demanding controls in order to ensure the proper development of its activity, and the provision of services of maximum quality to its customers. Compliance with the quality levels and delivery deadlines of the goods and services provided by the Group.

-Breach of contract with third parties: potential breach of contractual obligations assumed with third parties (customers, suppliers, financial entities, public administrations, etc.) that may cause sanctions or endanger the continuity of the projects and / or the Group's financial position.

-Risk of fraud and corruption: the diversity of projects, geographical locations and the high number of clients, suppliers, workers and, in general, interest groups with which they interact, expose the Group to the risk of fraudulent practices that pursue a profit at the expense of generating a direct financial loss to the Group, or to any of the members of the related interest groups.

### E.4. State whether the entity has a risk tolerance level, including tolerance for tax compliance risk.

Grupo SANJOSE has a level of risk tolerance, including tax risks, consistent with the expected profitability.

Taking into account the strategic objectives of the Group and the strategic lines for its achievement, the acceptable level of risk for each risk group, type of business and geographical location is approved, as well as the permitted deviation levels. The acceptable risk levels are periodically updated in line with the variations in the corporate strategy and the business risk profile.

The combination of the impact and the probability of occurrence determines the level of severity of the risk.

### E.5. State which risks, including tax compliance risks, have materialised during the year.

The main risks which the Group has been exposed to in 2021 were as follows:

-Financial risk - exposure to the exchange rate: during year 2021 there has been a significant depreciation of the Argentine peso, increasing that of previous years. Likewise, and due to the high levels of inflation accumulated in recent years since 2018, international organisations have classified the Argentine economy as hyper-inflationary.

-Market risk - Increase in prices of productive resources: during the last years and as a consequence of the recovery and reactivation of the world economy experienced after the period of the Covid-19 health crisis, as well as the inefficiencies in the production process and global distribution channels, and the geostrategic tensions that are significantly affecting the price of energy resources, a general increase in prices has become apparent. The major world economies have entered in an inflationary phase, not foreseeing that it is a merely circumstantial factor.

- Market risk - Reduction in demand: during the last two years, and mainly due to the restriction measures adopted by the authorities in the context of the Covid-19 health crisis, there has been a very significant reduction in economic activity, especially severe in certain countries in which the Group operates. Likewise, the rate of reactivation after the pandemic period is being slow.

- Contract non-compliance: possible breaches of contracts, either with customers or with suppliers, negatively affecting the foreseen margins, and resulting, in some cases, in unilateral termination of the contracts.



## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

E.6. Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise.

The internal control system is mainly focused on: i) identifying the risks which the Group may be exposed to by the intrinsic characteristics of the activity or markets where it operates, ii) quantifying its potential impact, iii) defining action policies to meet defined objectives, iv) establishing the necessary controls to minimise possible contingencies that may arise, and create actions or responses to those contingencies once occurred.

In this regard, monitoring and response plans for major risk events are:

- Upon the risk of demand: the commercial department has multiple instruments to detect and evaluate new business opportunities, establishing regular procurement meetings, and being in full coordination with the Production Management.
- Upon the risk of information security and cyber-attacks: the IT department is endowed with the material elements and protocols to guarantee back-ups and security of information, limitation in access to systems, etc.
- Upon environmental risk: the Group periodically carries out external quality and environmental audits in order to confirm that the appropriate procedures are maintained to guarantee that, in the development of the activity, either directly or through subcontractors, environmental regulations are complied with and procedures are carried out with maximum respect for the environment.
- Upon the risk of work conflict, the Group is endowed with a human resources department that, in a centralised manner, establishes recruitment, training, professional follow-up policies, etc., in a coordinated manner with local personnel departments in each of the geographical locations where it operates, establishing as a main objective compliance with labour legislation and respect for workers' rights.

Additionally, and in coordination with the Human Resources and Production Division, the Occupational Risk Prevention Division stands out, whose main objective is to maximise the level of safety and protection of workers in the different work centres.

- Upon financial risks:
  - I. Liquidity risk: activity budgets are carried out and monitored periodically, specifically, treasury estimates, daily, weekly and monthly.
  - II. Interest rate and exchange rate risk: the Group's policy is to obtain financing at local level, and in the currency which the flows and rents derived from the development of the activity are obtained in. When it is not feasible to contract fixed interest rates, the contracting of derivative financial instruments is valued.
  - III. Credit risk: the Group has a credit risk management department, that assesses the solvency of the clients beforehand, and establishes credit limits for each one.
- Risk of production: a supervision and authorisation system is established with the objective of not assuming risk positions in bids submitted, as well as in the production and development stage of works.
- Risk of fraud and corruption: a very strict system is established in the granting of powers to the governing body and employees of the Group, as well as in the realisation and control of payments. The Group has a code of conduct and an anti-corruption policy that, among other measures, establishes the creation of a whistle-blower channel.

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

### **F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)**

---

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

#### **F.1. Control environment**

Report on at least the following, describing their principal features:

F.1.1 The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

The Internal Control System on Financial Information (ICFR) of the Group is based on the principles and good practices of the reports published by the Committee of Sponsoring Organisations of the Tread way Commission (COSO) that sets out the main guidelines for the implementation, management and control of a system of internal control and corporate risk management.

The Board of Directors formally assumes the ultimate responsibility for the existence and correct application of Internal Control Systems on Financial Information.

The Board of Directors' role is to approve the risk control and management policy, and the regular monitoring of internal information and control systems. Said function has been transferred to the Audit Committee, who should be informed of controls implemented by the Financial Department. For controls which may be considered appropriate, especially those made directly by the Finance Department and with a high element of subjectivity, the Board of Directors will require the implementation of appropriate control procedures.

The design, implementation and operation of ICFR is the responsibility of the General Directorate of Administration and Finance Group, as set forth the San Jose Group Oversight Policy of ICFR.

Internal Audit Management of Grupo SANJOSE shall be responsible for the monitoring and control of said functions, as well as any other functions entrusted by the Board of Directors.

F.1.2 State whether the following are present, especially if they relate to the creation of financial information:

Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity.

In accordance with the provisions of the Regulations of the Group's Board of Directors, among other assigned functions, the Appointment, Remuneration and Corporate Governance Committee is responsible for examining and organising the succession of the Chairman of the board of directors and the chief executive of the company and, where appropriate, make proposals to the board of directors so that said succession takes place in an orderly and planned manner.

Likewise, this Commission is responsible for informing the proposals for the appointment and dismissal of senior management.

Additionally, the board of directors, with the advice and participation of the Human Resources Department, as well as any other management members, responsible for setting the organisational structure in terms of the first line of the organisation. In turn, the latter are responsible for setting changes in the organisational structure under their respective dependencies, in coordination and following the advice from the Human Resources Department, and with prior authorisation from the board of directors.

With regard to the units and departments that directly intervene in the process of preparing and controlling financial information, the General Management and Finance Division of the Group are responsible for the design and definition of the organisational structure, establishing the main lines of responsibility and authority, with an adequate distribution of tasks and functions. In this, the intervention and advice of the Human Resources Department is essential.

The Group has a section on the Intranet where the organisation chart and the functions of the main area managers are published. Access to such content is restricted according to the type of user.

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

Code of conduct, the body approving this, degree of dissemination and instruction, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and proposing corrective actions and sanctions.

Grupo SANJOSE has an Organisation and Management Model for the Prevention of Crimes that has as its main objective to institutionalise the corporate ethical culture of the Group, which is oriented towards the compliance with the regulatory framework and the development and improvement of corporate social responsibility.

The Model is mainly composed of a Code of Conduct and the Anticorruption Policy, being approved by the Group's Board of Directors, and informed to the rest of the organisation, published on the Group's corporate website.

It contemplates formative actions that shall affect the whole of the organisation, so that the adequate diffusion, understanding and commitment of all the affected agents is guaranteed.

The principles that constitute the sources which the Code of Conduct of the Group is based on, are those included in the United Nations Global Compact in the area of human rights, which are the following:

- To support and respect the protection of internationally proclaimed human rights.
- To not be complicit in human rights abuses.
- To uphold the freedom of association and the effective recognition of the right to collective bargaining.
- To eliminate all forms of forced and compulsory labour.
- To effectively abolish child labour.
- To eliminate the discrimination in respect of employment and occupation.
- To support a precautionary approach to environmental challenges.
- To undertake initiatives to promote greater environmental responsibility.
- To encourage the development and diffusion of environmentally friendly technologies.
- To work against corruption in all its forms, including extortion and bribery.

The Model considers as a basic pillar to ensure an adequate compliance culture, the existence of a series of tools, manuals, protocols and procedures that the Group has implemented, which allow mitigating the risk of default or violation. It is worth highlighting the existence of computer control tools implemented in the Group, especially the ERP: Sigrid Gestión. It is a computer system aimed at management and planning of resources and business activities. It provides a complete computer system that, among others, includes the management of human resources, the planning and control of financial resources, commercial management, the integral management of works and projects, etc. In particular, it provides a powerful support for the registration of financial information and document management, ensuring an adequate and complete system of registration, documentation and approval of transactions.

The ERP becomes a key element in the internal control system, especially in the system of internal control of financial information.

The body in charge of analysing potential breaches and proposing, if necessary, corrective actions and sanctions is the Surveillance Body. It is a body of internal character in charge of supervising the operation and compliance of the Model through the execution of, among others, the following functions:

- Revision of the adequacy of the Model and promotion of its update whenever it considers it appropriate.
- Promotion of the dissemination of the Model and supervision of the training activities carried out.
- Reception and management of complaints received through the Whistleblowing Channel.
- Instruction of internal review processes that are carried out when there is any indication of unlawful acts.
- Inform the Board of Directors.

The Supervisory Body is appointed by the Board of Directors, following a report from the Appointment, Remuneration and Good Governance Committee, and enjoys full autonomy and independence for the performance of its functions.

**Whistle-blower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature.**

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

The Organisation and Management Model for the Prevention of Crimes established by the Group contemplates, among others, the existence of a whistleblowing channel.

The directors, executives and employees of the Group have the obligation to inform the Surveillance Body of any fact that they have knowledge that may constitute an offense or breach of the Model and the controls which the Model refers to (Code of Conduct, Anti-Corruption Policy, and other tools, manuals, protocols and internal procedures).

For the reporting of allegedly unlawful or constitutive acts of noncompliance (including irregular conduct of a financial, accounting or any other similar nature), the complainant may use any of the following channels, constituting the group's whistle-blower channel:

-By email, at the address established by the Group for these purposes.

-By telephone through a personal interview or conversation with the Compliance Officer.

Regardless of the formula chosen by the complainant, the Group fully guarantees the confidentiality of the identity of the complainant.

The Compliance Officer shall implement whatever measures deemed appropriate so as to assess, analyse and resolve the complaints, for what he may rely, on absolute discretion and confidentiality, on the support and advice on internal and/or external advisors.

With regards to accounting and financial irregular conducts, the Surveillance Body shall report the issue to the Audit Committee.

Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.

Staff of Grupo SANJOSE involved in the preparation and review of financial information and the assessment of the ICFR receives training and updating of the regulations and good practices necessary to guarantee the reliability of the financial information generated.

### F.2. Assessment of financial information risks

Report on at least the following:

F.2.1 The main characteristics of the risk identification process, including error and fraud risk, as regards:

Whether the process exists and is documented.

The identification of risks is one of the most important stages in the overall process of the ICFR of Grupo SANJOSE.

It has a double objective: a) To guarantee with reasonable security the reliability of the financial information provided to the market and, b) To support the responsibilities of the people involved in the preparation of the financial information.

The presence of the SANJOSE Group in various business areas and in different countries with different regulatory, political and social environments means that there are risks to be identified and managed of a very varied nature. These are identified and analysed in the first instance by the General Management and Board of Directors of the Group, in order to adequately define the registration and control processes of the information and documentation, or to include the modifications to existing processes, in demand of the specific characteristics of the business to be carried out or of the regulatory framework of the country where the activity is carried out.

Additionally, among the works scheduled in the Group's Audit Plan, a review of the financial / accounting magnitudes of each unit that makes up the Group is included, as well as the most relevant transactions that may have been carried out, with a relatively high frequency throughout the year. In this work carried out by the Group's Internal Audit Department, the identification of risks, including errors or fraud, is particularly important, affecting the review processes contemplated in the Annual Audit Plan.

Annually, included as part of the Group Audit Plan that is presented to the Audit Committee for its approval, the Internal Audit Department identifies, evaluates and updates the risks which the Group is exposed to, and proposes the proposed actions for review and control.

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.

The identification and assessment of risks carried out by the Group covers all the objectives of the financial information: existence and occurrence, integrity, valuation, presentation, breakdown and comparability, rights and obligations.

The identification and evaluation of risks is carried out by the Administration and Finance Department, in a continuous manner, in response to the modifications that may occur in the Group's activity or business (new businesses, new locations, etc.). guaranteeing its adequate updating.

Additionally, the Internal Audit Department, on a monthly basis, reviews the main risk indicators that it has established, in order to guarantee the work previously carried out by the Administration and Finance Department.

The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.

The Group relies on a documented internal process that guarantees the correct definition of the consolidation perimeter and the identification of any possible alteration that may affect it, through an adequate segregation of functions in the application, authorisation, communication and registration of any incorporation, merger, spin-off, acquisition or sale transaction of companies, as well as of any other corporate transaction, that implies for its execution, directly, and in a coordinated manner, the Corporate Departments of Central Administration, Consolidation, Legal and Tax, among others.

This process considers the possible existence of complex corporate structures, instrumental entities or special purpose entities, among others, through the establishment of an adequate segregation structure of request, authorisation and communication functions to carry out any corporate transaction in the Group.

If the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.

The design of the ICFR of the Group is made from a global perspective, taking into account the possible effects of other risks (operational, technological, legal, reputational, environmental, etc.), including references and links to them.

The governing body within the company that supervises the process.

The Internal Audit Department of the Group is responsible for supervising the adequacy and correct application of the ICFR:

- a) Follow up on the recommendations made and confirm their correct implementation by the General Directorate of Administration and Finance;
- b) Issue an opinion (binding) on the changes proposed by the General Directorate of Administration and Finance, etc.
- c) The General Directorate of Administration and Finance is responsible for periodically evaluating the ICFR, and ensuring its proper updating.

The risk identification process is presented, at least on an annual basis, by the Internal Audit Department to the Audit Committee for its supervision.



### F.3. Control activities

State whether the company has at least the following, describing their main characteristics:

F.3.1 Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.

The financial information and the description of the ICFR that is published in the securities markets is generated by the General Directorate of Administration and Finance. In the process of generating financial information, the control and authorisation procedures carried out by the different hierarchical and liability levels are particularly important.

The Internal Audit Department of the Group directly intervenes in the preparation of the individual and consolidated financial statements of each and every one of the companies that make up the Group and, in particular, of the financial information to be published periodically, reviewing and confirming the financial statements, as well as judgments, estimates, valuations and relevant projections taken into account by the General Directorate of Administration and Finance in its preparation.

As established in Article 16.7 of the Regulations of the Board of Directors of Grupo Empresarial San José, S.A., it is established as a function of the audit committee "to inform, in advance, to the board of directors, on all the matters foreseen in the Law, the bylaws and in the regulations of the board and, in particular, on: i) The financial information that the society must make public periodically. "

In the development of its functions, the audit committee requires explanations and / or documentation to the managers or workers they deem appropriate. In particular, the presence of the General Director of Administration and Finance and the Director of Internal Audit is required. Likewise, and at least referred to the half-year and annual closings, the presence of the external Auditor is required to confirm that said information is complete and that the criteria consistent with the previous annual closing have been followed.

Prior to its publication, the financial information is reviewed by the board of directors, based on the report presented by the chair of the audit committee. Additionally, it may require the presence, explanations and / or documentation to the people it deems appropriate and necessary to guarantee the goodness of the information to be published.

F.3.2 Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

El Grupo SANJOSE has policies, standards and procedures of internal control of information systems and security management set within the MSIS or Management System of Safety of Information Systems, in accordance with international standards, such as ISO 27001, ISO27002.

Access to information systems is managed in accordance with the job title of positions, limitations are established by applicable regulations and business needs in order to ensure the reliability of the information.

Following corporate policy, Companies of the Group, coordinated by the Director of Systems, define access profiles, modification, validation or query information based on each user's role, assigned under the criteria of an adequate segregation of duties.

Procedures have been established to ensure that installed software cannot be changed without specific permission. All information systems are protected against viruses and software updates are available to prevent hacking into information systems

**F.3.3 Internal control policies and procedures intended to guide the management of activities subcontracted to third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.**

As a general rule, Grupo SANJOSE performs management controls of activities which may affect the reliability of financial statements by the direct use of internal resources, avoiding outsourcing activities.

The management of assessment activities, calculation or assessment procedures commissioned to independent experts refer mainly to real estate appraisal. The selection of such companies is performed according to methods consistent with the criteria established by "The Royal Institution of Chartered Surveyors" in implementing International Assessment Standards.

The reports on assets assessment are subjected to an internal review process to verify the adequacy of hypotheses and most significant assumptions used, as well as its compliance with International Accounting and Assessment Standards.

**F.4. Information and communication**

State whether the company has at least the following, describing their main characteristics:

**F.4.1 A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.**

The accounting policies adopted by the Group are in accordance with the provisions of the International Financial Reporting Standards adopted in the European Union (IFRS-EU), taking into account all the principles and accounting standards and the criteria for valuation of mandatory application of the IFRS-EU.

Due to the complexity of the applicable accounting regulatory framework, as well as the relative frequency of changes in the standard, the Group places great importance on the function of defining, maintaining, interpreting and guaranteeing the application in a homogeneous manner.

This function is carried out in the General Administration and Finance Department, especially in the Consolidation Department, and there is full coordination with the Administration Department.

The Group has the appropriate procedures and mechanisms to transmit to the personnel involved in the process of preparing the financial information, the applicable performance criteria, as well as the information systems used in such processes.

**F.4.2 Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.**

The Group's financial information is produced through a process consisting of aggregating individual financial statements for further consolidation in response to consolidation and accounting regulations on consolidated financial information publishing in the markets.

All of the units within the SANJOSE Group are required to submit detailed financial information using a single format and a CFO is responsible for each level of aggregation.

The Consolidation Department establishes the formats to use and analyses potential problems which may arise, reporting the same to the General Direction of Administration and Finance.

Virtually all of the Group's companies are integrated into the Group's ERP. This guarantees the accessibility to the accounting information at maximum detail, as well as the homogeneity in the application of the accounting policy. Additionally, in the process of aggregation and consolidation of the financial statements, the Group employs a computerised procedure, which includes multiple checks and automatic reconciliation of the information, in order to guarantee the security of the process and the integrity and goodness of the information processed in search of inconsistencies in the registered data, before its validation.

**F.5. Supervision of system performance**

Describe at least the following:

F.5.1 The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

Among the functions of the Audit Committee, the Board of Directors Regulation includes the monitoring of accounting and financial information, internal and external audit services and corporate governance.

The ICFR monitoring activities undertaken by the Audit Committee include the following:

-To approve the internal audit plan for the assessment of Internal Control Systems of Financial Information Reporting and receive regular information on worked performed and a corrective action plan.

- To monitor the independence and efficacy of internal auditing; proposing the selection, appointment, re-election and removal of the head of internal audit; proposing the department's budget; receiving regular feedbacks on its activities; and verifying whether senior management is acting on the findings and recommendations of the reports.

- To review on a semi-annual and quarterly basis the preparation of financial statements.

The Group has an Internal Audit Department responsible for the assurance and consulting functions, among other, supporting the Audit Committee on monitoring the internal control system of financial reporting.

The Internal Audit Department submits to the Audit Committee its annual working plan, reports directly of all incidents identified in its development, proposing possible corrective measures on the same. Likewise, work progress is reported regularly, and especially of the possible incidents identified in the development of the same, also informing of the corrective measures applied by the organisation to avoid its future occurrence.

F.5.2 If there is a procedure by which the account auditor (in accordance with the contents of the Normas Técnicas de Auditoría (NTA) - "Auditing Standards"), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weaknesses in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.

The Audit Committee maintains a stable and professional relationship with the external auditors of Grupo SANJOSE and the main Group companies, with strict respect for their independence. This relationship facilitates communication and discussion of significant weaknesses of internal control identified during the revision of financial statements.

In this regard, the Audit committee is regularly informed by the external auditor on the progress and findings of the auditing plan and to ensure that senior management act on its recommendations.

The Department of Internal Audit assesses correction measures regarding implementing time and method. The Internal Audit Department reports on a regular basis to the Audit Committee of the main weaknesses identified as well as the correction process implemented.

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

**F.6. Other relevant information.**

None

**F.7. External auditor's report**

Report on:

F.7.1 If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.

Grupo San Jose does not subject the ICFR information submitted to the markets to the review of external auditors

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

G. EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's level of compliance with recommendations from the Good Governance Code of Listed Companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's actions. General explanations are not acceptable.

1. That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.

Complies  Explanation

2. That, when the listed company is controlled, within the frameworks of Article 42 of the Commercial Code, by another entity, listed or not, and has, directly or through its subsidiaries, business relationships with said entity or one of its subsidiaries (other than those of the listed company) or carry out activities related to those of any of them publicly report with precision about:

a) The respective areas of activity and eventual business relationships between, on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries.

b) The mechanisms envisaged to resolve eventual conflicts of interest that may arise

Complies  Complies Partially  Explanation  Not applicable

3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:

a) Changes that have occurred since the last General Shareholders' Meeting.

b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

Complies  Complies Partially  Explanation

The Board of Directors informs the AGM of any relevant deviations from the recommendations of the Code of Corporate governance.

4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders. And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

And that, without prejudice to the legal obligations for the dissemination of privileged information and other regulated information, the company also has a general policy regarding the communication of economic-financial, non-financial and corporate information through the channels it considers adequate (communication media, social networks or other channels) that contributes to maximizing the dissemination



**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

and quality of information available to the market, investors and other interest groups.

Complies [ X ]      Complies Partially [ ]      Explanation [ ]

The board of directors has passed on a new communication policy with shareholders, institutional investors and proxy advisors in order to adapt to the amendment of the Corporate Governance Code dated June 2020.

5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies [ X ]      Complies Partially [ ]      Explanation [ ]

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

- a) Report regarding the auditor's independence.
- b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.
- c) Report by the audit committee regarding related-party transactions.

Complies [ X ]      Complies Partially [ ]      Explanation [ ]

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

And that the company has mechanisms that allow the delegation and the exercise of the vote by telematic means and even, in the case of companies with high capitalisation and to the extent that it is proportionate, the attendance and active participation in the General Meeting

Complies [ ]      Complies Partially [ ]      Explanation [ X ]

Real time reporting is not deemed necessary due to the little capitalisation and the reduced releasing percentage. Article 19 of the General Meeting Regulations provides for the possibility for shareholders to cast their vote by mail or electronic communication.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

8. That the audit committee ensures that the financial statements that the board of directors present to the general meeting of shareholders are prepared in accordance with accounting regulations. And that in those cases in which the account auditor has included any caveat in its audit report, the chairman of the audit committee clearly explains at the general meeting the opinion of the audit committee on its content and scope, becoming available to shareholders at the time of the meeting, together with the rest of the proposals and reports of the board, a summary of said opinion.

Complies  ]      Complies Partially  ]      Explanation  ]

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies  ]      Complies Partially  ]      Explanation  ]

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

- a) Immediately distributes the additions and new proposals.
- b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.
- c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.
- d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies  ]      Complies Partially  ]      Explanation  ]      Not applicable  ]

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establishes in advance a general policy of long-term effect regarding such payments.

Complies  ]      Complies Partially  ]      Explanation  ]      Not applicable  ]

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies  Complies Partially  Explanation

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies  Explanation

14. That the Board of Directors approves a selection policy devoted to favour a balance composition of the board and that:

- a) Is concrete and verifiable.
- b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.
- c) Favours diversity in knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of senior managers favour gender diversity.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call to the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

Complies  Complies Partially  Explanation

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

And that the number of female directors represents at least 40% of the members of the board of directors before the end of 2022 and thereafter, not previously being less than 30%.

Complies  Complies Partially  Explanation

Proprietary and independent directors constitute a majority of 7 to 4 with respect to executive directors.

Regarding the percentage of women members of the board of directors, during 2021 Grupo Empresarial San José has increased the number of female directors from one to two, by appointing Ms. Amparo Alonso Betanzos as director by co-option. With this, it advances in its purpose of increasing the number of women on the board of directors as circumstances allow.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

16. That the percentage of proprietary directors divided by the number of non- executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

- a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.
- b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

Complies  Explanation

17. That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies  Explanation

Currently, the board of directors of Grupo Empresarial San José has 3 independent directors. The reduction of independent directors is due to the fact that 2 directors, Altina Sebastián de Fátima and Roberto Álvarez, have changed their category since they have held the position of directors in the company for more than 12 years in a row.

18. That companies publish and update the following information regarding directors on the company website:

- a) Professional profile and biography.
- b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
- d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.
- e) The shares and options they own.

Complies  Complies Partially  Explanation

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies  Complies Partially  Explanation  Not applicable

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies       Complies Partially       Explanation       Not applicable

21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies       Complies Partially       Explanation

22. That companies establish rules that oblige directors to inform and, where appropriate, to resign when situations that affect them arise, related or not to their performance in the company itself, that may harm its credit and reputation, and, in particular, that oblige them to inform the board of directors of any criminal case in which they appear as investigated, as well as their procedural vicissitudes.

And that, having been informed or the board having otherwise known any of the situations mentioned in the previous paragraph, examine the case as soon as possible and, taking into account the specific circumstances, decide, following a report from the appointments and remuneration, whether or not to adopt any measure, such as opening an internal investigation, requesting the resignation of the director or proposing the removal. And that it be reported on the matter in the annual corporate governance report, unless there are special circumstances that justify it, which must be recorded in the minutes. It without prejudice to the information that the company must disseminate, if appropriate, at the time of the adoption of the corresponding measures.

Complies       Complies Partially       Explanation

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being



**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

a director.

Complies     Complies Partially     Explanation     Not applicable

24. That when, either by resignation or by resolution of the general meeting, a director ceases in the position before the end of the mandate, he/she sufficiently explains the reasons for his resignation or, in the case of non-executive directors, his/her opinion on the reasons for the removal, in a letter that will be sent to all members of the board of directors.

And that, without prejudice to the fact that all this is reported in the annual corporate governance report, insofar as it is relevant for investors, the company publishes the termination as soon as possible including sufficient reference to the reasons or circumstances provided by the counselor

Complies     Complies Partially     Explanation     Not applicable

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

And that the Board rules establish the maximum number of company Boards on which directors may sit.

Complies     Complies Partially     Explanation

The Company requires Members of the Board to devote time enough for the proper development of the tasks inherent to their position; the mechanism to achieve that is the remuneration system associated to the meetings of the Board, Commissions and the global allocation established by the Shareholders' Meeting.

Although the Regulation does not establish a maximum number of boards the Member may form part of, members of the board attending other boards are not frequent, so there is actually no need to limit it.

26. That the Board of Directors meets frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items that do not originally appear on the agenda.

Complies     Complies Partially     Explanation

The board of directors, when approving the calendar of meetings, establishes 5 meetings with a pre-established date, regardless of whether necessary, for any reason, other meetings of the board may be held to deal with matters that are within its competence. 6 meeting were held in 2020.

The advice provided is quarterly in order to comply with the obligation to report financial information to the market. Likewise, another meeting of the board is foreseen coinciding with the date of the celebration of the annual general meeting, in case it is necessary to adopt or execute any resolution derived from said meeting.

Notwithstanding the foregoing, the bylaws of the company provide that the board of directors may also be called by the coordinating director with the possibility that the latter includes new issues on the agenda of a meeting already convened.

Likewise, the board of directors will meet when requested by directors who constitute at least one third of the members of the board of directors indicating the order of the day, for its celebration in the town where the registered office is located, if, prior request to the chairman, the latter without justified cause had not made the call in the term of a month.

For all the above, the company considers that the board of directors gather with the necessary frequency to perform with effectiveness its functions and does not consider it necessary to held a minimum number of eight meetings per year.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.

Complies [  ]    Complies Partially [  ]    Explanation [  ]

The former director residing in India and the current director residing in the United Arab Emirates, do not usually attend the meetings of the board of directors or usually delegate their representation to another director

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.

Complies [  ]    Complies Partially [  ]    Explanation [  ]    Not applicable [  ]

29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies [  ]    Complies Partially [  ]    Explanation [  ]

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require.

Complies [  ]    Explanation [  ]    Not applicable [  ]

Despite the Company not having updating programmes, Members rely on information and pieces of advice from all areas of the Company with regards to their position. Likewise, they receive information on regulation news.

31. That the agenda for meetings clearly states those matters about which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies [  ]    Complies Partially [  ]    Explanation [  ]

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies [  ]    Complies Partially [  ]    Explanation [  ]

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

Complies [ X ]

Complies Partially [ ]

Explanation [ ]

34. That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chair of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non- executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.

Complies [ ]

Complies Partially [ X ]

Explanation [ ]

Not applicable [ ]

The coordinating director has powers to call a meeting of the Board or even add new issues to the agenda or an already called meeting, coordinate and gather all non-executive members and assess the current board.

However, it is planned to propose to the shareholders' meeting in 2022 the statutory modification in order to increase the powers of the coordinating director and bring them closer to the recommendations of the Code of Corporate Governance.

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.

Complies [ X ]

Explanation [ ]

36. That the Board of Directors meets in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

a) The quality and efficiency of the Board of Directors' work.

b) The workings and composition of its committees.

c) Diversity of membership and competence of the Board of Directors.

d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.

e) Performance and input of each director, paying special attention to those in charge of the various

Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

Business relationships between the external adviser or any member of the adviser’s group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

Complies [  ]      Complies Partially [  ]      Explanation [  ]

Up to date, the board has not deemed necessary to request the services of an external adviser to assess its performance.

37. When there is an executive committee with the presence of at least two non-executive directors, at least one of them being independent; and that its secretary is the secretary of the board of directors.

Complies [  ]      Complies Partially [  ]      Explanation [  ]      Not applicable [  ]

The Executive Commission consists of three executive directors and an independent member since it is understood to be the best arrangement in order to meet management needs.

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies [  ]      Complies Partially [  ]      Explanation [  ]      Not applicable [  ]

Minutes of the Executive Commission are available for directors.

39. That the members of the audit committee as a whole, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and both financial and non-financial.

Complies [  ]      Complies Partially [  ]      Explanation [  ]

40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies [  ]      Complies Partially [  ]      Explanation [  ]

The Company has a unit that assumes the internal audit function that ensures the proper functioning of the information and internal control systems. Although functionally dependent on the general manager, it is available to the chairman of the audit commission for any questions or tasks that may be entrusted to him.

41. That the head of the unit that assumes the internal audit function presents to the audit committee, for its approval by the latter or by the board, its annual work plan, informs it directly of its execution, including possible incidents and limitations to the scope that are presented in its development, the results and the follow-up of its recommendations and submits an activity report at the end of each year.

Complies [  ]      Complies Partially [  ]      Explanation [  ]      Not applicable [  ]

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

a) To supervise and evaluate the process of preparation of the financial and non-financial information, as well as the control and management systems of financial and non-financial risks related to the company and, where appropriate, to the group - including operational, technological, legal, social, environmental, political and reputational or related to corruption issues - reviewing the compliance with regulatory requirements, the proper delimitation of the consolidation perimeter and the correct application of accounting criteria.

b) To ensure the independence of the unit that assumes the internal audit function; to propose the selection, appointment and removal of the person in charge of the internal audit service; to propose the budget for this service; to approve or propose approval to the board of the guidance and annual work plan of internal audit, ensuring that its activity is primarily focused on relevant risks (including reputational risks); to receive periodic information about your activities; and verify 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 people related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report potentially significant irregularities, including financial and accounting irregularities, or of any other nature, related to the company that they notice within the company or its group. Said mechanism must guarantee confidentiality and, in any case, foresee cases in which communications can be made anonymously, respecting the rights of the complainant and the accused.

d) Generally, to ensure that the policies and systems established in the field of internal control are applied effectively in practice

2. With regard to the external auditor:

a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.

b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

c) Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.

e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies [ ]

Complies Partially [ X ]

Explanation [ ]

The company considers that the bylaws and the regulations of the board of directors regulate sufficiently the functions of the audit committee, therefore its modification has not been considered necessary to adapt them to the literal text of the recommendations.

As announced in the Corporate Governance Report of previous years, the company has established the procedure that allows employees to carry out the communication provided in section 1 c) of recommendation 42.

Likewise, the company considers that it substantially complies with section 2 d), to the extent that the external auditor, at least annually, holds a meeting with the audit committee to inform it of the work done and the evolution of the accounting and risk situation of the company, which is then reported to the board by the chairman of the audit committee. In addition, the board of directors may request the presence of the external auditor to provide directly explanations deemed appropriate.

The rest of the functions foreseen in recommendation 42 are substantially fulfilled. Tasks included within the by-laws and the regulations of the board of directors are the following:

a) To inform the AGM on the issues raised regarding matters within its competence.

b) To supervise the efficiency of the internal control system of the Company, internal audit and risk management systems.

c) To supervise the elaboration of financial information.

d) To propose the Board of Directors, for its subsequent submission to the General Meeting, the appointment of external auditors, the terms of the contract, the scope of the



**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

mandate and, its termination or non-renewal.

- e) To maintain relations with external auditors to receive information on any issues that may jeopardize their independence and any others matters related to the development process of the audit and other communications provided, if applicable, by auditing legislation and technical auditing standards.
- f) To issue on an annual basis, prior to the issuance of the auditor's report, a report regardless the auditor's impressions.
- g) To inform, previously, the Board of directors of all issues applicable by law, by-laws and regulations of the Board regarding:

1<sup>st</sup> Financial information to be released regularly.

2<sup>nd</sup> The creation or acquisition of stake in special purpose vehicles in tax heavens

**43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.**

Complies  ]      Complies Partially  ]      Explanation  ]

**44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.**

Complies  ]      Complies Partially  ]      Explanation  ]      Not applicable  ]

**45. That the risk management and control policy identify and determine, at a minimum:**

- a) The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off-balance sheet risks.
- b) A risk control and management model based on different levels, of which a specialised risk committee will be part when the sectoral regulations provide for it or the company deems it appropriate.
- c) The level of risk the company considers acceptable.
- d) Means identified in order to minimise identified risks in the event they transpire.
- e) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off-balance sheet risks.

Complies  ]      Complies Partially  ]      Explanation  ]

**46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:**

- a) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.
- b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

- c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.

Complies [ X ]      Complies Partially [ ]      Explanation [ ]

47. That members of the appointment and remuneration committee – or of the appointments committee and the remuneration committee if they are separate – are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.

Complies [ ]      Complies Partially [ X ]      Explanation [ ]

The appointments and remuneration committee is made up of two independent directors, the proprietary director and one of the other external directors, who changed his category of director, going from independent to other external, due to the passage of more than 12 uninterrupted years of performance in the position of director

48. That high market capitalisation companies have formed separate appointments and remuneration committees.

Complies [ ]      Explanation [ ]      Not applicable [ X ]

49. That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies [ X ]      Complies Partially [ ]      Explanation [ ]

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

- a) Propose basic conditions of employment for senior management.
- b) Verify compliance with company remuneration policy.
- c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.
- d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.
- e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies [ ]      Complies Partially [ X ]      Explanation [ ]

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

The company considers that the bylaws and regulations of the board of directors sufficiently regulate the tasks of the Appointment, Remuneration and Good Governance Committee, so it has not considered necessary to modify it so as to adapt them to the literal text of the recommendations. Although some of the tasks provided for in this recommendation are not expressly included within the internal regulations of the company, the remuneration committee complies substantial with all of them.

The Appointments, Remuneration and Good Governance Committee has the functions set forth in the by-laws and regulations of the Board of Directors, which are indicated below:

- a) To evaluate the skills, knowledge and experience of the Board of Directors and define the skills of the candidates to fill each vacancy and the time and dedication necessary.
- b) To establish an objective of representation for the less represented gender in the Board of Directors and develop guidance on how to achieve that objective.
- c) To submit to the Board of Directors the proposals for appointment of independent directors to be appointed by co-optation or for submitting to the decision of the General Shareholders Meeting, as well as proposals for re-election or removal of such directors by the General Meeting of Shareholders.
- d) To report on proposals for appointment of the remaining directors to be appointed by interim basis or for submission to the decision of the General Shareholders Meeting, as well as proposals for re-election or removal by the General Meeting of Shareholders.
- e) To report on proposals for appointment and removal of senior managers and the basic terms of their contracts.
- f) To examine and organise the succession of the chairman of the Board of Directors and the CEO of the company and, where appropriate, make proposals to the Board of Directors to guarantee that the succession occurs in an order and planned.
- g) To propose to the Board the remuneration policy for directors and general managers or those who develop their senior management functions under direct control of the Board, or under Executive Committees or CEOs executives, as well as individual remuneration and other contractual conditions of executive directors to ensure their observance.
- h) To previously inform to the Board of Directors on transactions with related parties.
- i) The Commission shall ensure that the selection procedures for directors stimulate gender diversity, as well as different experiences and knowledge, and don not include facts which could implied any discrimination and particularly facilitate the selection of female directors.

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies       Complies Partially       Explanation

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

- a) That they are comprised exclusively of non-executive directors, with a majority of them independent.
- b) That their chairmen be independent directors.
- c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.
- d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
- e) That their meetings be recorded and the minutes be made available to all directors.

Complies       Complies Partially       Explanation       Not applicable

The appointments and remuneration committee is made up of 2 independent directors, one proprietary and one external.

53. That the supervision of compliance with the policies and rules of the company in environmental, social and corporate governance matters, as well as the internal codes of conduct, shall be attributed to one or distributed among several committees of the board of directors, which may be the audit committee, the appointment committee, a committee specialised in sustainability or corporate social responsibility or another specialized committee that the board of directors, in exercise of its self-organisation powers, has decided to create. And that such committee is made up solely of non-executive directors, being the majority independent and specifically assigned the minimum functions indicated in the following recommendation.

Complies       Complies Partially       Explanation

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

The supervision of compliance with the policies and rules of the company in environmental matters is carried out directly by senior managers of the company, and compliance with such policies are subject to the control established by the quality and environmental certification systems (ISO environment) and are audited annually by AENOR

54. That the minimum functions referred to by the above-mentioned recommendation are as follows:

- a) Verification of compliance with internal codes of conduct and the company's corporate governance rules, making sure corporate culture is in line with the same.
- b) Supervision of the application of the policy on communication strategy on financial and non-financial information, as well as the communication and relationship with shareholders and investors, including small- and medium-sized shareholders.
- c) The periodic evaluation and review of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.
- d) Follow-up of corporate social responsibility strategy and practice in environmental and social terms.
- e) Supervision and evaluation of the way relations with various stakeholders are handled.

Complies [ ]      Complies Partially [ X ]      Explanation [ ]

As already indicated in the previous answer, the evaluation and regular review of the environmental policy as well as the supervision that the company's practices in environmental matters conform to the established policies carried out under the supervision of the top management of the company. In addition, the company annually conducts an environmental policy audit by AENOR, which allows it to have the environmental ISO certificate.

55. That the sustainability policy in terms of environmental and social issues identifies and includes the following:

- a. Concrete practices in matters related to shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.
- b. The methods or systems for monitoring compliance with policies, associated risks and their management.
- c. Means of supervising non-financial risk, ethics, and business conduct.
- d. Communication channels, participation and dialogue with stakeholders.
- e. Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies [ X ]      Complies Partially [ ]      Explanation [ ]

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

56. That director remuneration is sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded by the post, while not being so excessive as to compromise the independent judgment of non-executive directors.

Complies  Explanation

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The foregoing shall not apply to shares that the director may be obliged to sell in order to meet the costs related to their acquisition.

Complies  Complies Partially  Explanation

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and is not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.
- b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.
- c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies  Complies Partially  Explanation  Not applicable

59. That the payment of the variable components of the remuneration is subject to verification that the performance or other conditions previously established have been effectively met. The companies will include in the annual directors' remuneration report the criteria regarding the time required and methods for such verification based on the nature and characteristics of each variable component.

That, additionally, the companies value the establishment of a reduction clause ('malus') based on the deferral for a sufficient period of the payment of a part of the variable components that implies their total or partial loss in the event that previously at the time of payment, an event occurs that makes it advisable.

Complies  Complies Partially  Explanation  Not applicable

On a general basis, variable remuneration is determined and paid up based on the profit/(loss) for the year and upon the issuance of the audit report. The company understands that this constitutes a sufficient safeguard to verify that it meets conditions previously established, and therefore has not considered necessary the regulation of an additional or specific deferral mechanism or reimbursement of the payment of variable components.



**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

On the other hand, the remuneration policy approved by the shareholders' meeting held on 30 March, 2021 for years 2022, 2023 and 2024 provides that the determination and payment of the variable components of the remuneration will be carried out once the financial statements have been prepared and audited in order to verify that the conditions that have been taken into account for its determination have been effectively met, and they will take into account the eventual exceptions that appear in the auditor's report and reduce said results.

Likewise, whenever determination and, where appropriate, payment of said variable remuneration may be cancelled, totally or partially, by the board whether it would be advisable to do so, or if applicable, offset with future settlements.

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies       Complies Partially       Explanation       Not applicable

61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.

Complies       Complies Partially       Explanation       Not applicable

The company does not have any plan for the delivery of shares or financial instruments referenced to their value

62. Once the shares, options or financial instruments corresponding to the remuneration systems have been attributed, the executive directors cannot transfer their ownership or exercise them until after a period of at least three years has elapsed.

The exception is the case in which the director maintains, at the time of the transfer or exercise, a net economic exposure to the variation in the price of the shares for a market value equivalent to an amount of at least twice the annual fixed remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to the shares that the director needs to dispose of to satisfy the costs related to their acquisition or, after a favourable assessment by the appointments and remuneration committee, to deal with extraordinary situations that may require it.

Complies       Complies Partially       Explanation       Not applicable

63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.

Complies       Complies Partially       Explanation       Not applicable

Variable remuneration is determined and paid up based on the profit/(loss) for the year and upon the issuance of the audit report. The company understands that this constitutes a sufficient safeguard to verify that it meets conditions previously established, and therefore has not considered necessary the regulation of an additional or specific deferral mechanism or reimbursement of the payment of variable components.

Further, and as indicated in section G 59 above, the remuneration policy approved by the shareholders' meeting held on 30 March, 2021 for years of 2022, 2023 and 2024 provides that the determination and payment of the variable components of the remuneration will be carried out once the financial statements have been prepared and audited in order to verify that the conditions established have been effectively met and they will take into account the eventual exceptions that appear in the auditor's report and reduce said results.

Likewise, whenever determination and, where appropriate, payment of said variable remuneration may be cancelled, totally or partially, by the board whether it would be advisable to do so, or if applicable, offset with future settlements.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.

For the purposes of this recommendation, among the payments for contractual termination, any payments whose accrual or payment obligation arises as a consequence or on the occasion of the termination of the contractual relationship that bound the director with the company, including long-term savings systems and amounts paid under post-contractual non-competition agreements, are taken into consideration.

Complies [  ]      Complies Partially [  ]      Explanation [  ]      Not applicable [  ]

The compensation for termination of the contracts of the executive directors consists of an escalation based on the total annual remuneration and varies between an amount equivalent to a minimum of two and a maximum of three years of said remuneration. The contracts provide that the aforementioned amounts are paid at the time that the resolution or termination of the contract takes place

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

### H. FURTHER INFORMATION OF INTEREST

---

1. If there is any aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which is necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe it briefly below.
2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July 2010.

[ Grupo Empresarial San José has assumed as own the principles and guidelines enshrined in the United Nations Global Compact. ]

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on:

[ 24/02/2022 ]

State whether any directors voted against or abstained from voting on this report.

[ ] Yes  
[ ✓ ] No



---

**ISSUERS IDENTIFICATION DETAILS**

---

Year-end date:

[ 31/12/2021 ]

TAX Id. #

[ A-36046993 ]

Company name:

[ **GRUPO EMPRESARIAL SAN JOSE, S.A.** ]

Registered office:

[ ROSALIA DE CASTRO 44, BAJO (PONTEVEDRA) ]

## A. REMUNERATION POLICY OF THE COMPANY FOR THE CURRENT FINANCIAL YEAR

**A.1.1.** Explain the current director remuneration policy applicable to the year in progress. To the extent that it is relevant, certain information may be included in relation to the remuneration policy approved by the General Shareholders' Meeting, provided that these references are clear, specific and concrete.

The specific determinations for the year in progress should be described, both the remuneration of directors in their status as such and as a result of their executive functions carried out for the Board pursuant to the contracts signed with executive directors and to the remuneration policy approved by the General Shareholders' Meeting.

In any event, the following aspects should be reported:

- a) Description of the procedures and company bodies involved in determining and approving the remuneration policy and its terms and conditions.
- b) Indicate and, where applicable, explain whether comparable companies have been taken into account in order to establish the company's remuneration policy.
- c) Information on whether any external advisors took part in this process and, if so, their identity.
- d) Procedures contemplated in the current remuneration policy for directors to apply temporary exceptions to the policy, conditions under which those exceptions may be invoked, and components that may be subject to exception according to the policy.

The board of directors is the competent body to determine the exact amount to be paid each year to each director of the Company within the limit set by the shareholders' meeting. This agreement must be adopted with the prior proposal of the nominating, compensation and corporate governance commission, and in a manner consistent with the remuneration policy approved by the board.

The remuneration consisting of the delivery of shares or of option rights on the shares or remuneration rights linked to its value, subject to the approval of the shareholders' meeting in accordance with the provisions of the Capital Companies Act and in the by-laws is excepted from the foregoing.

Compensation paid to each director will be determined in consideration of the given functions and responsibilities, the participation in the different committees and other objective circumstances deemed relevant.

Rules for the determination, approval and application of the remuneration policy for the executive directors of Grupo Empresarial San José for the performance of executive functions in the Company (other than the functions linked to their status as members of the Board) are the following:

i.- The Fixed Remuneration that they may receive amounts to a maximum annual amount that as a whole will not exceed the amount of two million euros (€2,000,000).

ii.- At the proposal of the nominating, compensation and corporate governance commission, the board will establish the amount of the fixed remuneration of each of the executive directors, in a way that is competitive with respect to other comparable entities by market and size and considering the circumstances of each financial year.

iii.- The determination and payment of the variable components of the remuneration will be carried out once the annual statements have been prepared and audited. In order to verify that the conditions established for its determination have been effectively met, and will take into account any exceptions that appear in the auditor's report and reduce, where appropriate, said results.

iv.- In the event that after the determination and, where appropriate, payment of said variable remuneration, an event occurs that makes it advisable, the board of directors will assess whether it is appropriate to cancel, totally or partially, the liquidation of the variable remuneration, or if necessary, offset it with future settlements.

No external advisor takes part in the determination, approval and application of the remuneration policy.

Current remuneration policy does not include procedures for the application of temporary exceptions to the same.

**A.1.2** Relative importance of variable remuneration items vis-à-vis fixed remuneration (remuneration mix) and the criteria and objectives taken into consideration in their determination and to guarantee a suitable balance between the fixed and variable components of the remuneration. In particular, state the actions adopted by the company in relation to the remuneration system to reduce exposure to excessive risks and adapt this to the long-term objectives, values and interests of the company, which will include, as the case may be, mention of any measures to guarantee that the long-term results of the company are taken into account in the remuneration policy, the measures adopted in relation to those categories of staff whose professional activities have a material impact on the risk profile of the company, and any measures to avoid conflicts of interest.



Furthermore, state whether the company has established any period for the accrual or vesting of certain variable remuneration items, in cash, shares or other financial instruments, any deferral period in the payment of amounts or the handover of accrued and vested financial instruments, or if any clause has been approved reducing the deferred remuneration or that obliges the director to return remuneration received, when such remuneration has been based on certain figures that have clearly been shown to be inaccurate.

In accordance with Article 25.3 of the by-Laws, the AGM sets the maximum amount of the annual remuneration that the Company allocates to all its directors in their capacity as such.

The setting of the exact amount to be paid in each year within that limit and its distribution among the different directors will correspond to the Board of Directors.

The maximum amount of annual remuneration for all the directors in their capacity as such is set at one million euros (EUR 1,000,000). This maximum amount will remain valid as long as its amendment is not approved.

The remuneration that corresponds to the directors due to their status as such may include, within the legal and statutory framework, the following concepts:

- a) Annual fixed allocation  
Directors may receive a fixed annual amount that is in line with market standards, taking into account the functions and responsibilities attributed to each director, the membership of Board committees and the other objective circumstances as may be deemed appropriate by the Board of Directors.
- b) Assistance allowances  
The directors may receive certain amounts for attendance fees, either to the meetings of the Board or to the meetings of the committees which they belong to.
- c) Statutory services and risk coverage  
The Company will pay premiums corresponding to the civil liability insurance policy for directors and executives.

The remuneration attributed to each director will be determined in consideration of the functions and responsibilities attributed to each director, their membership in the different committees and the other objective circumstances considered relevant.

Remuneration for different concepts is determined by the Board on the ground of the performance, responsibility and dedication of each member taking into consideration compensation by market.

#### **A.1.3 Amount and nature of fixed components that are due to be accrued during the year by directors in their status as such.**

It is expected that the amount of the fixed components to be accrued in 2021 by directors in their capacity as such will be approved at the meeting of the board of directors that is expected to be held next May

The joint amount accrued by the directors during the 2020 has been as follows:

- a) Annual fixed allocation of approximately 310,000 euros.
- b) Board attendance fees amounting to 100,000 euros.
- c) Compensation for membership of commissions amounting to 61,500 euros.
- d) Bylaws and risk coverage: The company pays the amount of the premium corresponding to the civil liability policy for directors and executives amounting to 309,000 euros.

#### **A.1.4 Amount and nature of fixed components that are due to be accrued during the year for the performance of senior management functions of executive directors.**

The total fixed amount to be accrued by executive directors for the performance of their executive functions in 2021 will be set at the meeting of the board of directors that will take place next May. Until then, executive directors will continue to receive the same fixed remuneration that they would have received in 2021.

The amount received in 2021 by the executive directors for the fixed components has amounted to € 1,478,571.

#### **A.1.5 Amount and nature of any component of remuneration in kind that will accrue during the year, including, but not limited to, insurance premiums paid in favour of the director**

The company pays the amount of the premium corresponding to the civil liability policy for directors and executives and a private healthcare

## ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

assistance insurance amounting to EUR 116,213.

**A.1.6** Amount and nature of variable components, differentiating between those established in the short and long term. Financial and non-financial, including social, environmental and climate change parameters selected to determine variable remuneration in the year in progress, explaining the extent to which these parameters are related to performance, both of the director and of the company, together with their risk profile, and the methodology, deadline necessary and techniques established to determine the degree of compliance with the parameters used in the design of the variable remuneration at the end of the year explaining the criteria and factors that apply in terms of the time required and methods to verify that the performance conditions have been duly fulfilled.

State the range, in monetary terms, of the different variable components according to the degree of compliance with the objectives and parameters established, and whether any maximum monetary amounts exist in absolute terms.

Previous report of the Nominating, Remuneration and Corporate Governance Commission, the board of directors agrees each year a variable remuneration for directors, according to the indicators or reference parameters established in the company's remuneration policy.

The indicators or reference parameters established in the remuneration policy in force for the year 2017 for the variable compensation are the following:

1. Annual variable remuneration.

Members may receive variable remuneration determined each year according to the fulfilment of economic, financial and strategic targets of the Company in the previous year.

Upon the preparation of the financial statements and taking into consideration a report issued by the Nominating, Compensation and Corporate Governance Commission, the board shall determine the amount of variable remuneration to be paid to each member in accordance with the fulfilment of goals settled for their position, the responsibilities entailed and the outcome of the Company during the year. Executive members shall not take part in this decision.

Not having fixed the targets for 2022 the goals which this decision is based on are as follows:

- i. A part of the variable remuneration shall be established according to the performance of the business and the value of the Company, as well as appropriate development of functions and responsibilities, personal performance and non-financial factors, such as the compliance with rules and internal procedures in terms of risk management.
- ii. Another part shall be established according to economic indicators:
  - By membership of the executive committee: up to a maximum of 1% of the EBITDA of the Company.
  - By membership of the international executive committee: up to a maximum of 1.5% of the international turnover of the Company.

Annual variable remuneration shall not exceed 200% of annual fixed remuneration.

The Board of Directors shall pass on May 2022 the amount of the variable compensation for directors for their performance in 2021. In the previous year, it amounted to EUR 1,650,000.

2. Variable remuneration in the medium and long term.

Up to date, the Company has no medium and long-term variable remuneration system.

Variable remuneration of directors forming part of the executive commission or the international executive committee.

The Remuneration report of members of the board of subject to the approval of the AGM.

The company's remuneration policy for year 2021 does not contemplate non-financial parameters for setting variable remuneration. Albeit, its modification is expected to be taken to the AGM 2022 so as to amend the same and include non-financial criteria in the establishment of fixed remuneration.

**A.1.7** Main characteristics of the long-term savings systems. Among other information, state the contingencies covered by the system, whether through defined contributions or benefits, the annual contribution that needs to be made to the defined contribution system, the benefits directors are entitled to in the event of defined benefit systems, the conditions under which economic rights are vested for directors and their compatibility with any other type of payment or severance pay as a result of the early termination or dismissal of the director, or deriving from the termination of the contractual relation, on the terms provided, between the company and the director.

State if the accrual or vesting of any of the long-term saving plans is linked to achieving certain objectives or parameters related to the short- or long-term performance of the director.

The Company does not make contributions to pension plans, individual and defined contribution systems, for executive directors, with coverage for contingencies such as retirement, disability, death and severe dependence.

The company does not have any amount recorded or accumulated for pension, retirement or similar benefits.

## ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

**A.1.8** Any type of payment or severance pay for early termination or dismissal of the director, or deriving from the termination of the contractual relation, on the terms provided between the company and the director, whether voluntary resignation by the director or dismissal of the director by the company, as well as any type of agreement reached, such as exclusivity, post-contractual non-competition, continuance in office or loyalty, which entitle the director to any type of remuneration.

There are no compensation or protection clauses for termination of functions of directors in their capacity as such.

Three executive directors (the chairman, the deputy-chairman and a member) have foreseen in their respective contracts the following payments/compensation in case of termination of their contract:

Severance grant: In the cases of termination envisaged in the contract, the executive director will be entitled to receive compensation for termination, except in the event that such termination is due to a serious breach of any of the obligations of the executive director, in which case the director executive will not be entitled to receive any compensation.

Severance grant shall be equivalent to:

- (i) Three annual payments of the annual fixed remuneration of the executive director at the time of termination and of the last annual variable remuneration received by the executive director, if the aggregate of these two amounts is less than EUR 750,000.
- (ii) Two and a half years of the annual fixed remuneration of the executive director at the time of termination and of the last annual variable remuneration received by the executive director, if the aggregate of these two amounts is greater than EUR 750,000, yet less than EUR 1,100,000.
- (iii) Two annuities of the annual fixed remuneration of the executive director at the time of termination and of the last annual variable remuneration received by the executive director, if the aggregate is greater than EUR 1,100,000.

Likewise, the CEO has provided in his contract Severance pay

In the event of termination of the Contract, the Executive Director will have the right to receive severance pay, except in the event that such termination is due to a serious breach of any of the Executive Director's obligations, in which case the Executive Director is not entitled to receive any compensation for the termination of this Contract. The severance pay will be equivalent to a two-year severance pay of the fixed remuneration that the executive director was receiving at the time of termination of the Contract.

**A.1.9** State the conditions that contracts should respect for those exercising senior management functions as executive directors.

Among others, information should be provided on the duration, limits on amounts of severance pay, minimum contract term clauses, notice periods and payment in lieu of these notice periods, and any other clauses relating to hiring bonuses, compensation and golden parachute clauses for early termination of the contractual relationship between the company and the executive director. Include, among others, any clauses or agreements on non-competition, exclusivity, continuance in office and loyalty, and post-contractual non-competition, unless these have been explained in the previous section.

Executive directors' contracts will remain in force as long as they continue to be director executives of the Company.

In the cases of termination provided for in the contract, the executive director will be entitled to receive a compensation for termination according to the terms detailed in the above-mentioned paragraph.

The executive director may terminate the contract unilaterally and by his own will, bringing it to the attention of the Company in writing at least three months in advance. In case of non-compliance with the notice obligation, the executive director shall compensate the Company with an amount equivalent to the fixed remuneration applicable in the moment of termination of the contract corresponding to the unfulfilled period of notice.

During the period of notice, the Company may exempt the executive director from the performance of duties, although said director will continue to be entitled to the remuneration thereon.

The termination of the contract due to the unilateral withdrawal of the executive director will imply, automatically and with effect as from the same date the contract is terminated upon, the resignation from the position of director, and the revocation of as many faculties said director had been delegated in his favour by the board of directors, as well as all the powers granted to the director by the company.

During the term of the contract and unless there was express and written consent of the company, the executive director shall provide its services exclusively for the Company and the companies of its group.

## ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

The executive director may not provide any kind of services, directly or indirectly, under any kind of legal relationship, for third parties, or for his/her own account, even when the activities carried out are not concurrent with those of the company or those of the group, and all professional activity shall be dedicated to the company and the companies of the group

The provision of services or the performance of any other activity that results, for any reason, relevant or may require dedication by the executive director will require the prior authorisation of the board of directors.

The executive director undertakes to use the information of the company solely and exclusively for the purpose of complying with the functions entrusted in the contract. In addition, the executive director undertakes to keep and treat as confidential information and, in particular, not to disclose it to any third party or employee of the company without the prior consent of the company, except in the exercise of the functions entrusted in the contract or by legal imperative, and not to reproduce it, transform it or, in general, use it in a different way other than what is necessary for the exercise of the professional activity.

The executive director undertakes to return immediately to the company, upon request of this during the term of the contract and, in any case, and without need of request, upon its extinction, any kind of confidential information that has been disclosed to or has been created by the executive director.

The contract entered into with the CEO Mr. José Luis González Rodríguez includes a non-competence clause for a two-year period.

### A.10 The nature and estimated amount of any other supplementary remuneration accrued by directors in the year in progress in consideration for services rendered other than those inherent in the post.

Directors are not expected to receive any significant remuneration for services rendered other than those inherent to their position.

The four executive directors are not expected to receive additional remuneration other than that provided in their respective contracts for the provision of services.

### A.11 Other items of remuneration like those deriving from the company providing advances, loans, guarantees or any other remuneration to the directors.

The company has not granted or plans to grant advances, credits or guarantees to members of the board of directors.

### A.12 The nature and estimated amount of any other planned supplementary remuneration accrued by directors in the year in progress that is not included in the previous sections, whether payment is made by the company or another group company.

Directors will not earn any supplementary remuneration, other than that indicated in this report.

### A.2. Explain any significant change in the remuneration policy applicable in the current year resulting from:

- a) A new policy or a modification of the policy already approved by the General Meeting.
- b) Significant changes in the specific determinations established by the board for the current year regarding the remuneration policy in force with respect to those applied in the previous year.
- c) Proposals that the board of directors has agreed to submit to the general shareholders' meeting to which this annual report will be submitted and which are proposed to be applicable to the current year.

The company's board of directors, at its meeting on 24 February 2021, agreed to propose to the AGM the approval of the remuneration policy for directors for years 2022, 2023 and 2024, which had previously been reported favourably by the Nominating, Compensation and Corporate Governance Commission. The AGM held on 30 March, 2021 approved said policy with the positive vote of 98.12% of the shareholders present or represented.

The terms of said new policy are similar to the policy that had remained in force in the three previous years of 2019, 2020 and 2021, with some adaptations to regulatory changes, to the evolution of the regulatory and supervisory system and to the current practices of market, and to the modifications introduced in June 2020 in the Code of Corporate Governance of listed companies.

The main changes in the remuneration policy for the years 2022 to 2024 are as follows:

Regarding the structure of the remuneration of executive directors.

1.- A quantitative limit of two million euros is established for the annual fixed remuneration as a whole.

2.- Regarding the annual variable remuneration, a part will be set in a discretionary manner by the board of directors upon preparation and audit of the

## ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

financial statements, and after a report from the nominating, compensation and corporate governance commission, depending on the degree of compliance of the objectives set for the position and responsibilities of each executive director and the results of the Company during the year. Executive directors will not participate in this decision-making process.

- i. Unless the board sets specific annual objectives, it will be understood that the objectives to which said remuneration is linked are the following: A part of the variable remuneration shall be established according to the performance of the business and the value of the Company, as well as appropriate development of functions and responsibilities, personal performance and non-financial factors, such as the compliance with rules and internal procedures in terms of risk management.
  - ii. Another part shall be established according to economic indicators:
- By membership of the executive committee: up to a maximum of 1% of the EBITDA of the Company.
  - By membership of the international executive committee: up to a maximum of 1.5% of the international turnover of the Company.

Annual variable remuneration shall not exceed 200% of annual fixed remuneration

Variable remuneration of non-executive directors who are part of the executive commission or the international executive committee is eliminated.

On the other hand, the board as of 24 February, 2022 has agreed to propose to the AGM the modification of the remuneration policy approved in 2021 for years 2022 to 2024, in order to adjust it to the new wording of art. 529r of the Capital Companies Act.

The specific aspects of the proposed amendment are as follows:

- Determination of the way in which the remuneration and employment conditions of the company's workers have been taken into account when setting the new remuneration policy.
- Linking the variable remuneration of directors to performance criteria related to corporate social responsibility.
- Additional information has been added on the contractual terms of directors, such as reference to notice periods or the inclusion of the main features of social security plans that are part of their remuneration.
- Lastly, information on the review process and application of the remuneration policy has been deepened, giving reasons for the measures contemplated so as to avoid situations of conflict of interest.

If approved by the board, these current policy modifications will be effective as from 1 January, 2022.

- A.3.** Identify the direct link to the document where the current company remuneration policy is posted, which must be available on the web page of the company.

[http://www.gruposanjose.biz/data/pdf/1549473562\\_38488372.pdf](http://www.gruposanjose.biz/data/pdf/1549473562_38488372.pdf)

- A.4.** Explain, taking into account the data provided in Section B.4, the outcome of voting, of a consultative nature, by shareholders at the General Shareholders' Meeting on the annual report on remuneration for the previous year.

The annual remuneration report for the previous year has been subject to a positive assessment, as it was approved by 99.11% of the share capital present or represented at the meeting.

### **B. OVERALL SUMMARY OF HOW REMUNERATION POLICY HAS BEEN APPLIED DURING THE YEAR ENDED**

- B.1.** Explain the process followed to apply the remuneration policy and determine the individual remuneration contained in Section C of this report. This information will include the role played by the remuneration committee, the decisions taken by the Board of Directors and, as the case may be, the identity and the role of the external advisors whose services have been used in the process to apply the remuneration policy in the year ended.

With respects to those directors who have exclusively received attendance allowance for meetings of the board and the meetings of the commissions which they belong to, once the attendance of the member has been verified at the corresponding meeting, the payment order is notified to the financial department (Treasury) that carries out the payment in the following days.

Regarding the remuneration consisting of an annual fixed allocation and the variable remuneration for directors in their condition as such by belonging to the executive committee and/or the international executive committee, the Nominating, Remuneration and Good Governance Committee draws up a reasoned report taking into consideration the functions and responsibilities of each director, with the remuneration proposal addressed to the board of directors for, if applicable, its approval.

For executive directors, in addition to the fixed remuneration established in their respective service leasing contracts, the board of directors sets each year variable remuneration corresponding to the previous year, following a report and on a proposal from the nominating, compensation and corporate governance commission.

The nominating, compensation and corporate governance commission knows and reports to the board any decision to be adopted with regard to the application of the remuneration policy of each member.



## ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

### B.1.2 Explain any deviation implemented during the period to the procedure established for applying the remuneration policy.

No deviations were implemented to the application procedure.

### B.1.3 Explain whether any temporary exception to the remuneration policy has been applied and, if so, explain the given circumstances for such exceptional application, specific components of the remuneration policy implemented and the reasons for which the company deems such exceptional measures were necessary to face long-term interests and company sustainability as a whole. Specify, also, the impact of said exceptional measures on the remuneration of each member.

No exceptional measures were applied.

### 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 adapting them to the long-term objectives, values and interests of the company, including a reference to the measures that have been adopted to guarantee that the long-term results of the company have been taken into consideration in the remuneration accrued and that a suitable balance has been attained between the fixed and variable components of the remuneration, the measures that have been adopted in relation to those categories of staff whose professional activities have a material repercussion on the company's risk profile and the measures that have been adopted to avoid conflicts of interest, if appropriate.

As indicated in the previous section, the board of directors determines the variable remuneration for each year once the financial statements have been formulated and audited. Further, in 2021 it also did so upon the AGM having approved the financial statements; circumstance which is expected to occur again this year.

The board deems that so as to establish the remuneration accrued, long-term outcome of the company and a balance between fixed and variable components should be achieved.

Likewise, the company's remuneration policy includes the power of the board to cancel, in whole or in part, the settlement of remuneration (or, where appropriate, offset it with future settlements) in the event that there is a subsequent modification of the profit/(loss) of the financial statements for the year which such remuneration was based on.

However, to date it has not been necessary to correct any dysfunction in the company's remuneration system, since the forecasts considered for the calculation of the remuneration proposals have coincided with the actual results.

The board considers that the decisions adopted have taken into account the risks that the audit committee analyses on a regular basis after gathering information from the external auditors, in order to reduce exposure to risks and adjust it to the objectives, values and long-term interests of company.

The measures adopted to avoid conflicts of interest have consisted of the affected directors, and in particular the executive directors, not participating in the remuneration decision-making process.

### B.3. Explain how the remuneration accrued over the year meets the provisions contained in the current remuneration policy.

Furthermore, report on the relationship between the remuneration obtained by the directors and the results or other performance measures of the company in the short and long term, explaining, as the case may be, how the variations in the performance of the company have influenced changes in the remuneration of directors and how the latter contribute to the short- and long-term results of the company.

The total remuneration of directors approved by the board of directors represents only 57% of the maximum amount of the annual remuneration for all the directors approved by the AGM.

In 2021 the directors have received a total remuneration that the board of directors considers consistent with the profit/(loss) for the year.

The remuneration accrued and consolidated in the year complies with the current remuneration policy because it adheres to the different compensation concepts, respects the limits set in the policy and has been agreed based on the results obtained by the company both, in the previous financial year and in the forecast of those that will be obtained according to its strategic plan.

The variations in the performance of the company influence the variation in the remuneration of the directors, as was already noted in a restrictive sense in the period in which the company was subject to the restrictions of the refinancing of its debt (years from 2014 to 2018), and in the opposite direction with the extraordinary results obtained in 2019 due to the cancellation of its short-term and medium-term financial debt.

For reasons above-mentioned, there has been no accrued remuneration whose payment has been deferred.

### B.4. Report on the result of the consultative vote at the General Shareholders' Meeting on remuneration in the previous year, indicating the number of votes against that may have been cast:

ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

	Number	% on total
Issued votes	45,034,078	69.26

	Number	% on issued
Negative votes	805,342	1.79
Positive votes	44,186,680	98.12
Blank votes		0.00
Abstentions	42,056	0.09

Notes

**B.5.** Explain how the fixed components accrued during the year by the directors in their capacity as such have been determined and how they have changed with respect to the previous year

The annual fixed allocation of directors in 2021 has been determined by the board of directors, on the proposal of the Nominating, Compensation Commission, taking into account the functions actually performed, the special complexity to the dedication provided and to the different responsibilities assumed by each director.

This allocation in 2021 has been EUR 155,000 less than in the previous year.

Relative percentage and variation with regard to the previous year is as follows:

RAMON BARRAL ANDRADE 16% No changes recorded.

JOSE MANUEL OTERO NOVAS 16% It has increased in EUR 50,000, equivalent to the variable remuneration he does not receive anymore.

AMPARO ALONSO BETANZOS 10% It has increased in EUR 30,000 €, since she has joined the board in December 2020.

ENRIQUE MARTIN REY 13% It has increased in EUR 5,000.

ALTINA DE FÁTIMA 13% It has increased in EUR 5,000.

ROBERTO ALVAREZ ALVAREZ 32% It has increased in EUR 100,000 euros. EUR 20,000 more than variable remuneration in 2020 and that he does not receive anymore.

NASSER AL DAREI 0% No changes recorded.

On the other hand, members have received fees for attending each of the meetings of the board of directors of EUR 2,000, of the executive committee of EUR 3,000, of the audit committee and the nominating, compensation and corporate governance committee of EUR 1,500, and of the international executive committee of EUR €3,000. These amounts are the same as those in previous years.

**B.6.** Explain how the salaries accrued by each one of the executive directors over the past financial year for the performance of management duties were determined, and how they have changed with respect to the previous year.

Fixed salaries accrued in 2020 by the executive directors were the following:

Jacinto Rey González: € 600,000, same amount accrued the previous year.

Jacinto Rey Laredo: € 400,000, same amount accrued the previous year.

Javier Rey Laredo: € 278,571, which represents an increase over the amount accrued the previous year of € 53,571.

José Luis González Rodríguez: € 200,000, same amount accrued the previous year. (During the period January-June 2020 he accrued € 100,000 as managing director of the company and another €100,000 in the second half of the year as CEO)

Said salaries are regulated under the terms of the corresponding service contracts, which provide that they can be modified annually by resolution of the board of directors at the proposal of the nominating, compensation and corporate governance commission of the Company.

**B.7.** Explain the nature and the main characteristics of the variable components of the remuneration systems accrued in the year ended.

In particular:

- Identify each one of the remuneration plans that have determined the different types of variable remuneration accrued by each of the directors in the year ended, including information on their scope, their date of approval, their date of incorporation, the periods of accrual and validity, the criteria used to evaluate performance and how this has affected

## ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

the establishment of the variable amount accrued, as well as the measurement criteria used to suitably measure that all the conditions and criteria stipulated in terms of time and methods.

- b) In the case of share options and other financial instruments, the general characteristics of each plan will include information on both the conditions to acquire unconditional ownership (vesting) and to exercise these options or financial instruments, including the price and term to exercise them.
- c) Each one of the directors, together with their category (executive directors, proprietary external directors, independent external directors and other external directors), that are beneficiaries of remunerations systems or plans that include variable remuneration.
- d) As the case may be, information is to be provided on periods for the accrual or deferment of payment applied and/or the periods for withholding/unavailability of shares or other financial instruments, if they should exist.

### Explain the short-term variable components of the remuneration systems

#### 1. Variable remuneration to directors:

The remuneration that corresponds to non-executive directors includes the following concepts:

- i. A part of the variable remuneration shall be established according to the performance of the business and the value of the Company, as well as appropriate development of functions and responsibilities, personal performance and non-financial factors, such as the compliance with rules and internal procedures in terms of risk management.
- ii. Another part shall be established according to economic indicators:
  - By membership of the executive committee: up to a maximum of 1% of the EBITDA of the Company.
  - By membership of the international executive committee: up to a maximum of 1.5% of the international turnover of the Company.

Annual variable remuneration of non-executive members amounted in 2021 to EUR 1,650,000.

As for now, delivery of shares or rights on shares or any other financial instruments are not considered.

### Explain the long-term variable components of the remuneration systems

During year 2021, no long-term variable remuneration has been accrued.

**B.8.** Indicate whether certain variable components have been reduced or clawed back when, in the case of the former, payment has been vested and deferred or, in the case of the latter, vested and paid, on the basis of data that have subsequently proved to be inaccurate. Describe the amounts reduced or clawed back through the application of the reduction or clawback clauses, why they were implemented and the years to which they refer.

This has not occurred up to the date of preparation of this report.

**B.9.** Explain the main characteristics of the long-term savings systems where the amount or equivalent annual cost appears in the tables in Section C, including retirement and any other survivor benefit that are financed, totally or partially, by the company, whether through internal or external contributions, indicating the type of plan, whether it is a defined contribution or benefit, the contingencies covered, the conditions for vesting economic rights for directors and their compatibility with any type of severance pay for early termination or termination of the contractual relationship between the company and the director.

The company does not currently have any long-term saving systems.

**B.10.** Explain, where appropriate, the severance pay or any other type of payment deriving from early dismissal or early resignation, or from the termination of the contract upon the terms provided for therein, accrued and/or received by directors during the year ended.

## ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

The early termination of the director in his/her condition as such, for any reason, does not imply any compensation in favour of the director.

Contracts of executive directors provide for the termination of the contractual relationship in the following terms:

### TERMINATION OF THE CONTRACT

The Contract will be terminated for the following reasons.

1 Termination by mutual agreement of the Parties. The Contract may be terminated by the agreement between the executive director and the Company, as agreed by the Parties.

2 Termination for unilateral will of the executive director

The executive director may terminate the contract unilaterally, informing the Company in writing at least three months in advance. In the event of default of notice, the executive director shall indemnify the Company with an amount equivalent to the fixed remuneration applicable at the time of termination of the contract corresponding to the period of unfulfilled notice. During the period of notice, the Company may exempt the executive director from the performance of his/her duties, although he/she will continue to receive the corresponding remuneration.

The termination of the contract by unilateral will of the executive director will automatically imply, with effect as from the same date on which the contract is terminated, his/her resignation from the position of director, and the revocation of any powers delegated to him/her by the board of directors, as well as all the powers granted to by the Company.

3 Termination for reasons attributable to the Company

3.1 Termination at the Company's discretion

The Contract will be terminated by the will of the Company expressed by agreement of the board of directors, in accordance with the provisions of its by-Laws.

The Contract will also be terminated in the event of (i) cessation or non-renewal of the executive director as a director by resolution of the AGM, or (ii) total or partial revocation, as the case may be, of the powers delegated to the director by the board of directors or of the powers granted by the Company. However, the termination and subsequent and immediate appointment as director or the total or partial revocation of the aforementioned powers or powers and the subsequent and immediate delegation or granting of faculties or powers of analogous content shall not entail the termination of the Contract.

In the event of termination provided for in clause 10.3.1 of the contract, the executive director shall be entitled to receive the compensation for termination indicated below, except in the event that such termination is due to a serious breach of any of the obligations of the executive director, in which case the executive director will not be entitled to receive any compensation.

3.2 Other reasons for termination

The Contract will automatically be terminated, as a consequence of the death of the executive director or due to his/her legal incapacitation, declaration of total or superior permanent disability, or incapacity or temporary impossibility for the exercise of his/her functions for a period exceeding 12 months.

In any of the above cases, the revocation, if any, of the faculties and powers of the Executive Director will be automatic and neither this nor, where appropriate, his/her successors will be entitled to receive compensation, without prejudice to the endowments, insurance system or insurance that the Company would have contracted for on behalf of the Executive Director in these cases, which will be consolidated in favour of this or its successors in title.

Severance grant:

In the cases of termination envisaged in the contract, the executive director will be entitled to receive compensation for termination, except in the event that such termination is due to a serious breach of any of the obligations of the executive director, in which case the director executive will not be entitled to receive any compensation.

Severance grant shall be equivalent to:

- (i) Three annual payments of the annual fixed remuneration of the executive director at the time of termination and of the last annual variable remuneration received by the executive director, if the aggregate of these two amounts is less than EUR 750,000.
- (ii) Two and a half years of the annual fixed remuneration of the executive director at the time of termination and of the last annual variable remuneration received by the executive director, if the aggregate of these two amounts is greater than EUR 750,000, yet less than EUR 1,100,000 euros.

## ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

(iii) Two annuities of the annual fixed remuneration of the executive director at the time of termination and of the last annual variable remuneration received by the executive director, if the aggregate is greater than EUR 1,100,000.

As for the CEO is concerned, severance grant will consist of two annuities of the fixed remuneration received by the CEO at the moment of termination of the contract.

**B.11.** Indicate whether there have been any significant changes in the contracts of persons exercising senior management functions, such as executive directors, and, where appropriate, explain such changes. In addition, explain the main conditions of the new contracts signed with executive directors during the year, unless these have already been explained in Section A.1.

During the 2021, the contracts of the executive directors have not been modified.

**B.12.** Explain any supplementary remuneration accrued by directors as consideration for services rendered outside of their post.

The Director Mr. Javier Rey Laredo received EUR 20,000 as compensation for the services rendered in PAMSA, investee with a 20% ownership interest of Grupo San José.

**B.13.** Explain any remuneration deriving from advance payments, loans or guarantees granted, indicating the interest rate, their key characteristics and the amounts eventually returned, as well as the obligations taken on by way of guarantee or collateral.

The company has not granted advance payments, loans or guarantees to any members of the board of directors.

**B.14.** Itemise the remuneration in kind accrued by the directors over the year, briefly explaining the nature of the different salary components

Directors of the company have not accrued any remuneration in kind unless executive directors who enjoy small compensation lacking significant importance consisting of medical insurance and the civil liability insurance programme for members and executives.

**B.15.** Explain the remuneration accrued by directors by virtue of payments made by the listed company to a third company at which the director renders services when these payments seek to remunerate the director's services to the company.

Directors of the company have not accrued any remuneration for this concept.

**B.16.** Explain any other items of remuneration other than those mentioned in the previous sections, whatever their nature or the group company that settles the payment, particularly when this is a related-party transaction or the payment thereof distorts the true image of the total remuneration accrued by the director.

None.



**C. ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR**

Name	Type	Period of accrual year 2021
Mr. JACINTO REY GONZÁLEZ	Executive Chairman	From 01/01/2021 to 31/12/2021
Mr. JACINTO REY LAREDO	Deputy Executive Chairman	From 01/01/2021 to 31/12/2021
Mr. JAVIER REY LAREDO	CEO	From 01/01/2021 to 31/12/2021
Mr. JOSE LUIS GONZALEZ RODRIGUEZ	CEO	From 01/01/2021 to 31/12/2021
Mr. RAMON BARRAL ANDRADE	Coordinating Director	From 01/01/2021 to 31/12/2021
Ms. ALTINA FATIMA SEBASTIAN GONZALEZ	Other External	From 01/01/2021 to 31/12/2021
Mr. NASSER HOMAID SALEM ALI ALDAREI	Other External	From 01/01/2021 to 31/12/2021
Mr. JOSÉ MANUEL OTERO NOVAS	Independent	From 01/01/2021 to 31/12/2021
Mr. ROBERTO ÁLVAREZ ÁLVAREZ	Other External	From 01/01/2021 to 31/12/2021
Mr. ENRIQUE MARTIN REY	Property	From 01/01/2021 to 31/12/2021
Ms. AMPARO ALONSO BETANZOS	Independent	From 01/01/2021 to 31/12/2021

C.1. Complete the following tables regarding the individual remuneration of each director (including the salary received for performing executive duties) accrued during the year.

a) Remuneration from the reporting company:

i) Remuneration in cash (thousand euros)

Name	Fixed remuneration	Per diem allowances	Remuneration for membership on Board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance grant	Other grounds	Total in year 2021	Total in year 2020
Mr JACINTO REY GONZÁLEZ		10	6	600	700				1,316	1,515
Mr JACINTO REY LAREDO		10	6	400	300				716	665
Mr JAVIER REY LAREDO		10	6	279	300				595	540
Mr JOSÉ LUIS GONZÁLEZ RODRÍGUEZ		10		200	350				560	256
Mr RAMÓN BARRAL ANDRADE	50	10	12						72	77
Ms ALTINA DE FÁTIMA SEBASTIÁN GONZÁLEZ	40	10	8						58	54
Mr NASSER HOMAID SALEM ALI ALDAREI										
Mr JOSÉ MANUEL OTERO NOVAS	50	10	15						75	80
Mr ROBERTO ALVAREZ ALVAREZ	100	10	5						115	98
Mr ENRIQUE MARTIN REY	40	10	5						55	53
Ms AMPARO ALONSO BETANZOS	30	10							40	

Notes

Name	Name of Plan	Financial instruments at start of year 2021		Financial instruments vested during year 2021		Financial instruments consolidated during the year				Instruments matured but not exercised	Financial instruments at end of year 2021	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No of equivalent/vested shares	Price of consolidated shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares
Mr JACINTO REY GONZÁLEZ	Plan							0,00				
Mr JACINTO REY LAREDO	Plan							0,00				
Mr JAVIER REY LAREDO	Plan							0,00				
Mr- JOSE LUIS GONZÁLEZ RODRIGUEZ	Plan							0,00				
Mr RAMÓN BARRAL ANDRADE	Plan							0,00				
Ms ALTINA DE FÁTIMA SEBASTIAN GONZÁLEZ	Plan							0,00				
Mr NASSER HOMAID SALEM ALI ALDAREI	Plan							0,00				
Don JOSE MANUEL OTERO NOVAS	Plan							0,00				
Mr ROBERTO ÁLVAREZ ÁLVAREZ	Plan							0,00				
Mr ENRIQUE MARTIN REY	Plan							0,00				
Ms. AMPARO ALONSO BETANZOS	Plan							0,00				

iii) Long-term savings systems

Name	Remuneration from vesting of rights to savings systems
Mr JACINTO REY GONZÁLEZ	
Mr JACINTO REY LAREDO	
Mr JAVIER REY LAREDO	
Mr JOSÉ LUIS GONZÁLEZ RODRÍGUEZ	
Mr RAMÓN BARRAL ANDRADE	
Ms ALTINA DE FÁTIMA SEBASTIÁN GONZÁLEZ	
Mr NASSER HOMAID SALEM ALI ALDAREI	
Mr JOSÉ MANUEL OTERO NOVAS	
Mr ROBERTO ALVAREZ ALVAREZ	
Mr ENRIQUE MARTIN REY	
Ms AMPARO ALONSO BETANZOS	

Name	Contribution over the year from the company (thousand EUR)				Amount of accumulated funds (thousand EUR)			
	Savings systems with vested economic rights		Savings systems with non-vested economic rights		Savings systems with vested economic rights		Savings systems with non-vested economic rights	
	Year 2021	Year 2020	Year 2021	Year 2020	Year 2021	Year 2020	Year 2021	Year 2020
Mr JACINTO REY GONZÁLEZ								
Mr JACINTO REY LAREDO								
Mr JAVIER REY LAREDO								
Mr JOSE LUIS GONZALEZ RODRIGUEZ								
Mr RAMÓN BARRAL ANDRADE								
Ms ALTINA DE FÁTIMA SEBASTIAN GONZÁLEZ								
Mr NASSER HOMAID SALEM ALI ALDAREI								
Mr JOSE MANUEL OTERO NOVAS								
Mr ROBERTO ÁLVAREZ ÁLVAREZ								
Mr ENRIQUE MARTIN REY								
Ms AMPARO ALONSO BETANZOS								



iv) Details of other items

Name	Item	Amount remunerated
Mr JACINTO REY GONZÁLEZ	Item	
Mr JACINTO REY LAREDO	Item	
Mr JAVIER REY LAREDO	Attendance allowance to Board of Directors	20
Mr. JOSE LUIS GONZALEZ RODRIGUEZ	Item	
Mr RAMÓN BARRAL ANDRADE	Item	
Ms ALTINA DE FÁTIMA SEBASTIAN GONZÁLEZ	Item	
Mr NASSER HOMAID SALEM ALI ALDAREI	Item	
Mr JOSE MANUEL OTERO NOVAS	Item	
Mr ROBERTO ÁLVAREZ ÁLVAREZ	Item	
Mr ENRIQUE MARTIN REY	Item	
Ms AMPARO ALONSO BETANZOS	Item	

Notes

b) Remuneration of the company directors for seats on the boards of other group companies:

i) Remuneration in cash (thousand EUR)

Name	Fixed remuneration	Per diem allowances	Remuneration for membership on Board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance grant	Other grounds	Total in year 2021	Total in year 2020
Mr. JACINTO REY GONZÁLEZ		53							53	49
Mr. JACINTO REY LAREDO										
Mr. JAVIER REY LAREDO		17							17	16
Mr. JOSÉ LUIS GONZÁLEZ RODRÍGUEZ										
Mr. RAMÓN BARRAL ANDRADE										
Ms. ALTINA DE FÁTIMA SEBASTIÁN GONZÁLEZ										
Mr. NASSER HOMAID SALEM ALI ALDAREI										
Mr. JOSÉ MANUEL OTERO NOVAS										
Mr. ROBERTO ALVAREZ ALVAREZ		53							53	49
Mr. ENRIQUE MARTIN REY										
Ms. AMPARO ALONSO BETANZOS										

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments.

Name	Name of Plan	Financial instruments at start of year 2020		Financial instruments vested during year 2020		Financial instruments consolidated during the year			Instruments matured but not exercised	Financial instruments at end of year 2020		
		No instruments	No of Equivalent shares	No instruments	No of Equivalent shares	No instruments	No of Equivalent shares	Price of consolidated shares	Gross profit from vested shares or financial instruments (thousand €)	No instruments	No instruments	No of Equivalent shares
Mr JACINTO REY GONZÁLEZ	Plan							0.00				
Mr JACINTO REY LAREDO	Plan							0.00				
Mr JAVIER REY LAREDO	Plan							0.00				
Ms. JOSE LUIS GONZALEZ RODRIGUEZ	Plan							0.00				
Mr RAMÓN BARRAL ANDRADE	Plan							0.00				
Ms ALTINA DE FÁTIMA SEBASTIAN GONZÁLEZ	Plan							0.00				
Mr NASSER HOMAID SALEM ALI ALDAREI	Plan							0.00				

Name	Name of Plan	Financial instruments at start of year 2019		Financial instruments vested during year 2019		Financial instruments consolidated during the year				Instruments matured but not exercised	Financial instruments at end of year 201	
		No instruments	No of Equivalent shares	No instruments	No of Equivalent shares	No instruments	No of Equivalent shares	Price of consolidated shares	No instruments	No of Equivalent shares	No instruments	No of Equivalent shares
Mr JOSE MANUEL OTERO NOVAS	Plan							0.00				
Mr ROBERTO ÁLVAREZ ÁLVAREZ	Plan							0.00				
Mr ENRIQUE MARTIN REY	Plan							0.00				
Ms AMPARO ALONSO RETANZOS	Plan							0.00				

iii) Long-term savings systems

Name	Remuneration from vesting of rights to savings system
M JACINTO REY GONZÁLEZ	
Mr JACINTO REY LAREDO	
Mr JAVIER REY LAREDO	

Name	Remuneration from vesting of rights to savings system

Mr. JOSE LUIS GONZALEZ RODRIGUEZ	
Mr RAMÓN BARRAL ANDRADE	
Ds ALTINA DE FÁTIMA SEBASTIAN GONZÁLEZ	
Mr NASSER HOMAID SALEM ALI ALDAREI	
Mr JOSE MANUEL OTERO NOVAS	
Mr ROBERTO ÁLVAREZ ÁLVAREZ	
Mr ENRIQUE MARTIN REY	
Ms. AMPARO ALONSO BETANZOS	

Name	Contribution over the year from the company (thousand EUR)				Amount of accumulated funds (thousand EUR)			
	Savings systems with vested economic rights		Savings systems with non-vested economic rights		Savings systems with vested economic rights		Savings systems with non-vested economic rights	
	Year 2021	Year 2020	Year 2021	Year 2020	Year 2021	Year 2020	Year 2021	Year 2020
Mr JACINTO REY GONZÁLEZ								
Mr JACINTO REY LAREDO								
Mr JAVIER REY LAREDO								
Mr. JOSE LUIS GONZALEZ RODRIGUEZ								
Mr RAMÓN BARRAL ANDRADE								
Ms ALTINA DE FÁTIMA SEBASTIAN GONZÁLEZ								



Name	Contribution over the year from the company (thousand EUR)				Amount of accumulated funds (thousand EUR)			
	Savings systems with vested economic rights		Savings systems with non-vested economic rights		Savings systems with vested economic rights		Savings systems with non-vested economic rights	
	Year 2021	Year 2020	Year 2021	Year 2020	Year 2021	Year 2020	Year 2021	Year 2020
Mr NASSER HOMAID SALEM ALI ALDAREI								
Mr JOSE MANUEL OTERO NOVAS								
Mr ROBERTO ÁLVAREZ ÁLVAREZ								
Mr ENRIQUE MARTIN REY								
Ms. AMPARO ALONSO RETANZOS								

iv) Details of other items

Name	Item	Amount remunerated
Mr JACINTO REY GONZÁLEZ	Item	
Mr JACINTO REY LAREDO	Item	
Mr JAVIER REY LAREDO	Item	
Ms JOSE LUIS GONZALEZ RODRIGUEZ	Item	
Mr RAMÓN BARRAL ANDRADE	Item	



Mr JOSÉ MANUEL OTERO NOVAS	75				75						75
Mr ROBERTO ALVAREZ ALVAREZ	115				115	53				53	168
Mr ENRIQUE MARTIN REY	55				55						55
Ms AMPARO ALONSO BETANZOS	40				40						40
TOTAL	3,602				3,602	123				123	3,725

**C.2.** Indicate the evolution in the last 5 years of the amount and percentage variation of the remuneration accrued by each of the directors of the listed company that have been in that position during the year, of the consolidated profit/(loss) of the company and of the average remuneration on an equivalent full-time basis of employees of the company and its subsidiaries who are not directors of the listed company.

	Accrued amounts and annual variation %								
	Year 2021	Variation % 2021/2020	Year 2020	Variation % 2020/2019	Year 2019	Variation % 2019/2018	Year 2018	Variation % 2018/2017	Year 2017
<b>Executive directors</b>									
Mr. JACINTO REY GONZALEZ	1,369	-12.47	1,564	-67.29	4,782	202.47	1,581	-3.36	1,636
Mr. JACINTO REY LAREDO	716	7.67	665	-23.12	865	49.65	578	0.00	578
Mr. JAVIER REY LAREDO	632	13.67	556	4.12	534	58.93	336	11.63	319

Accrued amounts and annual variation %									
	Year 2021	Variation % 2021/2020	Year 2020	Variation % 2020/2019	Year 2019	Variation % 2019/2018	Year 2018	Variation % 2018/2017	Year 2017
Mr. JOSE LUIS GONZÁLEZ RODRÍGUEZ	560	118.75	256	-	0	-	0	-	0
<b>External directors</b>									
Ms. ALTINA DE FATIMA SEBASTIAN GONZÁLEZ	58	7.41	54	-29.87	77	327.78	18	-53.85	39
Ms. AMPARO ALONSO BETANZOS	40	-	0	-	0	-	0	-	0
Mr ENRIQUE MARTÍN REY	55	3.77	53	-30.26	76	375.00	16	23.08	13
Mr. JOSÉ MANUEL OTERO NOVAS	75	-6.25	80	-22.33	103	267.86	28	21.74	23
Mr. NASSER HOMAID SALEM ALI ALDAREI	0	-	0	-	0	-	0	-	6
Mr. RAMÓN BARRAL ANDRADE	72	-6.49	77	-22.22	99	312.50	24	0.00	24
Mr. ROBERTO ÁLVAREZ ÁLVAREZ	167	13.61	147	-28.64	206	164.10	78	62.50	48
<b>Consolidated Profit/(loss) for the year</b>									
	13,863	-37.35	22,059	-86.48	163,181	798.18	18,168	48.09	12,268
<b>Average remuneration of employees</b>									
	28	0.00	28	7.69	26	-7.14	28	3.70	27

**D. OTHER INFORMATION OF INTEREST**

---

Whether there are any relevant issues relating to directors' remuneration that you have not been able to address in the previous sections of this report, but which are necessary to provide more comprehensive and fully reasoned information on the remuneration structure and practices of the company with regard to its directors, list them briefly.

[ None. ]

This annual remuneration report has been approved by the board of directors of the company at its meeting on:

[ 24/02/2021 ]

State whether any directors voted against or abstained from voting on this report.

Yes

No



