

# ORGANIZATIONAL MODEL AND SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

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## 1. Introduction

The purpose of this document is to inform all persons within Servihabitat (hereinafter "the Company") about their organizational model and system of internal control over financial reporting (hereinafter ICFR).

The content of this document is not merely declarative but binding for the provision of all the activities that are detailed.

The Company depends on the corporate Internal Control function for monitoring and reporting the functioning of this model, which is deployed operationally through the different functional areas, and especially Financial Management, who form the first line of defense to ensure that the daily operation rely on the necessary controls to ensure the integrity and reliability of the financial information.

Finally, the Internal Audit function, delegated by the Board of Directors, and ultimately as a responsible role, carries out the general supervision of the Internal Control System of the Company, and under this role will be responsible to suggest modifications that are appropriate for the improvement of the present document, taking the necessary measures to ensure proper follow-up and compliance.

In the definition of its ICFR model, the Company takes as its reference the best practices of good Corporate Governance associated with public entities or public interest, specifically, the obligations and recommendations laid down in the Law of Corporate Companies and Good Governance Code from the CNMV.

The objective of the ICFR is to ensure the reliability of the financial information through the assurance that transactions and events occurring in the Company are submitted in accordance with the applicable regulations, preserving the compliance of the following points:

- a) Existence and occurrence. Transactions and events collected by the financial information actually exist and have been registered in the appropriate time.
- b) Integrity. The information reflects all the transactions and events.
- c) Valuation. Transactions and events are recorded and valued in accordance with the applicable regulations.
- d) Presentation, breakdown and comparability. Transactions and Events are classified, presented and are shown in the financial information in accordance with the applicable regulations.
- e) Rights and obligations. Financial information reflects the corresponding date, the rights and obligations through the corresponding assets and liabilities, in accordance with the applicable regulations.

## 2. Governance Model of the ICFR

The responsibility of developing the ICFR organizational model of the Company lies in the Internal Control function and in the Financial Management, to the extent that they are the two functions with greater involvement in the development and subsequent monitoring of the financial information to be published.

However, all Managements linked to a greater or lesser extent to the process of elaboration of the financial information, and which are targeted for this model, must also take responsibility for the proper performance of activities, processes and controls in which they are involved.

The ICFR organizational model of the Company is based on two distinct areas:

- The general control environment, which develop the main guidelines of ICFR operation as well as upper level roles and responsibilities (second and third line of defense).
- Specific controls on the ICFR, where they develop operating procedures related to the development of the financial information (first line of defense).

As an executive, the ICFR of the Company is structured in the following way:

- Establishment of an adequate General Control Environment based on the COSO 2013 methodology.
- The Internal Control function, together with the business areas, identifies the relevant risks whose occurrence can physically affect the financial information. These risks are crossed with key business processes of the Company, so the list of business processes is obtained to be monitored on the basis of the importance of the risks that are included.
- For the risks identified in the relevant processes, Internal Control and the business areas design and implement mitigating controls in such a way as to reduce risks to acceptable levels. It elaborates the key documentation related to the processes identified, their risks and implemented controls. The affected operational Managements are responsible for the proper implementation of these procedures.
- The Internal Audit function is responsible for the oversight function of the ICFR with the aim of ensuring its operational efficiency.
- Lastly, the Financial Management is responsible for maintaining documented and updated policies and accounting manuals of the Company and to maintain an environment of general controls on the appropriate information systems.

As an operation, the ICFR of the Company is managed from the Financial Management, who in collaboration with the Internal Control function, proceeds to the identification of the critical processes and their corresponding significant risks which affect the financial information, evaluating their potential impact and developing the appropriate actions to mitigate them.

Therefore, the ICFR has developed the following documentation:

- Flow charts of the activities of the processes.
- Matrices of the risks and controls matrices, which describes in detail the risk, its category, importance, classification, description of control, responsible for the control and evidence of the same, among other relevant aspects.

In any case, the matrices of the risks and controls, the key documentation for the follow-up and monitoring of the ICFR.

### 3. Responsibilities in the ICFR

Below are the main responsibilities in the Company with respect to ICFR according to the three lines of defense.

#### 3.1 First Line of Defense

The main responsibility of the first line of defense is to deal with the daily operation that affects the financial information of the Company and, accordingly, develop and execute the control activities necessary to ensure the integrity of the financial information.

The major tasks to be developed by the first line of defense are:

- **Financial Management:** To identify risks to the financial information, evaluate them and to take measures for its correct management, maintain documented accounting policies of the Company and its updated accounting manual, plan the operation of the process of preparation of the financial information with the objective of meeting schedules the external and internal regulation requires and to develop and review the financial information of the Company.
- **Responsible for Information Systems:** To ensure the integrity of the systems associated with the preparation of the financial information and to maintain the necessary controls to ensure the physical and logical security of the same. In addition, and considering that the effective maintenance of systems lies with an external vendor, it has the responsibility of maintaining the necessary procedures to monitor the outsourced activities.
- **Functional Areas:** To implement and execute correctly the Internal Control system about the activities under their responsibility which affect the financial information. To report the status of the ICFR to the second line. Report any design deficiency and/or operation of the system of internal control which affects the financial information of which they are aware through the channels established by the Company for this purpose.
- **The Steering Committee:** To provide the necessary resources to areas to ensure that the ICFR guarantees the integrity and reliability

#### 3.2 Second Line of Defense

The main responsibility of the second line is to monitor and report the operation of the ICFR, to provide an overview of the ICFR for decision-making and to give support to the functional areas for its correct implementation and development. Also, it is responsible for coordinating the implementation and monitoring of the ICFR with the aim of generating efficiencies between the activities of different departments.

The major tasks to be developed by the second line of defense are:

- **Internal Control Function:** To develop the methodology and policies of risk management and internal control of the Company. To be coordinated with the functional areas of the Company in order to monitor and report the internal control system. To coordinated in order to develop and implement the Code of Ethics, the model for the Prevention of Crime and the Ethical Line of the Company, together with the Compliance Committee.
- **Compliance Committee** (formed by the Compliance, Legal and HR areas): To be coordinated to develop and implement the Code of Ethics, the model for the Prevention of Crime and the ethical line of the Company, Together with Internal Control.

### 3.3 Third Line of Defense

The main responsibility for the third line is the supervision of the Internal Control System, verifying their proper functioning, prioritizing the areas of supervision and following up on the detected incidents.

The major tasks to be developed by the third line of defense are:

- **Internal Audit function:** The Internal Audit function is responsible for the preparation of the Internal Audit Plan, which includes the tests necessary to verify the compliance of the manuals, procedures and policies related to the ICFR. Among other aspects are the following functions related to the organizational model of the ICFR:
  - To run tests on the internal audit and to report its conclusions to Upper Management and Board of Directors, including the internal control's identified weaknesses, recommendations for improvement and the general conclusions of the annual audit plan.
  - To be coordinate with the external auditors in order to review the internal control weaknesses identified by them.
  - To seek approval from the Board of Directors a report on the policy of control and risks management that identify at least: (i) the different types of risks facing the Company, including the financial or economic, contingent liabilities and other off-balance sheet risks; (ii) establishment of risk level that the Company deems acceptable; (iii) the measures envisaged to mitigate the impact of the identified risks, if it is to be materialized; (iv) and information and internal control systems that will be used to control and manage the risks referred to above, including contingent liabilities or off-balance sheet risks.
  - With regard to the internal control and information systems: (i) to monitor the elaboration process and the integrity of the financial information relating to the Company reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting principles; (ii) to review periodically the internal control and risk management systems, so that the main risks are properly identified and known; (iii) to ensure the independence and effectiveness of the internal audit function, proposing the selection, appointment, re-election and dismissal of the person responsible for the internal audit service, as well as the budget for that service, receiving regular information on their activities and verifying that senior management takes into account the conclusions and recommendations of its reports; (iv) and to establish and supervise a mechanism that allows employees to communicate confidentially and, if considered appropriate, anonymously potential, especially financial and accounting irregularities that are notified within the company.
  - To serve as a channel of communication between the Board of Directors and the External Auditor of the Company, evaluating the results of each audit, also corresponding it in relation to the External Auditor, to receive regularly the information from the External Auditor about the audit plan and the results of its implementation, and to verify that upper management takes into account its recommendations in accordance with the applicable regulations.
- **Board of Directors:** The Board of Directors is responsible for the existence and maintenance of an adequate and effective ICFR, particularly the following functions:
  - To approve the general policies and strategies of the institution, and in particular the policy of risk management and control, identifying the main risks of the Company and implementing and following up on internal control and appropriate information systems, in order to ensure their future viability and competitiveness, making the most important decisions for its better development.

With this purpose, the Company has developed an Internal Control Manual, which details the methodology of the associated risk assessment and control activities.

- To ensure the quality of the information provided to shareholders, relevant partners, and, where



applicable, markets.

- The supervision of the internal audit function.
- To approve the Regulations or Internal Codes of conduct.

In this regard, the Board of Directors is ultimately responsible for the existence of an adequate ICFR in the Company.

This Organizational Model and the ICFR structure, the mechanism that the Board of Directors, and by delegation, the Internal Audit function, considers it appropriate and sufficient to ensure the integrity, reliability, proper presentation and validity of the financial information of the Company.