
Good Governance Code

EL SARDINERO, S.A.



2023



TABLE OF CONTENTS

1.	INTRODUCTION	3
2.	COMPANY BACKGROUND AND STRUCTURE	4
3.	GENERAL SHAREHOLDERS' MEETING	5
4.	BOARD OF DIRECTORS	7
5.	CONFLICTS OF INTEREST	12
6.	CORPORATE CODE OF CONDUCT	14
7.	INTERNAL CONTROL AND RISK MANAGEMENT	15
8.	CORPORATE SOCIAL RESPONSIBILITY	18
	APPENDIX I	20
	APPENDIX II	21

1. INTRODUCTION ♦

El Sardinero, S.A., a hotel group owned by the Álvarez family, manages four hotels in the cities of Santander and Madrid, characterised by their excellent location and quality of service.

The hotels, located in tourist areas of great interest, have a 4-star category. In the company, excellence in service and quality of accommodation are fundamental pillars, always bearing in mind the importance of sustainability and social responsibility.

Good governance is an essential factor that generates value, improves economic efficiency and reinforces the trust of our stakeholders. These consequences are materialised in the so-called "Virtuous Circle of Sustainability", the Good Governance-Compliance binomial, which achieves the efficient allocation and use of resources, the prevention of sanctions and the avoidance of distractions in emergency situations.

The Code of Good Governance is made up of the principles, rules and good practices that govern the governance and management of the company. It also reiterates the existing commitment to respect ethical principles, which are mandatory criteria for the interpretation and application of this Code.

The corporate governance guides described in this Code complement the contents of the Corporate Bylaws of each company within the Armando Alvarez Group. Following the corresponding bylaws and applicable legislation framework, the Group implements this Code of Good Governance.

2. COMPANY

BACKGROUND AND STRUCTURE

El Sardinero, S.A. consists of 4 hotels located in Madrid and Santander and a series of properties for commercial or residential rental. The company's main activity is the provision of hotel services, comprising accommodation and catering services.

The hotels provide four types of services to individuals, groups and companies:

- a) Accommodation
- b) Restaurant and/or cafeteria service
- c) Hiring of rooms for celebrations (including catering service)
- d) Rental of rooms and halls for business meetings.

The Solvay Casino restaurant provides catering services exclusively for Solvay employees and also has a small lottery sales point on the premises.

The commercial premises and the rented building are only real estate assets of El Sardinero, S.A. and are therefore not considered in the description of its activity.

The Group's governing bodies are the General Meeting of Shareholders and the Board of Directors.

3. GENERAL

SHAREHOLDERS' MEETING

- i. The General Shareholders' Meeting is the body that, among other duties, makes decisions regarding amendments of bylaws, appoints and dismisses directors, controls company management, approves the accounts and the application of profits, increases or reduces the corporate capital, as well as all of the activities of transformation, merging, splitting, dissolution or extension of the term of the company.
- ii. The various branches of the Álvarez Ribalaygua family are represented at the General Shareholders' Meeting of the El Sardinero, S.A. company.
- iii. The Corporate By-Laws determine the nature of shareholder, the corporate capital, number of shares and their nominal value. These shares are fully subscribed and paid-up.
- iv. The General Shareholders' Meeting always operates under principles of transparency, trust, account rendering and proper information. To this end, there is a channel of communication with the shareholders who require certain information.
- v. Shareholders may also request, seven days prior to the meeting and in writing, any information or clarification that they deem necessary on the matters comprised on the agenda, or send in writing any questions they deem pertinent. During the General Meeting, the Company shareholders may verbally request any information or clarification they deem convenient regarding the matters comprised on the agenda. If it were not possible to comply with the shareholder's right at that time, the directors are obliged to provide the information requested, in writing, within seven days after the Meeting.

- vi. The ordinary and extraordinary General Meetings are convened with at least one month's notice in advance through the legally established channels and notices. Shareholders who represent at least five percent of the corporate capital may ask for an addition to the summons to the General Shareholders Meeting to be published to include one or more items on the agenda. This right must be exercised by due notification and must be received at the corporate headquarters within five days after the summons to the meeting is made public.
- vii. The company provides the exercise of the right to attend and participate in the General Shareholders' Meeting under equal conditions, by proper communication of the summons.
- viii. Those matters that are substantially independent of each other shall be voted on separately at the General Meeting. In any case, even if these issues appear in the same item on the agenda, they must be voted on separately:
 - a) The appointment, ratification, re-election or dismissal of each director.
 - b) In the amendment of corporate by-laws, each article or group of articles that have their own autonomy.
 - c) Those matters that are so provided for in the company by-laws.
- ix. According to the by-laws, the holders of 50 or more shares, which are recorded in the register book of shareholders at least five days prior to the date of the Meeting, may attend the ordinary and extraordinary General Shareholders' Meetings. At the request of the Meeting, company employees, producers, executives and other technical professionals with the company and anyone who is of interest to the proper operation of the corporate affairs, may attend the meeting with the right to speak but not to vote.
- x. The governing bodies of Armando Alvarez, S.A. are in favour of the participation in the Meeting by minority partners, and to this end they contemplate the possibility that those shareholders who hold less than fifty shares may group together to reach this number, and appoint representation to one of them, or to another shareholder who is entitled to attend the Meeting.
- xi. Shareholders who do not attend the Meeting in person may grant their proxy to another shareholder, provided that the sum of this shareholder's own shares plus the proxies held for the meeting reach fifty.

4. BOARD OF DIRECTORS

COMPOSITION AND STRUCTURE OF THE BOARD

- i. El Sardinero, S.A. Board of Directors, subject to the legal regime corresponding to its structure, holds the company's power of representation and may carry out everything that is comprised within the corporate object, performing all types of acts and contracts, administration, disposal or acquisition in fee simple, main or accessory, and especially all types of assets and rights. It may also carry out any faculties that are not reserved by law or by-laws to the General Meeting.
- ii. The Board is comprised of directors who are elected in a General Meeting. The term of the position as director is five years, and they may be re-elected one or more times for the same period of time.
- iii. The composition and structure of the Board of Directors is established in appendix I to this Code.
- iv. The company's administration is entrusted to the Board of Directors. The General Meeting may not give instructions to the Board or require the Board to obtain its authorisation to make decisions or agreements regarding company management.
- v. The policy to select directors will promote the diversity of knowledge and experience, always prioritising maintaining its family-oriented nature. No company within the Armando Alvarez Group discriminates candidates from participating in the Board due to issues of gender, age, or any other criteria.

- vi. The reasons for dismissal and resignation of the directors do not condition their freedom of criteria, they protect the company's reputation and credit, they take into account the change in circumstances that arise and guarantee stability in the position for the independent Directors who remain in this position and fulfil their duties.
- vii. If a director is involved in circumstances that may affect the company's credit or reputation, the necessary steps will be taken to clarify the facts and, where applicable, they will be removed from their duties.

OPERATION OF THE BOARD OF DIRECTORS

- i. The Board of Directors assumes, collectively and individually, direct responsibility for the company administration and the supervision of company management, with the common goal to promote the corporate interest. It also maintains an honest and upright conduct in all of its actions, as established in the commitment declaration contained in appendix II to this Code.
- ii. The Board of Directors shall enforce compliance with the social and ethical obligations, and it must act in good faith in its relations with its employees and third parties. The Board of Directors must also ensure that the people who hold the power for decisions are subject to counterweighting and controls.

- iii. Duties of the Board of Directors that cannot be delegated:
 - i. Supervision of the effective operations of the committees that it created and of the actions of the delegated entities and executives that it appointed.
 - ii. Determination of the company's general policies and strategies.
 - iii. Authorisation or exemption of the obligations derived from the duty of loyalty, in accordance with article 230.
 - iv. Its own organisation and operation.
 - v. Production of the annual accounts and their presentation to the general meeting.
 - vi. Production of any type of report required by law from the administration body, provided that the operation referred to in the report cannot be delegated.
 - vii. Appointment and dismissal of the company's CEOs, as well as establishment of the conditions of their contract.
 - viii. Appointment and dismissal of the executives who are directly under the Board of Directors or of any of its members, as well as the establishment of the basic conditions of their contracts, including their compensation.
 - ix. Decisions pertaining to the compensation of their directors, within the framework of the by-laws and, where applicable, pertaining to the policy of compensations approved by the general meeting.
 - x. Convening of the General Shareholders' Meeting and production of the agenda and proposed resolutions.
 - xi. The policy pertaining to its own shares or shareholding stakes.
 - xii. The powers that the general meeting had delegated to the Board of Directors, unless it expressly authorised for them to be sub-delegated.
- iv. The directors will dedicate enough time for the efficient performance of their duties and to become familiar with the company's business and its governance rules, coordinating the orientation and updating programs that the company organises.
- v. The Board of Directors will meet often enough for the proper development of their duties to manage and supervise the management team and the delegated entities, at least four times per year, with all of them in attendance, or an ample majority of its members. In order to increase attendance and make it more flexible, the directors may be represented by other directors, and their right to vote may be conferred.
- vi. The Board meetings are convened by the Chairman, at their own initiative or at the request of two or more members.

- vii. The directors will have information enough and suitable for them to perform their duties and they will be entitled to obtain the necessary consultancy from the company.
- viii. The Chairman of the Board of Directors is key in the good corporate and family governance of the company. They have the responsibility to promote the proper running of the Board, ensuring that its members receive the necessary information, actively participate and commit to their jobs. The Chairman will also have the casting vote in the event of a tie.
- ix. The Secretary of the Board is the person in charge of ensuring the formal and material legality of the Board's actions, of checking that the by-laws comply with regulations and of ensuring observance of the company's corporate-governance principles and of the rules of the Board and General Meeting Regulations. They will also keep the documentation of the Board of Directors, record the meeting sessions in the books of minutes and certify the content and the decisions taken in the sessions. The Secretary shall assist the Chairman so that the directors receive the information that is relevant to their duties with enough notice and in the proper format.
- x. The directors shall fulfil and perform the duties assigned by law and by-laws with the diligence of an orderly businessperson, taking into account the nature of the position and the duties attributed to each of them.
- xi. The directors shall dedicate enough time and will take the necessary steps to properly manage and oversee the company. In the performance of their duties, the directors have the duty to demand and the right to collect from the company any information that is suitable and necessary for them to fulfil their obligations.

- xii. The directors must fulfil their duties with the loyalty of a faithful representative, operating in good faith and in the company's best interest. A breach of the duty of loyalty will lead not only to the obligation to compensate for damage caused to the corporate assets, but also to return to the company any illicit gain obtained by the director.
- xiii. The compensation for the directors established in the corporate by-laws is in reasonable proportion to the importance of the company, the economic situation at any given time and the market standards of comparable companies.

The compensation system is aimed at promoting long-term profitability and sustainability, including the necessary caution to avoid excessive risk-taking and compensation for unfavourable results.

- xiv. The Board of Directors itself shall establish the specific amount to be received by each of the directors for each financial year, adjusting the amount to be received by each of them depending on whether they belong to delegated bodies of the Board, on the positions they hold within it or, in general, their dedication at the service of the Company, and it may be received as a lump sum or in several payments.

In addition to the above compensation for their dedication to the service pertaining to their position, those directors who have executive duties will also be entitled to receive compensation for the performance of such duties, with the requirements established by the Spanish Company Law.

All this notwithstanding the compensation agreed to for the performance of work for the company, regardless of the performance of the management and representation duties inherent to their position as directors.

5. CONFLICTS OF INTEREST

All members of the El Sardinero, S.A. shall avoid any situation that may be interpreted as a “conflict of interest” as the basic operating principle.

There is a conflict of interest the moment when the private interests of the shareholders, directors, executives or employees are not in alignment with those of the company, interfere with their obligations or lead them to act by motivations other than the fulfilment of the responsibilities they have assigned to them with the company.

The duty to avoid situations of conflicts of interests obligates the director to abstain from:

- a) Performing transactions with the company, unless they are ordinary transactions, made under standard conditions for clients and not significant, understanding as such those that do not require information to express the true picture of the company’s assets, financial situation and profits.
- b) Using the name of the company or rely on their position as director to unduly influence the performance of private transactions.
- c) Using company assets, including confidential company information, to private purposes.
- d) Taking advantage of the company's business opportunities.
- e) Obtaining advantages or compensation from third parties other than the company and its group associated to the performance of their position, unless these are merely courtesy token gifts.
- f) Carrying out activities themselves or employed by others that involve effective competition, whether actual or potential, with the company or that, in any other way, place them in a position of permanent conflict with the company's interests.

These cases will also be applicable in the event that the beneficiary of the forbidden actions or activities is a person close to the director.

In any case, the directors must inform the other directors and, where applicable, the Board of Directors, of any situation of direct or indirect conflict that they, or persons close to them, may have with the company's interests.

6. CORPORATE CODE OF CONDUCT

The Sardinero, S.A. Code of Conduct identifies the desirable conduct standard for all corporate activity. It is comprised of a series of principles and values that govern operations within the organisation. This is an internal regulation defined by the Board of Directors as a maximum-level commitment.

The target group are, on the one hand, all those who provide services in the company as directors, executives and workers, who must adapt their conduct to the standards established in the Code of Conduct.

On the other hand, representatives, agents, brokers and other individuals or legal entities that usually collaborate with the company, act in the interest of or in name and on behalf of the company, are also the target group.

The principles and values to which El Sardinero, S.A. is committed at the highest level and which inspire the Code of Conduct are:

- i. Legal compliance
- ii. Integrity and objectivity in corporate actions
- iii. Respect for people
- iv. Health and physical integrity protection
- v. Correct actions on the international markets
- vi. Information processing and usage
- vii. Efficient management
- viii. Quality
- ix. Environmental protection

7. INTERNAL CONTROL AND RISK MANAGEMENT

El Sardinero S.A. risk management system comprises all of the companies that belong to it. This system is part of the strategic planning process, in defining objectives and in daily operations.

The Executive Committees have the purpose to monitor the most significant strategic risks.

The Internal Auditing department performs an important surveillance role regarding both internal compliance with applicable regulations and financial monitoring by area. On the other hand, the Regulations Compliance department provides training on regulatory updates and other relevant risks according to the general and current needs.

The certified management systems have in place provide their own systems for identification, prevention and mitigation of risks by areas and processes, which are monitored by the department heads.

El Sardinero, S.A. apply a series of controls and rules to minimise the risks inherent to their activity and reach an acceptable level of residual risk. They also take different steps to mitigate risks in the event that they materialise.

8. CORPORATE SOCIAL RESPONSIBILITY

- i. The company practises a proper corporate social responsibility policy as a duty of the Board of Directors that can not be delegated, offering sufficient transparent information on its development, application and profits.
- ii. El Sardinero, S.A., given its family-oriented nature and its long-term vision, maintains a clearly-defined sustainability philosophy defined in its reinvestment policy and in relations with stakeholders. This sets the stage for responsible growth.
- iii. The company bases its corporate social responsibility actions around its main stakeholders. This allows the company to respond to stakeholder s' expectations and maintain a dialogue with each of them.

WORKFORCE. El Sardinero, S.A. has a low employee turnover that is a reflection of the mutual commitment and loyalty between management and employees. Dialogue and negotiations with employee representatives are a principle of El Sardinero, S.A. It also supports employee professional development through systems that identify training needs and regular training monitoring. Beyond this, the company has communication processes at all levels, with two-directional information flow, which makes it easier to create a common goal and to better manage expectations. Social and employee issues have become a priority, and health and safety in the workplace have become especially relevant aspects.

CLIENTS. Our clients are at the centre of the company's philosophy, which is structured around guaranteeing a responsible, comprehensive and safe supply, with its companies complementing each other. The company's relationship with its clients is based on developing close connections over the long-term.

SHAREHOLDERS. The profit distribution proposal will follow the company's conditions, and there is a clear opposition to any proposal contrary to the company's interests. On the other hand, shareholders will be treated equally, their legitimate rights will be observed and they will be informed on the company's status.

SUPPLIERS. Along with its suppliers, the company is developing more sustainable supply protocols. Through its Ethical Commerce Initiative, El Sardinero, S.A. takes responsibility for the responsible actions of the organisations comprised in its supply chain. The organisations that are hired to provide services or supply goods must accept and sign the Ethical Commerce Initiative.

LOCAL COMMUNITY. The company promote principles and values in the different towns where they are present. At a community level, it participates in union, sector or national affairs. El Sardinero, S.A. also aims to improve quality of life and uses technology that poses a lower risk to the environment. In addition, given that we employ a significant number of people from the surrounding areas, this leads to promoting further social development through collaborations with local agencies and associations. The company acknowledges the environment as a priority within its activity, fully assuming the responsibilities in an orderly and sustainable fashion.

PUBLIC ADMINISTRATION. The company's conduct is to always observe the rules and to collaborate with institutions and authorities in their initiatives. El Sardinero, S.A. maintains an ongoing dialogue with the Government and cooperates in the supervisory activities they carry out on the company.

APPENDIX I

The Board of Directors of El Sardinero, S.A. is comprised as follows:

Mr. José Ramón Álvarez Ribalaygua
Chairman - CEO

Ms. María Álvarez
Ribalaygua
First Vice-President

Mr. Gonzalo Gómez
Arozamena
Second Vice-President
CEO

D^a. Ana Álvarez
Aldomá
Third vice-president

Mr. Armando Álvarez
Ribalaygua
Board Member

Mr. Jorge Prieto
Álvarez
Board Member

Ms. Elena Álvarez
Ribalaygua
Board Member

Mr. Alfonso
Salcines
Correa
Secretary

APPENDIX II

DIRECTORS' DECLARATION OF COMMITMENT

El Sardinero, S.A. undertakes to strictly comply with current laws in those places where it carries out its activities, to fully respect the obligations and commitments undertaken in its contract relationships with third parties, and to know and comply with the laws and regulations that affect its respective areas of activity.

No Sardinero employee will consciously collaborate with third parties in breaching any law whatsoever, nor will they participate in actions that compromise observance of the principle of legality.

El Sardinero, S.A. undertakes to maintain an honest and comprehensive conduct in all of its actions, avoiding any type of corruption and respecting at all times the specific circumstances and needs of all persons involved in the Group's corporate and professional activities.

The members of the El Sardinero, S.A. governing body state their commitment to a **"zero tolerance"** policy with crime. Within this context, they reaffirm their strict opposition to any type of illegal or criminal action and their full commitment to making available all means to detect, prevent and punish fraudulent actions and behaviours by their legal representatives and by those who are authorised to make decisions on behalf of company or who hold powers in the organisation and control of its employees, executives or any other person subject to their authority, as well as to maintaining at all times a corporate culture based on honesty and ethics.



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