Colonial

Integrated Annual Report
2020

Colonial

Integrated Annual Report

2020

UN GLOBAL COMPACT

COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Summary

01
Key Highlights

Key Highlights

€11.27/share
Resilient Net Tangible Assets / Net Asset Value

€12bn
Gross Asset Value +1.2% like-for-like

€ 27.06cts./share
Net recurring EPS

€138M
Net recurring results

€340M
Gross Rental Income

€318 M (+2%)
Net Rental Income like-for-like

+3%
Net Rental Income office portfolio like-for-like

99%[1] (100% in Paris)
Collection rates in offices in 4Q 2020

95% (97% in Madrid)
Solid occupancy levels

> €600M
Disposals of more with double-digit premium over GAV[2]

63% anual
Renewable energy +467pb

93 %
Energy certifications

–19%
Energy intensity reduction LFL 20/19

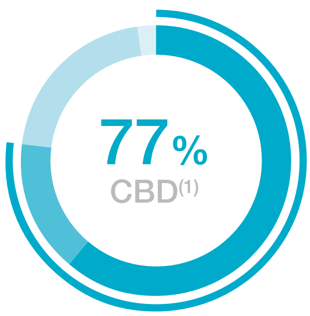
–50%
GHG emissions intensity (Scopes 1&2) - LFL 20/19

27% +4 pp
Women on the board

(1) Collection Rate Q4 2020.
(2) Part of the volume of divestments in the Alpha V program, €282M, was registered at the beginning of the first quarter of 2021.

Note: Logistics and other centres are not included.

Office valuation
by district



• Prime CBD • CBD • BD • Other

Valuation
by market

• Barcelona • Madrid • Paris • Other

Rating S&P

BBB+

Highest real estate rating
in Spain

LTV

36%

With a liquidity
of more than €2.309M

(1) CBD Barcelona includes the assets of the 22@ market segment.

EPRA Performance Measures Summary Table

As at 31 December

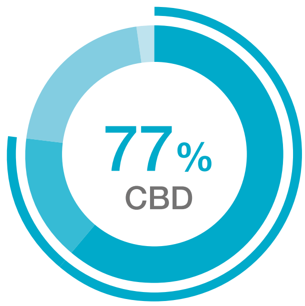
	12/2020		12/2019	
	€m	€ per share	€m	€ per share
EPRA Earnings	133	0.26	142	0.28
EPRA NTA	5,728	11.27	5,825	11.46
EPRA NDV	5,195	10.22	5,348	10.53
		2020		2019
EPRA Net Initial Yield		2.9%		2.8%
EPRA "topped-up" Net Initial Yield		3.1%		3.2%
EPRA vacancy rate		4.8%		2.4%
EPRA Cost ratio (including vacancy costs)		20.1%		20.4%
EPRA Cost ratio (excluding vacancy costs)		18.7%		19.1%

EPRA: European Public Real Estate Association: Association of listed European property companies that sets best market practices for the sector (www.epra.com)

Solid Asset Value sustained by a diversified office strategy with focus on prime

Financial Highlights	2020	2019	*Var.*	*LFL*
Net Tangible Assets (NAV) - €/share	11.27	11.46	*(1.7%)*	
EPS recurring - €Cts/share	27.06	27.40	*(1.2%)*	
Gross Rental Income - €m	340	352	*(3%)*	*(1.1%)*
Net Rental Income - €m	318	322	*(1%)*	*+2%*
Recurring Net Profit - €m	138	139	*(1%)*	
Attributable Net Profit - €m	2	827	*n. a.*	
GAV Group - €m	12,020	12,196	*(1.4%)*	*+1.2%*
Net Tangible Assets (NAV) - €m	5,728	5,825	*(1.7%)*	

Unique exposure to Prime



Operational Highlights	
EPRA Vacancy	4.8%
"Collection Rate" Ofices[1]	99%
Release Spread[2]	+17%
Barcelona	+45%
Madrid	+15%
Paris	+6%
Rental Growth[3]	+6%
Barcelona	+6%
Madrid	2%
Paris	+9%

Resilient Net Tangible Assets / Net Asset Value of €11.27/share

- Net Tangible Assets including dividend of €11.47/share, stable compared to the previous year
- Net Reinstatement Value of €12.20/share

Gross Asset Value of €12bn, +1.2% like-for-like

- Paris +4% like-for-like year-on-year and +3% like-for-like in 2H 2020
- Madrid & Barcelona (3%) like-for-like year-on-year and (1%) like-for-like in 2H 2020

Stable net recurring results compared to the previous year

- Net recurring EPS of €27.06cts/share
- Net recurring results of €138m

Solid Gross Rental Income and Net Rental income

- Gross Rental Income of €340m, (1%) like-for-like
- Net Rental Income of €318m, +2% like-for-like
- Net Rental Income office portfolio +3% like-for-like

Stable operating fundamentals

- Collection rates of 99%[1] in offices in 4Q 2020 (100% in Paris)
- Solid occupancy levels of 95% (97% in Madrid)
- Capturing rental price increase
  - +6% *vs.* ERVs at 12/191[3]
  - +17%, release spread[2]

Active management of the portfolio with a premium over NTA

- Disposals of more than €600m with double-digit premium over GAV[4]
- Acceleration of the disposals in 4Q 2020 (Alpha V)[4])
- Pre-letting of 3 out of the 9 projects in the project portfolio (Marceau 100% pre-let in 2020)

A strengthened balance sheet

- LTV 12/20 of 36% with a liquidity of €2,309m
- LTV pro-forma of 34.8% including the Alpha V[4] disposals
- S&P rating of BBB+ confirmed (highest real estate rating in Spain)

Excellence in ESG

- GRESB 2020 Rating of 90 points, +17% *vs.* previous year
- CDP 2020 Rating of A– confirming leadership in decarbonization
- Sustainalytics, Vigeo & MSCI 2020 Ratings at the high end

(1) Collection levels Q4 2020.
(2) Signed rents on renewals *vs.* previous rents.
(3) Signed rents *vs.* market rents at 31/12/2019 (ERV 12/19).
(4) Part of the volume of divestments in the Alpha V program, €282M, was registered at the beginning of the first quarter of 2021.

02
Highlights 2020

2.1. Annual results

Net Tangible Asset/Net Asset value (NAV) of €11.27/share, €11.47 including the paid dividend, in line with the previous year

Colonial closed 2020 with a **Net Tangible Assets (NTA) of €11.27/share**. Including the dividend paid of €0.20/share, it amounted to €11.47/share, stable compared to the NTA (NAV) of €11.46/share from the previous year (+0.1%).

The stable evolution of the NTA (NAV) is underpinned by the defensive performance of the value of the assets. It is worth highlighting the increase in value of the Paris portfolio that has compensated for the slight correction of the Madrid and Barcelona portfolios.

Among the main aspects that explain the evolution of the NTA (NAV), it is important to highlight:

1. Growth of +4% like-for-like in 2020 of the asset portfolio in Paris.
2. Successful management of the project portfolio with high levels of pre-letting.
3. Resilient execution of the contract portfolio, exceeding ERV's of the previous year.
4. Generation of stable cash flow maintaining recurring results of €27cts/share.
5. A favorable situation in the investment markets for prime assets, especially in the second half of 2020, enabling disposals with a double-digit premium over GAV.

The high interest by the investment market for core CBD assets, with an increase in transaction volumes and prices in the second half of the year, enabled a favourable evolution of value in the second half of 2020. This compensated for the slight correction of the NTA in the first half, closing the year with stable Net Tangible Assets, including the dividend paid.

Gross Asset Value of €12,020m +1.2% like-for-like (Paris +4% like-for-like)

The gross asset value of the Colonial Group at the close of 2020 amounted to €12,020m (€12,631m including transfer costs), showing an increase of +1.2% like-for-like compared to the previous year. Including the disposals registered in 2020 for €313m, the value of the assets has decreased by 1%.

The variation in the second half of 2020 amounted to +1.3% like-for-like, compensating the correction in the first half of 2020.

The Barcelona and Madrid asset portfolios saw a slight correction of (3%) like-for-like. This correction was mainly concentrated in the first half of the year, with a variation of (2%) like-for-like, given that in the second half of the year the correction was negligible at (1%) like-for-like.

In Paris, the portfolio value increased +4% like-for-like, thanks to the robust nature of the prime portfolio in Paris and the progress in the project portfolio. After an increase of +1% in the first half of the year, noteworthy is the acceleration of the increase in value of the Paris portfolio of +3% like-for-like in the second half of the year, showing investors' interest in Prime assets in Paris.

The defensive performance of Colonial's asset portfolio is underpinned by:

1. The high concentration in prime CBD locations with strong fundamentals, enabling a higher protection in recessive cycles and a better growth profile in upward cycles.
2. The high quality of the buildings that enables attracting clients with maximum solvency and high loyalty indices.
3. A successful diversification strategy that optimizes the risk profile of the portfolio, as shown in the 2020 results, where the Paris assets have compensated for the slight value correction in Barcelona and Madrid.
4. An industrial approach on value creation through the repositioning of assets, creating Alpha real estate value that creates a differential in the market and offers a more defensive positioning.

Recurring Net Profit of €27cts/share

The **Colonial Group** closed **2020** with **a net recurring profit of €138m, in line with the previous year**.

Net recurring EPS amounted to €27.06cts/share

The slight decrease in recurring net results of (€1.7m), (1%) vs. the previous year, is mainly due to the disposal of non-strategic assets, mainly carried out in the second half of 2019 and 2020. These disposals have resulted in an impact of lower rents on the recurring profit of €9m.

Consequently, the recurring profit per share, excluding the above-mentioned non-strategic asset sales, would have been €28.83cts/share, which represents an increase of +5% year-on-year in comparable terms.

The net result of the Group amounts to €2m, including the value variation of the assets registered at 31 December 2020 as well as the impact of asset sales and other non-recurring impacts.

Solid like-for-like increase of Net Rental Income

Colonial closed 2020 with **€340m of Gross Rental Income, and Net Rental Income (EBITDA rents) of €318m**.

The **Gross Rental Income in 2020** decreased 3%, mainly due to the disposal of non-strategic assets.

In like-for-like terms, adjusting for investments, disposals and variations in the project and renovation pipeline and other extraordinary items, the Group's gross rental income corrected only by 1%, mainly in previous years levels of revenues.

The net rental income (EBITDA rents) increased +2% in like-for-like terms (+3% like-for like in the offices portfolio).

GROSS RENTAL INCOME FROM THE OFFICE PORTFOLIO INCREASED BY +1% YEAR-ON-YEAR

The increase in rents in the office portfolio is based on an increase of +2% in Barcelona and +15% in Madrid. Both cities have shown solid like-for-like rental growth of +5% and +3%, respectively.

The Gross Rental Income of the offices portfolio in Paris decreased by 6%, mainly due to the rotation of the project portfolio and lower activity in the business centres of Cloud and Eduard VII due to the pandemic. In like-for-like terms, the offices Gross Rental Income remained stable at (0.7%) like-for-like.

Highlighted is the growth in the office portfolios of both Madrid and Barcelona.

The Gross Rental Income from the offices portfolio in **Madrid increased +15%**, based on (1) a **like-for-like increase of +3.4%** together with (2) an increase in rental income of +11.4% due to an indemnity for the early exit of a client, as well as (3) a successful delivery of the assets of Castellana 163 and Jose Abascal 56.

The Gross Rental Income from the **Barcelona portfolio increased +2%**, mainly due to a **strong like-for-like rise of +5%**. Likewise, the rest of the income was affected by client rotation and disposals that were partially compensated by the acquisition of Parc Glories II the previous year.

The Gross Rental Income of the offices portfolio in **Paris decreased 6%**, mainly due to the rotation of the project portfolio and lower activity in the Cloud and Eduard VII business centres. Excluding this effect, **the Gross Rental Income like-for-like slightly decreased by (0.7%) like-for-like**.

The rest of the portfolio mainly corresponds to the Hotel Indigo in Paris, as well as the three secondary retail assets coming from the Axiare acquisition. All these assets, less defensive in the current crisis, have suffered a decrease in rental income amounting to €7m like-for-like.

2.2. Solid operational fundamentals

1. Solid take-up levels, capturing rental price increases

The Colonial Group's business performed with resilience in 2020, maintaining a solid take-up and high occupancy levels.

At the close of 2020, the Colonial Group had signed 77 rental contracts on the office portfolio corresponding to 97,363 sqm and annual rents of €36m. Of the total letting activity, 68% (66,440 sqm) corresponds to renewals, spread over the three markets in which the group operates, and the rest (30,924 sqm) corresponds to new lettings.

DOUBLE-DIGIT RELEASE SPREADS

The release spread (signed rents vs previous rents) was in high double digits in 2020, reaching +17%. These ratios highlight the defensive nature of Colonial's contract portfolio with significant improvement margins on current rents. Worth mentioning is the high increase in the Barcelona portfolio +45%, as well as the solid increase in Madrid +15% and Paris +6%.

STRONG RENTAL GROWTH

Compared with the market rent (ERV) at December 2019, signed rents **increased by +6% in 2020**. In **Barcelona**, rents were signed **at +6% above market rent 12/19,** in **the Paris portfolio, the increase in ERVs was +9%**, and the **Madrid portfolio was up +2%**.

With regard to the cumulative letting activity, worth highlighting is the **high volume signed in the Madrid market**, amounting to **44,592 sqm**, of which 37,556 sqm are renewals and 7,036 sqm correspond to new lettings. In **Barcelona, more than 28,911 sqm were signed**, of which 18,308 sqm are renewals and 10,603 sqm correspond to new contracts on available surfaces.

In **Paris, 23,861 sqm were signed**, of which 10,576 sqm were renewals and 13,284 sqm correspond to new contracts. Of these new contracts, it is worth mentioning that 9,586 sqm correspond to **the Marceau project**, an asset 100% pre-let during the COVID-19 pandemic. In terms of renewals, of special mention is the almost 6,000 sqm on the Edouard VII asset, as well as the more than 2,600 sqm on the Cézanne Saint Honoré asset.

LETTING PERFORMANCE DURING THE PANDEMIC

The volume of signed contracts in the COVID-19 period (2nd, 3rd, and 4th quarters of 2020) is above the volume signed in the first quarter of 2020 (pre-COVID period), with high rental prices in the signed contracts.

In the first quarter of 2020 (pre-COVID), close to 14,000 sqm were signed. This figure was exceeded in each of the following quarters, with a letting volume of close to 30,000 sqm per quarter, specifically 28,709 sqm in the second quarter, 26,600 sqm in the third quarter and 28,516 sqm in the fourth quarter.

The release spread[1] in the COVID-19 period was at +17%, a high double-digit level compared to the pre-COVID situation. Highlighted are Barcelona with an increase of +44% and Madrid with +15%.

Rental growth during the COVID-19 period was at +5%, boosted by Paris with +10% and Barcelona with +5%. Madrid was at +2%, due to a contract renewal that was carried out with a slight correction. Excluding this contract, the rest of the portfolio increased +7% compared to the market rents at December 2019.

2. Solid occupancy levels

At the close of 2020, the **total vacancy of the Colonial Group stood at 4.8%**, a vacancy rate in line with recent quarters, although above the ratio one year ago. Of special mention is the improvement in the Madrid office portfolio, reaching 3%.

The financial vacancy of the Colonial Group's portfolio is shown as follows:

In the **office portfolio in Madrid** the vacancy rate decreased down to **3.1%, improving by +120 bps compared to the previous year**, mainly due to the 100% occupancy in the Josefa Valcárcel 40 bis asset, among others.

(1) Signed rents on renewals vs. previous rents.

The **Barcelona office portfolio** has a **vacancy rate of 4.6%**, a rate in line with the last quarters, but shows **an increase of +262 bps compared to the rate from one year ago**, mainly due to the client rotation in various assets and new entries into operation.

The **office portfolio in Paris** has a **vacancy rate of 5.6%**, which has increased with respect to the close of 2019, mainly due to the entry into operation of the completed refurbishments on the 103 Grenelle and Edouard VII assets. This new entry into operation, offers a future source of potential cash flow from additional rents, given that they represent a top-quality offer in the centre of Paris, currently scarce in the market. **Excluding the Grenelle asset, the vacancy rate in Paris is 3%**.

3. Client portfolio and COVID-19 negotiations

The Colonial Group has a portfolio of clients diversified between sectors with high levels of loyalty, permanency and solvency.

This great resilience of the client portfolio has been the base for which **the collection rate[1] levels in Q4 2020 have remained high at 99% for the office portfolio (100% in Paris)**.

Due to the COVID-19 crisis, the commercial team of the Colonial Group has analysed and negotiated deferral systems or, in exceptional cases, allowances for the payment of rents with a special focus on all the companies that are having financial difficulties as a result, and in the framework, of the limitation of the development of their activities in the commercial and leisure sectors.

41% of the Colonial Group's clients had discussions with the commercial team. To date, all the negotiations related to the first and second wave have finalized.

The impact of these agreements reached 4.5% of the annualized passing rents[2] as of 31 December 2020.

It is worth mentioning that in exchange of those agreement, extension of the contract maturities have been signed, improving the average maturity of the contract portfolio.

The impact of the agreements in the 2020 Profit and Loss account amounted to €6m.

(1) Collection rates for Q2 – Q4, Covid-19 quarters.
(2) Annualized topped-up passing GRI as of 31/12/2020.

2.3. Project delivery with important advances

Evolution and progress in the project portfolio

Colonial continues with solid progress on project pipeline of 9 assets with more than 189,000 sqm located in the city centres of Barcelona, Madrid and Paris. Of the 9 current projects, 3 of them are fully pre-let to date.

Among the larger projects, highlighted are the 3 projects in Paris and Campus Méndez Álvaro, located in the south of the Castellana in Madrid. Two of the projects in Paris, Louvre Saint-Honoré and Marceau, are already 100% pre-let.

In addition in Madrid, worth highlighting are the projects of Velázquez 80 and Miguel Ángel 23, benchmark projects in the prime CBD in Madrid that will be delivered at the end of 2021. The pre-commercialization phase of the projects has begun and has received a very good response from the market. The main interest comes from clients in the financial services sector with demand exceeding 2,000 sqm.

The project in **Diagonal 525 in Barcelona** is in its final phase and its delivery is expected during the first quarter of 2021. This asset is **100% pre-let to Naturgy** at record rental prices in the prime CBD market of Barcelona.

Successful progress of projects - Marceau in the prime CBD of Paris

Marceau deserves special attention, **located a few metres from the "Place de l'Étoile" in the epicentre of the prime CBD in Paris**. The works are progressing at a good pace and the delivery date has not changed due to the pandemic. The high commercial interest in this project has led to a **pre-letting of 100% during the COVID-19 pandemic**.

During the most difficult period of the pandemic, Colonial and Goldman Sachs signed a pre-letting contract of 6,000 sqm, for 12 years, with a non-cancellable term of nine years. With this transaction, Goldman Sachs, one of the largest investment banking and securities groups in the world, intends to increase its presence in the Gaul country, enabling it to double the workforce of the company in Paris.

Additionally, in the third and fourth quarters, pre-let contracts were signed to occupy the two remaining floors, reaching 100% occupancy. Both contracts were signed under very good terms with regards to the rental price.

Successful delivery of projects - Castellana 163

In 2020, the Colonial Group successfully delivered the Castellana 163 project in the CBD in Madrid, making it a benchmark in the area.

The Castellana 163 building was acquired in the first quarter of 2017 through an off-market transaction at a very favorable price. Its total repositioning was carried out in phases as the client contracts expired.

The project, designed by Colonial, has maximized the rentable surface area of the building, increasing it by more than 1,000 sq m. Among the many technical characteristics of the project, noteworthy is the new façade that increases the natural light by 45% and the design of the two entrances, attracting prime clients.

From the beginning of the project, Castellana 163 was the object of great commercial interest by AAA clients and currently has an occupancy of 91%. The average rent of the rented spaces is more than €28/sqm/month, achieving a release spread of almost 100% (the average rent of the asset prior to the project was €14/sqm/month).

After completing the project and commercializing the spaces at rental prices above the ERV, the Company obtained a valuation of 1.8x times the cost of the project (acquisition cost + invested capex).

This real estate value creation is an example of the Alpha Value creation which enables extra returns for Colonial shareholders.

2.4. Successful execution of the disposal program

Disposals of more than €600m with double digit premium on GAV

In 2020, the **Colonial Group divested a total of €617m[1] of mature** and non-strategic **assets**, of which **€413m[1] correspond to the Alpha V program carried out at the end of 2020**.

Alpha V disposals - more than €400m in Q4 2020[1]

At the end of 2020 and the beginning of 2021, Colonial executed **the Alpha V project for €413m and a double-digit premium on last appraisal**.

This project includes the disposal of two mature office assets, an office asset in a secondary location, a relocated commercial asset and the collection of the last asset included in the sale of the logistics portfolio.

With these disposals, the Colonial Group exceeded the Capital market Day guidance on disposal volume for the rest of the year that stood at €300m.

At the end of 2020, the sale of Av. Bruselas 38 was signed in Madrid, an asset located in Arroyo de la Vega, a secondary area in Madrid. After finishing the project and renting it at market price with a long-term expiry, Colonial sold the asset crystalizing a significant premium on the total cost of the project (acquisition cost + invested capex).

In Paris, two disposals were carried out on mature core assets, 112 Wagram and 70 Percier, with a premium of +16% over valuation and a capital value of €20.000/sqm. These transactions show the investors' appetite for the Paris market, with special acceleration in the second half.

Additionally, Colonial sold the nom core retail asset Les Gavarres, coming from the purchase of Axiare, and executed the final settlement of the sale of the last asset in the logistics package within the agreement announced in August 2019.

(1) Part of the volume of divestments in the Alpha V program, €282M, was registered at the beginning of the first quarter of 2021.

2Q 2020 and 3Q 2020 disposals

In this context, in the second and third quarters of 2020 (in the middle of the COVID-19 period), the Colonial Group divested more than €204m in non-strategic assets corresponding to 11 buildings with a total surface area of 223,543 sqm above ground.

Specifically, part of the call option on the logistics portfolio, two secondary office buildings in Barcelona were sold, the Berlín-Numancia and the Plaza Europa, 40-42 assets, and the Hotel Mojácar was disposed of.

These transactions are being delivered under the framework of a capital allocation strategy of the portfolio, disposing of mature and/or non-strategic products in order to:

1. Optimize the quality and returns of the portfolio, further increasing the exposure to prime offices with interesting risk-adjusted returns.
2. Release capital to strengthen the capital structure and maximize Colonial's Total Shareholder Return.

2.5. ESG Strategy

1. Corporate Strategy & Decarbonization Strategy

The Colonial Group pursues a clear leadership in ESG, being a fundamental element of its strategy, prioritizing sustainable long-term returns, and based on a business model of high-quality products. Accordingly, the Colonial Group's Corporate Strategy has a central focus on maximum excellence in the fields of governance, social aspects and sustainable investment.

At the end of 2018, the Colonial Group created the **ESG Committee**, a body created to accelerate the operational implementation of the ESG strategic plan. This Committee is comprised of 7 members of Colonial's Executive Board.

In addition, and to accelerate the strategic leadership in ESG, Colonial constituted the **Sustainability Commission** at the end of 2020. This Commission is comprised of five members of Colonial's Board of Directors, namely Ms. Silvia M. Alonso-Castrillo Allain, Mr. Adnane Moussanif, Mr. Luis Maluquer Trepat, Ms. Ana Bolado Valle and Ms. Ana Peralta Moreno.

Furthermore, the Company is working on the implementation of the strategic plan for decarbonization. This plan implies the commitment of the Colonial Group so that by 2050, its entire office portfolio will be neutral in carbon emissions, and totally aligned with the Paris climate agreement of December 2015.

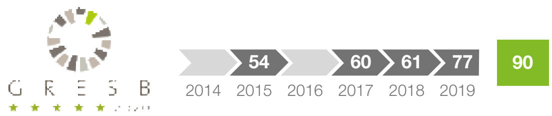
For the Colonial Group, this implies: (i) neutrality in carbon emissions by 2050 (ii) a 75% reduction in Scopes 1 & 2 by 2030 starting from 2015.

2. Important advances in the indexes

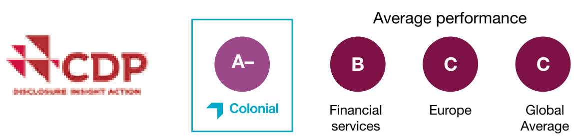
2020 was a very successful year in terms of ESG. Accordingly, the Colonial Group achieved some significant advances in the sustainability indexes:

1. Colonial has obtained the EPRA Gold sBPR rating for the 5th consecutive year, which certifies the highest reporting standards in ESG.

2. The Colonial Group obtained a rating of 90 out of 100 in the GRESB index 2020, placing it at the high end of the sector. This 5-star rating is above the average of its peers and has led to an increase of scoring by +48% in 2 years and +17% year-on-year (+13 bps).



3. Colonial has obtained a rating of A– from CDP 2020, confirming its leadership in decarbonization. This rating far exceeds the European regional average as well as the financial services sector average and has led to a strong year-on-year boost, increasing from C to A–.



4. Colonial has obtained a rating at the high end of the sector from Vigeo A1, placed in the top 5% of the 4,835 companies rated (9th of 86 within financial services). This rating exceeds the average of the sector in all KPIs of performance and risk management, with a major year-on-year boost.

A1

Rank in Sector	9/86
Rank in Regions	154/1601
Rank in Universe	169/4835

5. Sustainalytics has given Colonial a rating of 10.5 in ESG risk, placing it in the top 20 of the 420 listed real estate companies analysed. The agency highlights the good management of ESG policies in accordance with all the international standards.

SUSTAINALYTICS

6. MSCI, the reference rating for listed companies, has given Colonial an A on its ESG rating, one of the highest ratings internationally, in particular due to its very high standards in Corporate Governance.

MSCI

MSCI ESG RATINGS A

CCC | B | BB | BBB | A | AA | AAA

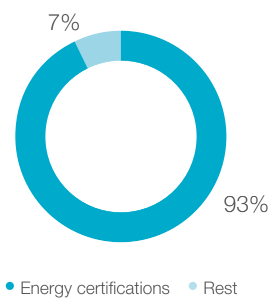
LAST UPDATE: December 11, 2020

3. Energy Efficiency - Certifications of the Colonial Group's asset portfolio

93% of the office portfolio has LEED and BREEAM energy certificates. This high level of certification places Colonial in a leading position in energy efficiency in Europe. Notably, €1,900 in assets have LEED certificates and €9,400m in assets have BREEAM certificates.

Additionally, SFL was placed in the rating of the BBCA 2020, positioning it among the top 10 project owners in 2020.

Portfolio with LEED / BREEAM[1] - Value



(1) Office portfolio operation.

4. Sustainable financing of more than €1,076m

In 2020, Colonial signed the refinancing of the two Revolving Credit Facility lines that were available in their entirety for the amount of €875m increasing its amount to €1,000m. The new credit line will be structured in two tranches with maturities at 5 and 5+1+1 years and is considered as sustainable as its margin is linked to the rating obtained by the GRESB agency.

To date Colonial has incurred in €1,076m of sustainable financing, reinforcing the message of the Group's commitment to ESG.

5. ESG Investment - Decarbonization Laboratory

The WittyWood building will have 4,100 sqm destined to office use. The project, which is a unique concept of office building in Spain, will have spaces equipped with the latest technologies. WittyWood is located on 42 Llacuna, in the heart of the 22@ district.

The WittyWood building will be built using wood as the primary material, an unprecedented case in the offices market in Spain. Timber engineering acts as storage for CO_2, consequently considerably reducing the emissions that impact global warming. In the construction phase alone, carbon emissions are reduced by 50%. Due to these characteristics, among others, the building will count on the maximum environmental certificates: LEED Platinum and WELL Platinum.

BNP PARIBAS NATIXIS
CaixaBank BBVA

Colonial will build the first office building in Spain made entirely of wood.

2.6. A solid capital structure

I. A strong balance sheet

At 31 December 2020, the Colonial Group had a solid balance sheet with an LTV of 36%, 100 bps lower than the previous year.

Including the Alpha V disposals registered at the beginning of 2021, the proforma LTV was below 35%.

The available liquidity of the Group amounted to €2,309m, an increase of more than €200m compared to December 2019. This liquidity enables the Group to assure their financing needs in the coming years and be able to cover all its debt maturities until 2024.

Throughout 2020, the two ratings agencies that qualify Colonial's debt, Standard & Poor's and Moody's, have confirmed Colonial's current rating in their reviews in April and in November of 2020.

Colonial has maintained a stable credit rating during the pandemic, in the face of various downward credit rating corrections in the European real estate sector.

II. Access to the debt market based on a solid rating

The Colonial Group has accessed the bonds and debt market, obtaining new financing for €2,000m in very favorable terms thanks to the high rating by Standard & Poor's and Moody's that underlines the defensive character of Colonial's business model.

Debt investors reacted very favorably as of April 2020, with the debt spreads trading at similar levels to pre-COVID times, following again the fundamentals and trusting the robustness of Colonial's balance sheet.

1. In June 2020, the Colonial Group successfully closed **a bond issuance for €500m** through its French subsidiary, SFL. The bonds have a **7-year maturity, with an annual coupon of 1.5%. Demand exceeded up to four times the issue volume** and was placed to quality European investors.
2. In October 2020, Colonial formalized a **bond issuance amounting to €500m**, listed on the Spanish stock market. The issue is structured over **8 years with a coupon of 1.35%** and maturing in October 2028. The **demand exceeded the issue volume by three** and was backed by more than 80 international investors with an institutional profile.

3. On 10th November 2020, Colonial formalized a new line of credit (Revolving Credit Facility, RCF) for €1,000m in substitution of the two RCF lines that it had available in its entirely for €875m. The signing of this credit line has led to a new milestone in the sector, with unique conditions in terms of maturities with flexibility until 2027.

III. Liability Management

During 2020, the Colonial Group carried out two Liability Management operations:

1. In September, SFL bought back €100m of bonds maturing in 2021 and €60m of bonds maturing in 2022 that accrue an annual coupon of 1.875% and 2.25%, respectively.
2. In October, Colonial bought back €194m of bonds maturing in 2023 and €107m of bonds maturing in 2024 that accrue an annual coupon of 2.728% and 1.45%, respectively.

In addition, in the month of December, Colonial cancelled two bilateral loans early, in the amount of €125m, which enabled the average maturity of the gross debt of the Group to be extended, reducing the financial expenses, and optimizing its treasury.

These transactions allowed for the extension of the average maturity of the Group's debt from 3.8 years to 5.2 years. They have also enabled the distribution of the debt maturities over the next 10 years and a reduction in the average cost of debt to 1.71%.

IV. Analyst consensus

In the framework of the COVID-19 crisis, the analysts are progressively revising their assumptions and perspectives on the European listed market.

In the case of the Colonial Group, the analysts' consensus maintains "buy" recommendations and highlights the Company's strength in their analysis, thanks to its strategy of positioning in prime offices in Barcelona, Madrid and Paris.

2.7. Strategic Prime positioning with great resilience

Colonial's strength to deal with the current situation is based on its strategic prime positioning with offices in the CBD and clients with solid solvency, as well as a solid balance sheet.

The main strengths of the Colonial Group are the following:

A. **Pan-European leadership in Grade A offices in the city centre (CBD)**

Main owner of top-quality assets in **central locations with 77% of its portfolios in CBD areas** in each of the markets Colonial operates in.

An adequate international diversification with a **62% exposure in Paris**, one of the most defensive office markets globally.

B. **A strong prime positioning with a top-quality client portfolio** which provides an attractive combination of 1) rents at the high end of the market with 2) high loyalty levels and solid maturity profiles.

The contract portfolio of the Colonial Group had a positive "reversionary buffer" in 2020, given that the current rents of the portfolio are still below the current market rents. Likewise, to date, the Group has captured high reversion rates with a release spread(1) of +17% at the close of 2020.

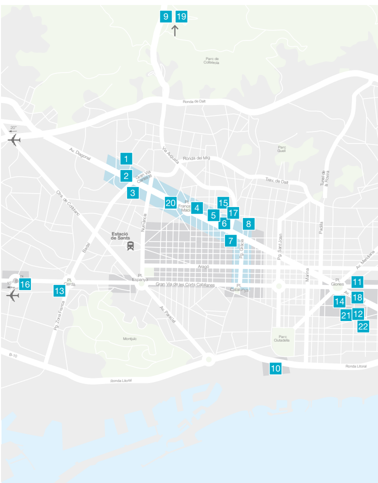
C. **Excellence in ESG**

The Colonial Group pursues a clear leadership in ESG, being a fundamental element of its strategy, prioritizing sustainable long-term returns, based on a business model of high-quality products.

Accordingly, the Colonial Group's Corporate Strategy has a central focus on maximum excellence in the fields of governance, social aspects and sustainable investment.

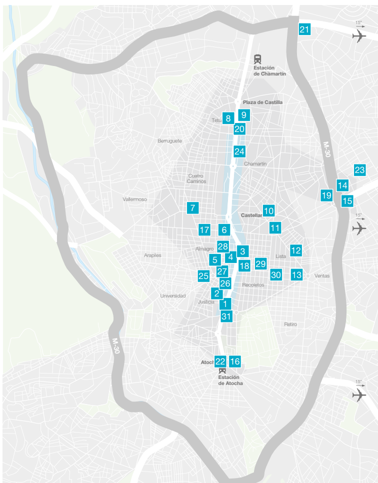
Barcelona

Colonial Portfolio - max rent signed



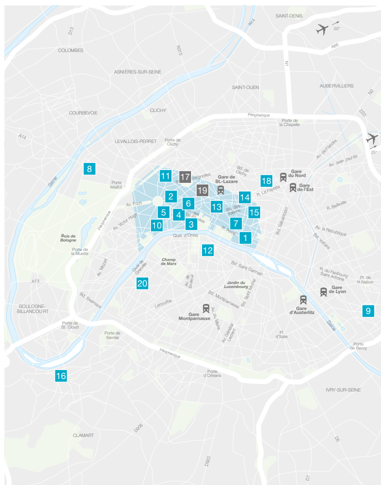
Madrid

Colonial Portfolio - max rent signed



Paris

Colonial Portfolio - max rent signed



(1) Renewal rents *vs.* previous rents.

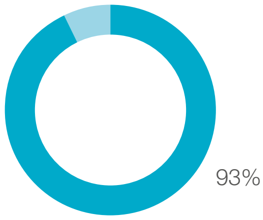
D. **An attractive project pipeline** located in the best areas of Paris, Madrid and Barcelona, with significant pre-letting.

Colonial's project portfolio is 100% located in the city centres of Barcelona, Madrid and Paris. More than 50% of the value corresponds to 3 big projects in Paris and Campus Méndez Álvaro, which is a mix of office and residential use in the south of the Madrid CBD.

E. **Active management of the portfolio**, through the disposals of non-core assets, improving the prime positioning and releasing capital for opportunities of value creation for our shareholders.

Over the last 3 years, the Colonial Group has carried out significant disposals of non-core assets for more than €2,000m, with double digit premiums over current valuations.

Energy certifications

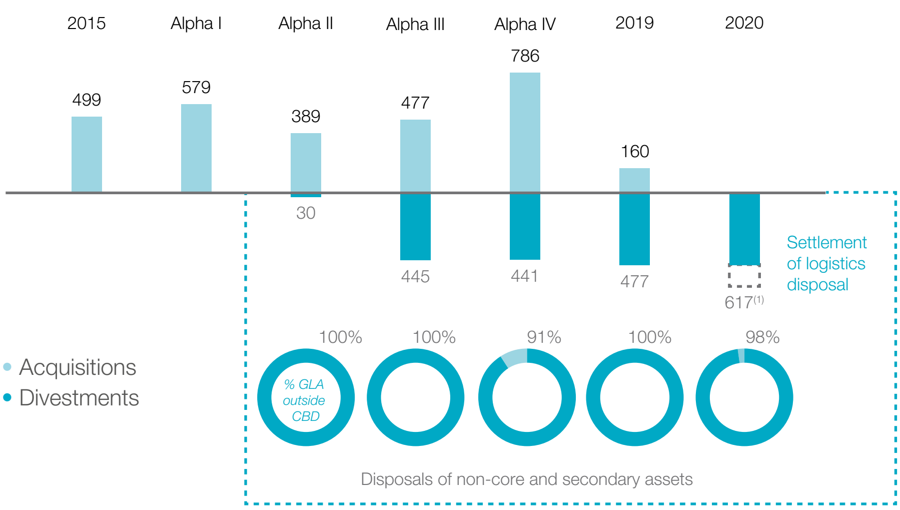


In 2020, and more specifically, in the quarters of COVID (2Q-4Q), Colonial divested more than €600m1 in non-strategic or mature assets with double-digit premiums over pre-COVID appraisals. These transactions confirm the resilience of the value of Colonial's portfolio and its commitment to its strategy of an active rotation of the portfolio.

F. **A solid balance sheet with the best rating in the Spanish real estate sector**, confirmed by S&P and Moody's in the middle of the COVID-19 crisis.

The group has one of the highest levels of liquidity in the sector, as well as an LTV of 34.8% post Alpha V disposals with a collateral of Core assets with maximum quality.

Net investments since 2015 - €m



(1) Part of the transacted volume of Alpha V programme, €282m, where settled at the beginning of Q1 2021.

03
Chairman and CEO Interview

3. Chairman and CEO Interview

Juan José Brugera
Chairman

Pere Viñolas Serra
CEO

After more than a year of living with the pandemic of COVID-19, the question must be asked. What effects has the pandemic had on Colonial and how has it responded to them?

Juan José Brugera

Without a doubt, the most significant effect of the pandemic is the impact it has had on a personal level and, therefore, we would like to transmit our sincerest support to the families affected by the pandemic and those who have experienced extremely difficult times as a result.

We took an immediate and proactive response to this crisis in order to protect and support our employees, clients and users, as well as the communities of Barcelona, Madrid and Paris, where the Colonial Group carries out its activities.

I would also like to take this opportunity to thank and congratulate all of Colonial's employees for their hard work during the pandemic. All teams have responded flawlessly, enabling us to maintain our highest quality standards and services for our clients and users.

Pere Viñolas

Indeed, the year 2020 was marked by the management of the pandemic and by how the ensuing economic crisis has impacted our results. For us, it's extremely satisfying to affirm that our activity has remained stable. In fact, the results at the close of 2020 reflect the strength of Colonial's portfolio and the resilience of our business model.

From the Management Team of Colonial, we have carried out a series of measures to strengthen the capital structure of the Group in this complex scenario. I would like to highlight that we have completed our plan for the sale of non-strategic assets, divesting more than €600m, with a double-digit premium over valuation.

Likewise, we have carried out a bond issue in the amount of €1,000m, at historically low interest rates. The dividend has remained stable, in line with the previous year, and we closed 2020 with a strengthened balance sheet which presents a Loan-to-Value (LTV) below 35%, after the disposal transactions formalized in the beginning of 2021.

In the operating business, the variables have remained very stable; we have signed close to 100,000 sqm with top tier clients, maintaining occupancy levels above 95% and obtaining rental prices with double-digit increases compared to the previous year.

Of special mention is the management of Colonial's commercial activity, thanks to which deferral systems have been negotiated and, in exceptional cases, allowances made for the payment of rents by companies which have found themselves in financial difficulties, although this is a very low percentage of our portfolio. Thanks to our portfolio of diversified, top quality clients, the collection rate of rents was 97% in offices.

Investors are increasingly more focused on ESG (Environmental, Social and Governance) criteria and sustainable investment in order to invest in companies. In particular, a growing importance is being placed on matters such as climate change and decarbonisation. What is the role and strategy being implemented by Colonial in this respect?

Juan José Brugera

The Colonial Group is committed to the highest international standards in the field of ESG. We pursue a clear leadership in this field, as ESG is a fundamental element of our corporate strategy, where sustainable, long-term returns are prioritised based on a business model of high-quality products.

Colonial also wants to show its continued support for the United Nations Global Compact, signed in 2019, as well as the renewal of its commitment to the 10 principles concerning human rights, labour rights, the environment and the fight against corruption."

This commitment to excellence is also reflected in our governance structure. The Board of Directors is supported by the Sustainability Committee for the best development and review of our ESG strategy. In addition, we have an operational ESG Committee, composed of various members of the Management Committee, which ensures an efficient implementation of all our actions in this field.

Our efforts are visible in the results obtained in the different sustainability ratings. In the CDP rating, for example, the benchmark index to measure efforts in reducing the carbon footprint, we have obtained an A– rating, which confirms our leadership in decarbonisation. This rating far exceeds the sector average in Europe and the financial services sector and represents a strong year-on-year boost, increasing from C to A–. In GRESB we have obtained a rating of 90 out of 100, a year-on-year increase of +17%. We are also positioned at the high end of the sector in the ratings obtained by the Vigeo, Sustainalytics, MSCI and EPRA sBPR indices.

Pere Viñolas

All of these positive results are due to the successful execution of our ESG Strategic Plan year after year. In particular, it is worth mentioning that in 2020 we made significant progress in our decarbonisation "Business Plan".

In 2015 we set an objective target to reduce our carbon footprint by (75%) by 2030. To date we have reached a reduction of (77%) in comparable terms, significantly advancing towards fulfilment of the plan.

This progress has enabled us to accelerate the transition to the carbon neutrality of our portfolio. The asset portfolio of Colonial at 31 December 2020 reached an emission intensity ratio of 7 $kgCOe_2$ per m^2 for Scopes 1 & 2, one of the lowest levels in our sector.

All of our achievements in decarbonisation are based on a quality property portfolio in the city centre, with maximum energy standards. 93% of our office portfolio has the top LEED and/or BREEAM certificates.

The Colonial Group is committed to the highest international standards in the field of ESG.

It seems we are gradually coming out of the pandemic with growing economic activity. What are Colonial's plans following this crisis?

Juan José Brugera

The Colonial Group will continue with its strategy focused on quality offices in the city centres of Barcelona, Madrid and Paris. During the pandemic we have seen how this type of product is the most resilient both in terms of cash flow as well as value.

In addition, we mustn't forget that we are on the cusp of a strong post-pandemic economic recovery. In growth scenarios, once again it is the prime property assets that have always and continue to capture increases in rents and value.

We will continue to pursue a diversified pan-European approach, focused on quality, with a business model that has proved its robustness.

Pere Viñolas

As the Chairman has explained, the recent crisis has once again shown that our business model provides a clear competitive advantage in the different cycles.

We believe that the office product will continue evolving towards more excellence, gaining importance in three fundamental pillars: Efficiency, Environment and Experience. The buildings must have an efficient design, with large floor spaces and high flexibility. Experience will be another important factor: the internal space with its services, the external environment (offer of services, restaurants and networking opportunities, both professional and personal) and obviously the best transport communication links in central locations. Finally, we will continue to offer properties with high levels of eco-efficiency, minimising our carbon footprint.

Colonial has taken advantage of the last year to make successful disposals. Now we are preparing for a change in cycle from a solid financial structure, a new asset development program and Colonial's traditional focus on prime offices.

We will resume our acquisition program to accelerate our leadership position in offices in the Eurozone market.

In growth scenarios, once again it is the prime property assets that have always and continue to capture increases in rents and value.

04
Strategy and market

4.1. Colonial's Strategy: Mission, Vision & Values

The main focus of the Group's strategy is to generate a sustainable return in the long term, therefore creating long-term value for shareholders, investors, employees and all stakeholders through the investment in and management of office buildings that enable our clients to develop their full potential.

I. The Colonial Group's Mission

To create long-term value for shareholders, investors, employees and all stakeholders through the investment in and management of office buildings that enable our clients to develop their full potential.

II. The Colonial Group's Vision

To be leaders in the European office market, recognised for our experience and professionalism, for our strength and profitability, while providing excellent, sustainable property solutions tailored to our clients' needs.

III. Values

To achieve its goals, Colonial prioritises six values that should guide the behaviour of all team members.

The implementation of the strategy gives priority to a long-term sustainable return based on the utmost quality and excellence in all areas and is reflected in the following pillars of our business model.

Professionalism

Rigour

Commitment

Transparency

Excellence

Leadership

IV. Business Model and Objectives of the Colonial Group

1. **A focus on top-quality prime office business to achieve maximum profitability with minimum risk.**

   77% of our portfolio is located at prime locations in the CBD (Central Business District).

2. **Pan-European leadership in the office sector.**

   A diversified pan-European strategy in the office markets of Barcelona (12%), Madrid (25%), Paris (62%), logistics and others (1%), with Colonial as the prime product leader in each market.

3. **A commitment to offer and create the best core office product through the active management of properties, aspiring to the highest standards of sustainability and efficiency.**

   93% of our office portfolio in operation have the highest levels of LEED and BREEAM energy certifications.

4. **A strong commitment to climate change and in particular to the decarbonisation of the real estate sector based on efficient portfolio management.**

   Since baseline year 2015, we have reduced our carbon footprint for Scopes 1 and 2 in our portfolio by 77% like-for-like, and the strategic decarbonisation plan is gathering pace.

5. **Maximum levels of loyalty, satisfaction and commitment to our clients, offering the best solutions.**

   85% of our client portfolio have been linked to the Colonial Group for between 5 and 10 years, developing their business strategies in our buildings.

6. **The development of one of the best teams in the sector, by attracting and retaining talent as well as the continuous training of our employees.**

   The Colonial Group is implementing a new Human Resources Strategic Plan in order to accelerate and consolidate the leadership of its teams.

7. **Maximum standards of corporate governance on both the national and international levels.**

   The Colonial Group is among the companies with the highest standards in the sector, always committed to implementing international recommendations and best practices, and guarantee the highest level of transparency.

8. **Maximum financial discipline to guarantee attractive and sustainable risk-adjusted returns in the long term.**

   - Profitability based on generating a stable cash flow from prime portfolio rentals in combination with value creation through real estate transformation (refurbishment and development projects) and consequently new prime product creation.

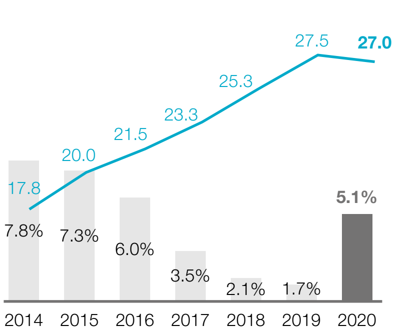
   - Financial discipline with a solid capital structure with a clear commitment to maintaining the highest credit rating standards and an investment grade financial structure.

   - Sustainable financing. To date Colonial has incurred in €1,076m of sustainable financing, reinforcing the message of the Group's commitment to ESG.

4.2. Office markets

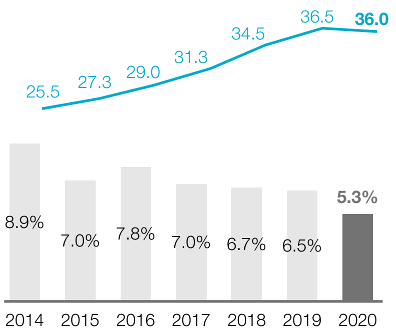
I. Rental markets

Barcelona



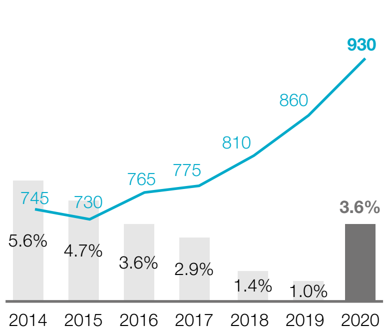
- Vacancy CBD (%)
- Prime Rents CBD (€/sqm/month)

Madrid



- Vacancy CBD (%)
- Prime Rents CBD (€/sqm/month)

Paris



- Vacancy CBD (%)
- Prime Rents CBD (€/sqm/year)

The situation of uncertainty caused by the COVID-19 health crisis has significantly slowed down the offices market throughout the whole of 2020. Many companies have opted to wait to have a better view of the new economic situation and delay making long-term decisions.

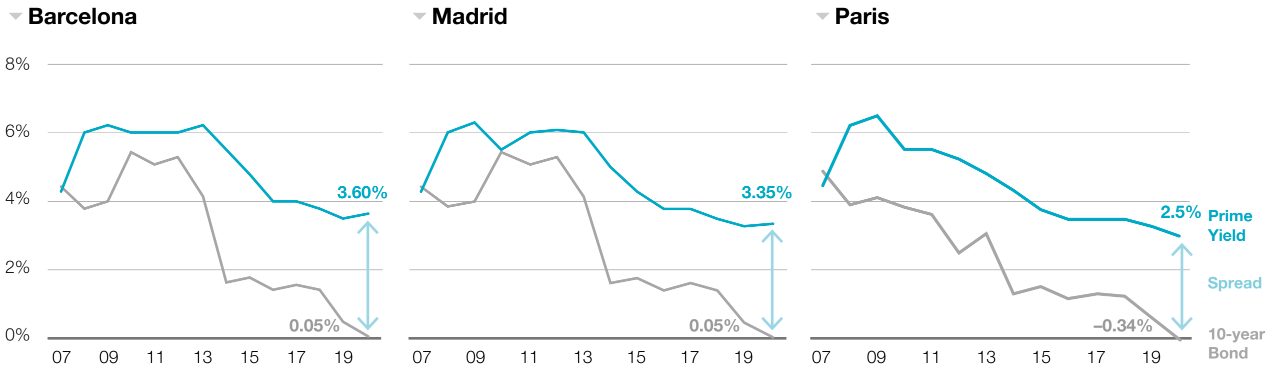
In the **office market in Barcelona**, an annual take-up volume of 138,000 sqm was reached, in an atypical year, with a figure significantly lower than that of 2019 and around 50% lower than the average over the last 5 years. The fourth quarter registered the highest take-up volume within this year with 41,700 sqm signed, even exceeding the figure from 1Q 2020. The vacancy rate in general has increased mainly due to the return to the market of second-hand spaces. Scarcity of quality product, however, keeps the **CBD vacancy rate at levels below 2%. For Grade A office supply** this situation is further enhanced, reaching a vacancy rate of **0.5% in the CBD**. Prime rents slightly decreased to stand at €27/sqm/month.

Take-up in the **office market in Madrid** for the last quarter of the year stood at more than 86,600 sqm. Consequently, 2020 closed with a signed surface area of 334,000 sqm, the lowest figure since 2014 and 35% below the average over the last 5 years. Despite it having been a year of great uncertainty, a total of 11 large strategic moves were taken, four of which were signed during 4Q 2020. The vacancy rate in general has increased to stand at 9.2% in 4Q, being the main reason for second-hand surface area returning to the market and the completion of various projects. In the **CBD, the vacancy rate** remains at **moderate levels of 5.3% and available Grade A product is 2.0%**, at around 50,000 sqm, in line with previous quarters. At the close of 2020, prime rents experienced a slight drop to stand at €36/sqm/month.

In the office market in Paris, take-up in 2020 was 1,321,000 sqm, an historically low figure due to the COVID-19 crisis and the subsequent slowdown of activity, however, there has been an increase in the take-up reached in 4Q (409,000 sqm). The CBD is the market which has proven to be most resilient with a vacancy rate of 3.6%. Grade A product remains scarce with a vacancy rate below 1% in the CBD. The effects of the COVID-19 pandemic have not yet had an impact on prime rents in the CBD and they have even increased to €930/sqm/year.

II. Investment market

PRIME YIELDS(1)



(1) Market analysts in Spain report gross yields and in France net yields (see definition in the glossary in appendix)

COVID-19 has significantly impacted the global investment volume in offices, in particular in the main European cities. However, in a macro-economic context where the interest rates are negative and the spreads between prime yields and sovereign bonds stood at maximum highs, investors have continued to invest in the sector. Prime assets with a good location in the city centre and long-term leases with good tenant continue to be the most sought after, as there is very little product available. This combination of factors has enabled the property yields to remain stable in the majority of markets, even with some basis points compression in certain super prime assets.

Activity in the **investment market in Barcelona** in 2020 was scarce, as many of the operations underway were delayed and will materialize in the first few months of 2021. The global yearly figure amounted to approximately €473m, far from the historic high of €1,500m of the previous year, and 47% lower than the €880m average of the last 5 years. The effects of the pandemic have had a heavy impact in a year that registered a record beginning. Prime yields stood at levels of 3.60% in line with pre-COVID levels.

Following an excellent start to the year, the **investment market in Madrid** reached **€1,174m**, a figure which represents 60% of the total investment in the real estate sector of offices in Spain. The uncertainty and restrictions on movement slowed down many processes, although with the de-escalation phase, the market was reactivated by the end of the year. It should be noted that the majority of transactions were concentrated within the M-30, with international investors being the most active. Prime yields remained stable at around 3.35% in the CBD.

The **investment volume in Paris** reached €19,066m at the close of the year, a figure 33% lower than the investment volume of the previous year, but higher than the average over the last 10 years. Of special mention is the dynamism of the latter months of the year, in which investors were actively looking for new opportunities with a strong appetite for prime assets in the CBD. Just as in previous crises, the CBD market has proved more resilient, confirming prime yields at 2.5%, the same level as prior to the start of the pandemic.

Sources: Reports by Jones Lang Lasalle, Cushman & Wakefield, CBRE, BNP Paribas & Savills

4.3. Business Model and Value Creation

Colonial's strategy to create long-term value for shareholders, investors, employees and all stakeholders is to position themselves to invest in and manage prime office buildings in the best business locations of Barcelona, Madrid and Paris.

4.3.1 Prime assets in the best locations of Barcelona, Madrid and Paris

Colonial is a property management company focused on the prime offices sector. It currently has 84 assets (22 in Barcelona, 44 in Madrid and 18 in Paris), and had 95% EPRA occupancy at 31 December 2020.

The Colonial Group has a unique and irreplicable offices portfolio, 77% of which is located in the CBD of Barcelona, Madrid and Paris, a fact that sets it apart from any other European listed company.

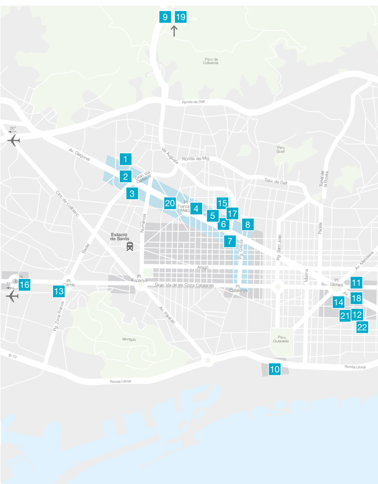
Our clients, with more than 100,000 users distributed among the Group's 84 properties, enjoy the best office buildings and locations in the city. All the buildings are located only a few minutes' walk from the public transport network, with the best connections to any part of the city and airports.

Likewise, the unbeatable locations of our property portfolio also give our employees, clients and other stakeholders access to all services in the city centre, such as housing, leisure facilities, restaurants, professional services and medical services, among others.

77% of the Colonial portfolio is located in the CBD, and the remaining 23% in consolidated business markets (BD and city centre), as can be seen on the maps below:

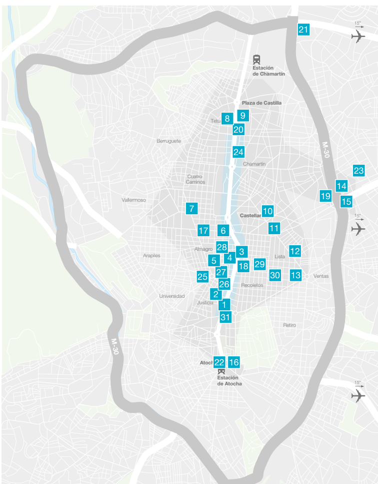
Barcelona

Colonial Portfolio - max rent signed



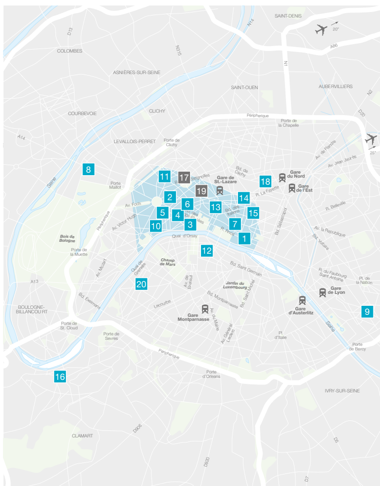
Madrid

Colonial Portfolio - max rent signed



Paris

Colonial Portfolio - max rent signed



4.3.2 Management of the entire property value chain

Since its foundation more than 70 years ago, Colonial has continued to improve its processes and procedures to create an efficient organisation focused on long-term value creation for its shareholders, investors, employees and stakeholders.

Thus, the Company has generated a considerable amount of know-how to enable it to achieve excellence in the various phases of an office building's value chain: acquisition, refurbishment, marketing, management of the building and sale, when applicable.

Colonial's own employees control the most strategic phases of the value chain, specifically, all those areas focused on client satisfaction. The identification of the location, the design of the product, client relations and management, as well as the offer of new services, are extremely important aspects of our value chain, and therefore are all managed internally.

Likewise, we also have the best external professionals and collaborators in those cases where it is more efficient to operate with the assistance of third parties, as shown in the table below:

	Sale	Refurbishment	Marketing	Property Management
Colonial Teams	Investment, corporate and legal team	Project Teams	Commercial and legal team	Property, project and legal management team
Collaborators	Shareholders, brokers, capital markets	Architects, Engineers, Construction Companies	Clients, Brokers	Clients, service and maintenance companies

2020 key figures	Divestments of more than €600m with double-digit premium over GAV, includes:
	- Alpha V disposals of more than €400m in Q4 2020 for a value of €413m and a double premium over the valuation:
	  - Paris: 112 Wagram and 9 Percier
	  - Madrid: Av. Bruselas
	  - Spain Non-Core:
	    - Les Gavarres and Logistics Phase III
	- Divestments Q2 2020 and Q3 2020:
	  - Non-Core
	    - Hotel Mojacar and logistics Portfolio
	  - Non-core - Offices:
	    - Berlín Numancia and Plaza Europa 42-44
		Delivery of the Castellana 163 project. Satisfactory progress of works on 9 assets with more than 189,000 m²:
		- In Paris:
		  - Biome, Marceau and Louvre Saint Honoré
		- In Madrid:
		  - Miguel Ángel 23, Velázquez, 88, Sagasta, 27 and Méndez Álvaro Campus
		- In Barcelona:
		  - Diagonal, 532 and Plaza Europa, 34
			- 77 signed contracts corresponding to 97,363 m² and €36m
			- Attracting growth in signed rent: +17% in "release spreads"
			- Pre-lease contract signatures for:
			  - Diagonal 525, Marceau and Louvre St. Honoré
				- High client satisfaction (86% said they were satisfied or very satisfied) in the last survey made in 2019
				- High client loyalty (85% have been in Colonial buildings for more than 5 years)
				- New actions such as installation of electric chargers, scooters, locker rooms, new common areas, etc.

4.3.3 Efficiency, experience, environment

Along with its asset portfolio in the CBD, Colonial has a product strategy defined as “the three Es” - Efficiency, Experience and Environment.

Its **Efficiency** is found in its product typology. Colonial invests in low-rise buildings with spacious floor plans. This asset typology allows clients to make a more efficient use of the space, reducing the need for additional space. The efficiency of Colonial’s buildings constitutes a competitive edge with respect to other types of assets, such as towers, for example, saving space and consequently rents for its clients. A more efficient product design also allows for multi-tenant buildings with considerable client diversification.

For Colonial, a key part of its strategy is the way in which its business affects the **Environment**, therefore seeking excellence in ESG and decarbonisation. It is for this reason that Colonial strives to meet the maximum standards of Efficiency, Social Policy and Governance. Evidence of this lies in its constant improvement in ESG ratings, such as GRESB, CDP, MSCI and Vigeo, for example.

According to the last “Paris Workplace” annual survey conducted by SFL, the future demand for office space will specifically focus on two aspects: first, how users value optimum travel times and second, how they value a satisfactory experience in the work place, i.e. an urban environment with many services.

As a result of the entire Colonial team’s application of the “3 Es” strategy, the Group has achieved a large volume of contract renewals. 93% of our clients remain in Colonial assets for more than 5 years. This high client retention capacity provides solid resilience and creates recurring revenue for the Company.

The prime asset portfolio also attracts the best, most solvent clients. 80% of our main clients are investment grade according to the ratings agencies.

Colonial is committed to taking the lead in the real estate sector and to deepening innovation as an engine for generating value, mainly betting on flexible spaces and to the digitalisation of our offices.

COWORKING AND FLEXIBLE SPACES

At the end of 2017, Colonial acquired Utopicus, a start-up founded in 2010, which is a pioneer of the coworking sector in Spain. Since then, Colonial has driven growth and launched various initiatives to convert Utopicus into one of the main operators in the sector, with 12 centres under management and a surface area of approximately 31,551 m².

DIGITALISATION

The Colonial Group focuses on innovation through the development and implementation of the “PropNet” technology, which will optimise the use of spaces across the Group’s entire portfolio in the years ahead.

Colonial has developed an application, which together with the property’s previous sensorisation, enabling an improvement in the efficiency and energy consumption of the spaces. This application measures different aspects of a property, such as heating, clean air, lighting or consumption, among others, always seeking to increase the comfort and well-being of the Colonial Group’s clients.

At the end of 2019, the system was already implemented in 6 Colonial buildings in Madrid, with the future aim of incorporating it into the rest of the portfolio.

4.3.4 Financial discipline

One of the cornerstones of Colonial’s strategy is to have maximum financial discipline to guarantee an attractive sustainable risk-adjusted returns in the long term.

The company has a very solid financial profile, with its debt (LTV) standing at 36% in December 2020, down by 100 bps compared to the previous year.

Including the Alpha V disposals registered at the beginning of 2021, the proforma LTV was below 35%.

The Group’s undrawn balances amount to €2,309m, an increase of more than €200m compared to December 2019. This liquidity allows the Group to cover its funding needs in the years ahead, and cover all debt maturities up to 2024.

Solid
Financial profile
36% LTV
100 bps reduced compared to the previous year

High
Liquidity
The Group’s undrawn balances amount to €2,309m

Sustainable
Loans
First Spanish real estate company to obtain sustainable financing

Throughout 2020, the two rating agencies qualifying Colonial's debt, Standard & Poor's and Moody's, confirmed Colonial's current rating in their reviews in April and November 2020 (BBB+ stable in the case of Standard & Poor's and BBa2 stable in the case of Moody's).

Colonial's credit rating remained steady during the pandemic, despite some downgrading in credit ratings in the European property sector.

The Colonial Group has accessed the bond and debt market, obtaining new financing of €2,000m in very favourable terms thanks to its high rating from Standard & Poor's and Moody's, which underlines the defensive nature of Colonial's business model.

Debt investors reacted very favourably as of April, with debt spreads trading at levels similar to pre-COVID levels, and they returned to follow the fundamentals and trust in the robustness of Colonial's balance sheet.

- In June 2020, the Colonial Group successfully closed **a bond issue for of €500M** through its French subsidiary, SFL. The bonds **mature in 7 years, with a coupon rate of 1.5%. Demand exceeded the volume of issuance by up to four times** and were been placed with quality European investors.

- In October 2020, Colonial arranged a bond issue for €500m, listed on the Spanish market. The issue is structured over 8 years with a 1.35% coupon and matures in October 2028. Demand exceeded the issuance volume by three times and was backed by more than 80 international investors with an institutional profile.

- On 10 November, Colonial arranged a new credit line (Revolving Credit Facility - RCF) for €1,000m to replace two Revolving Credit Facility (RCF) lines that it had available for a total amount of €875m. The signing of this credit line represented a new milestone in the sector, with unique maturity conditions with flexibility up to 2027.

During the 2020 financial year, the Colonial Group executed two "Liability Management" operations:

- In September, SFL repurchased €100m of the bonds due in 2021 and €60m of the bonds due in 2022, paying an annual coupon rate of 1.875% and 2.25%, respectively.

- In October, Colonial repurchased €194m of the bonds due in 2023 and €107m of the bonds due in 2024, paying an annual coupon rate of 2.728% and 1.45%, respectively.

Additionally, in December, Colonial repaid two bilateral loans in advance of €125m, allowing it to extend the average maturity of the Group's gross debt, reduce financial expenses and optimise its cash management.

These operations have made it possible to extend the average maturity of the Group's debt from 3.8 years to 5.2 years, spread the debt maturities over the next 10 years and reduce the average cost of debt to 1.71%.

4.4. Value created by Colonial

Colonial has defined a series of metrics and initiatives to observe how it creates value. The results obtained in 2020 are shown below:

Value created by Colonial

Shareholder value	▸ In 2020, Net Tangible Assets (NTA)/Net Asset Value (NAV) of €11.27/share, €11.47 including the dividend paid, in line with the previous year ▸ The net value of Net Tangible Assets (NTA) reached a value of €5,728m, representing €11.27/share
Stable recurring net income and Income & EBITDA from solid rentals	▸ Recurring net profit per share of €27.06cts ▸ Recurring net income of €138m ▸ Rental income of €340m ▸ EBITDA rents of €318m, + 2% like-for-like ▸ EBITDA offices portfolio, + 3% like-for-like

Stable operating fundamentals	▸ Collection rate for Q4 2020 of 99%[1] in offices (100% in Paris)
	▸ Strong occupancy levels of 95% (97% in Madrid)
	▸ Attracting growth in signed rents:
	  ▸ +6% *vs.* market rents 12/19[2].
	  ▸ +17% release spread[3].

Active portfolio management with premium over NTA	▸ Disposals of more than €600m with a double-digit premium over GAV[4] ▸ Acceleration of divestments in Q4 20 (Alpha V[4]) ▸ Pre-let in 3 assets of the portfolio of 9 projects (Marceau 100% pre-let in 2020)
Know-how and Innovation	▸ The PropTech project includes: 1) the Building Management Systems to control the facilities and digitalisation of the building's consumption data and 2) the Energy Management System to monitor and remotely manage consumption in real time ▸ PropNet project: A tool to measure, control and add artificial intelligence to client management. Allows the carbon footprint to be measured
Sustainability and Eco-efficiency	▸ Decarbonisation: Year-on-year reduction of (50%) like-for-like of GHG Scope 1 and 2 emissions ▸ Year-on-year energy intensity reduction of (19%) ▸ Supply of 63% green energy, +467 bps ▸ Membership as a TCFD Supporter ▸ Commitment to the Science-Based Targets initiative (SBTi) for the definition of objectives aligned with the Paris Agreement ▸ LEED/BREEAM certificates for 93% of the offices portfolio in operation ▸ GRESB 2020 Rating of 90 points, +17% *vs.* previous year ▸ CDP 2020 Rating of A–, confirming its leadership in decarbonisation ▸ EPRA sBPR Gold rating for the 5th consecutive year ▸ High-tier Sustainalytics, Vigeo & MSCI rating in 2020
Employees	▸ 22 hours of training per employee, with 93% of employees trained ▸ First Equality Plan and constitution of the Equality Committee in 1st quarter 2021 ▸ Colonial is among the Best Workplaces 2021, according to the Great Place To Work survey carried out at the end of 2020 ▸ Digitalisation of Colonial Career Conversations (CCC), a performance evaluation tool
Corporate Governance	▸ Excellence recognised by major indices, especially MSCI and Sustainalytics ▸ Creation of a Sustainability Committee, reporting to the Board ▸ Approval of a New Remuneration Policy ▸ Digitalisation of the Board ▸ 75% of the independent directors are women ▸ Approval of a succession plan

(1) Collection Rate Q4 2020.
(2) Rent signed vs market rent at 31/12/2019 (ERV 12/19).
(3) Rent signed in renewals vs previous rent.
(4) Part of the volume of divestments in the Alpha V program, €282M, was registered at the beginning of the first quarter of 2021.

05
Business performance

5.1. Portfolio letting performance

Breakdown of the current portfolio by floor area

At the close of 2020, the Colonial Group's portfolio totaled 1,790,654 sqm, primarily related to office buildings, which comprised 1,571,983 sqm.

At the close of 2020, 80% of the office portfolio was in operation and the rest corresponded to an attractive portfolio of projects and renovations.

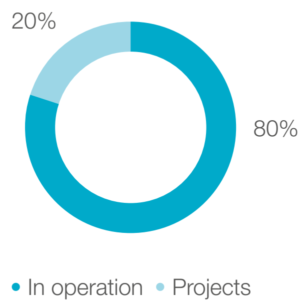
Signed leases - Offices

At the close of 2020, the Colonial Group formalized leases for **a total of 97,363 sqm of offices**. 75% (73,503 sqm) correspond to contracts signed in Barcelona and Madrid and the rest (23,861 sqm) were signed in Paris.

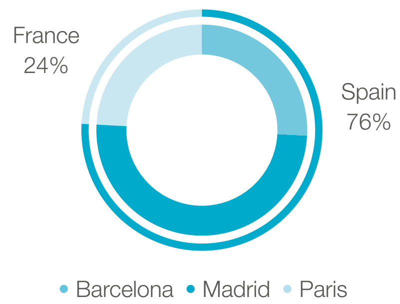
Renewals: Out of the total office letting activity, 68% (66,440 sqm) are lease renewals, spread over the three markets in which the group operates.

New lettings: New leases relating to 30,924 sqm were completed, of which 13,284 sqm were in Paris and 10,603 sqm were in Barcelona.

Offices Surface - by condition

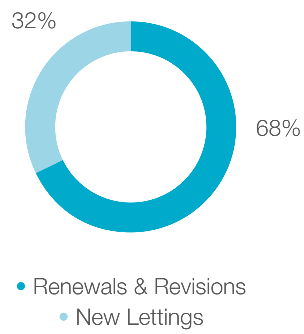


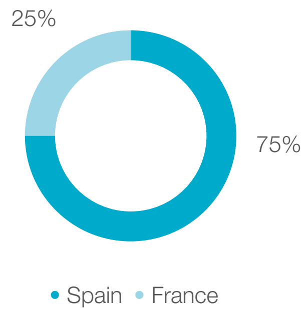
Offices Surface - by market



Letting Performance - Offices

December cumulative - sq m	2020	Average maturity	% New rents *vs.* previous
Renewals & revisions - Barcelona	18,308	2	45%
Renewals & revisions - Madrid	37,556	2	15%
Renewals & revisions - Paris	10,576	7	6%
Total renewals & revisions	**66,440**	**3**	**17%**
New lettings - Barcelona	10,603	3	
New lettings - Madrid	7,036	3	
New lettings - Paris	13,284	7	
New lettings	**30,924**	**6**	**na**
Total commercial effort	**97,363**	**4**	**na**





The new rents stood at +17% above previous rental prices: **Barcelona +45%**, **Madrid +15%** and **Paris +6%**.

Colonial's total letting activity is spread across the three markets in which the Company operates.

In Spain, 73,503 sqm were signed during 2020, corresponding to 53 contracts.

MADRID

In the Madrid office portfolio, rental contracts with a surface area of 44,592 sqm were signed across 27 transactions. Of special mention is the renewal of 15,094 sqm on the Almagro 9 asset with a prestigious law firm, the renewal of almost 6,037 sqm on the Sagasta 31-33 property with a global strategy consulting firm and the renewal of 5,632 sqm on the Santa Engracia property with various tenants, among which of special mention is the contract signed with a transportation public body for more than 4,600 sqm. Regarding new contracts signed, of special mention is the signing of 3,606 sqm on the Francisca Delgado 11 building with various tenants.

BARCELONA

In the Barcelona office portfolio, rental contracts with a surface area of 28,911 sqm across 26 transactions were signed. Among the highlights are the signing of 4,000 sqm on the Torre BCN asset and the signing of 1,369 sqm on the Diagonal 609-615 asset, both mainly with banking entities, as well as the signing of 2,529 sqm on the Park Cugat property with a renowned multinational American technology and consultancy firm. Likewise, worth mentioning is the renewal of 12,280 sqm on the building in Sant Cugat, mainly with a banking entity and almost 2,180 sqm with various tenants in the Travessera 11 building.

PARIS

In the Paris portfolio, rental contracts with a surface area of 23,861 sqm were signed across 24 transactions. Of special mention is the renewal of 5,974 sqm on the Edouard VII building, and 2,613 sqm on Cezanne Saint-Honoré. Regarding new contracts signed, of special mention is the signing of 8,663 sqm on the 83 Marceau building, of which more than 6,000 sqm correspond to a contract signed with Goldman Sachs.

The pre-let contract signed with Goldman Sachs is for 12 years, with a mandatory term of nine years. With this transaction, Goldman Sachs, one of the largest investment banking and securities groups in the world, intends to increase its presence in the Gaul country, enabling it to double the workforce of the company in Paris.

With these leases signed on the Marceau project, the pre-let levels have reached 100%.

83 Marceau – Grade a asset in Paris prime CBD

A portfolio with solid occupancy levels

- **The total EPRA vacancy[1] of the Colonial Group's portfolio at the close of 2020 stood at 4.8%**[1].

- The financial vacancy of the Colonial Group's portfolio is shown as follows.

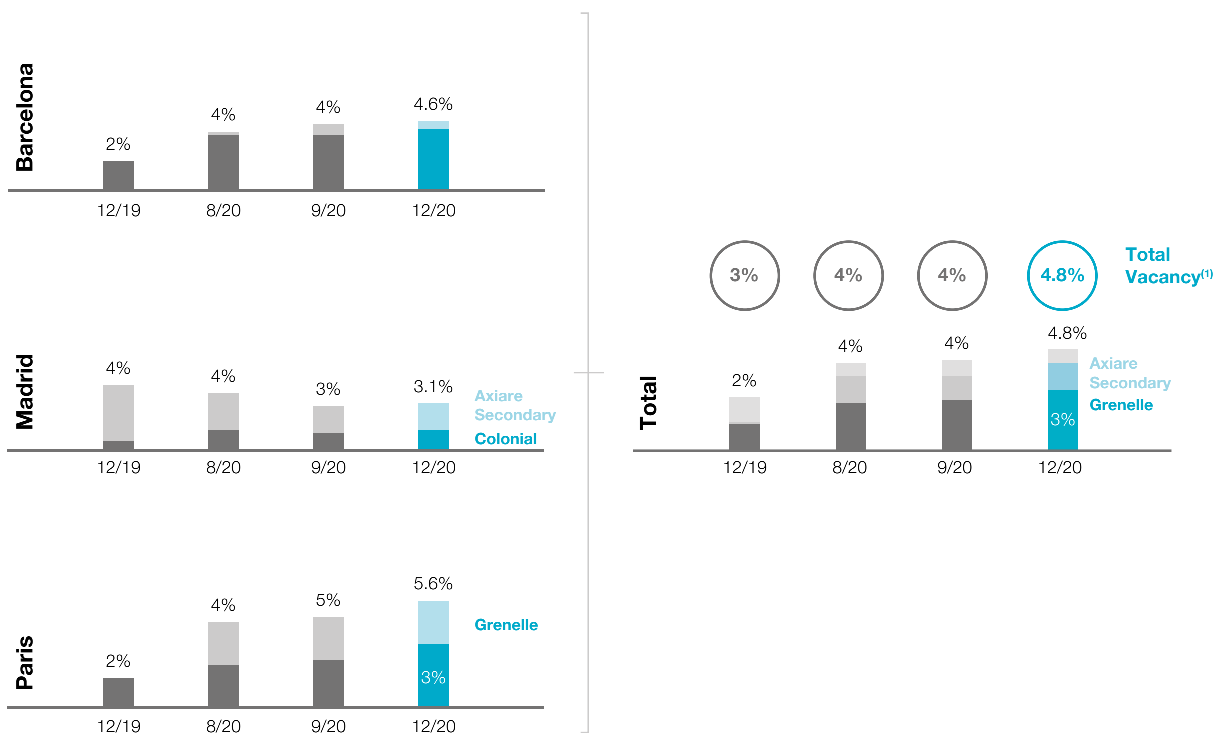
In the **office portfolio in Madrid** the vacancy rate decreased down to **3.1%, improving by +120 bps compared to the previous year**, mainly due to the 100% occupancy in the Josefa Valcárcel 40 bis asset, among others.

The **Barcelona office portfolio** has a **vacancy rate of 4.6%**, a rate in line with the last quarters, but shows **an increase of +262 bps compared to the rate from one year ago**, mainly due to the client rotation in various assets and new entries into operation.

The **office portfolio in Paris** has a **vacancy rate of 5.6%**, a rate which has increased with respect to the close of 2019, due to the entry into operation of the 103 Grenelle building as well as the client rotation in the Edouard VII and Washington Plaza assets. **Excluding the Grenelle asset, the vacancy rate in Paris is 3%**.

EPRA VACANCY[2]

Office & Total Vacancy – Evolution of Colonial's Portfolio



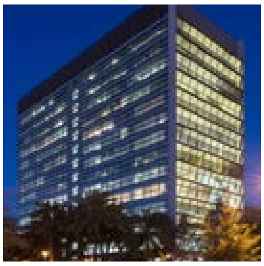
(1) Total portfolio including all uses: offices, retail and logistics.
(2) EPRA vacancy: financial vacancy according to the calculation recommended by EPRA (Vacant floorspace multiplied by the market rent/operational floor space at market rent).

The vacant office space at the close of 2020 is as follows:

Vacancy surface of offices

Surface above ground (sq m)	Entries into operation(1)	BD area and others	CBD area	2020	EPRA Vacancy Offices
Barcelona	0	6,435	5,007	11,442	**4.6%**
Madrid	4,068	6,517	3,450	14,035	**3.1%**
Paris	5,665	6,677	4,292	16,634	**5.6%**
Total	**9,733**	**19,630**	**12,749**	**42,111**	**4.8%**

(1) Projects and refurbishments that have entered into operation.



Diagonal, 682

Travessera, 47-49

Ribera de Loira, 28

Edouard VII

Grenelle, 103

Le Vaisseau

Commercial lease expiry and reversionary potential

COMMERCIAL LEASE EXPIRY

The following graphs show the contractual rent roll for the coming years in the office portfolios in Spain and France.

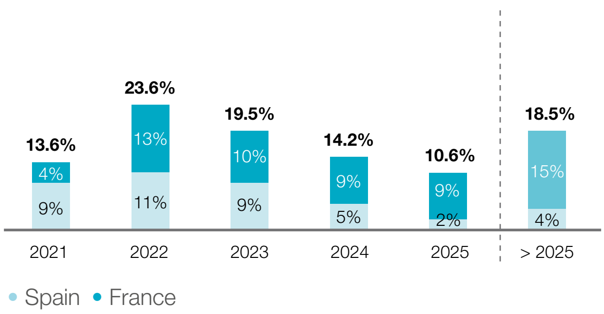
The **first graph** shows the commercial lease expiry dates of Colonial Group. If the tenants choose to end the contract at the first possible date in the year 2021 (break option or end of contract), it would correspond to 13.6% of the contract portfolio. If the tenants remain until the contract expires in 2021, the figure is reduced to 9%.

In this **second graph**, it shows the commercial lease expiry dates in **France** if the tenants choose to end the contract at the first possible date (break option or end of contract) or if the tenants remain until the contract expires. In France, the contract structure is in a longer term.

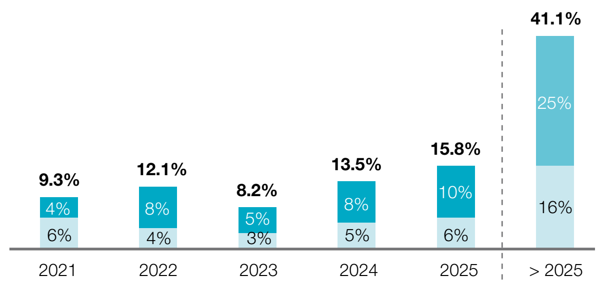
Colonial Group

Commercial lease expiry dates in economic terms[1]
(% passing rent of surfaces to be leased)

First Potential Exit[2]



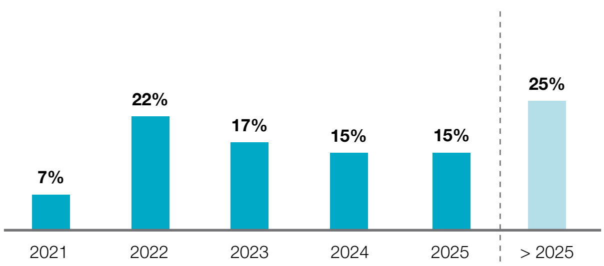
Expiry Date[3]



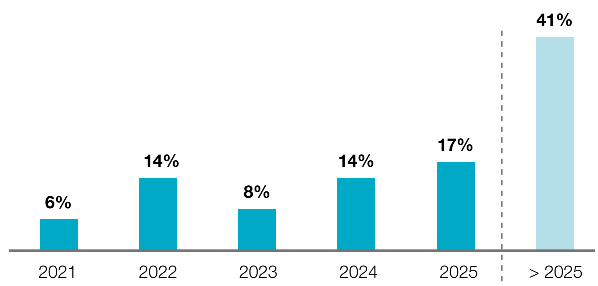
France

Commercial lease expiry dates in economic terms[1]
(% passing rent of surfaces to be leased)

First Potential Exit[2]



Expiry Date[3]



(1) % = surface to rent x current rents / current rental revenues.
(2) Renewal dates based on first potential exit of the current contracts.
(3) Renewal dates based on the expiry date of the current contracts.

The **third graph** shows the commercial lease expiry dates in **Spain** if the tenants choose to end the contract at the first possible date (break option or end of contract) or if the tenants remain until the contract expires.

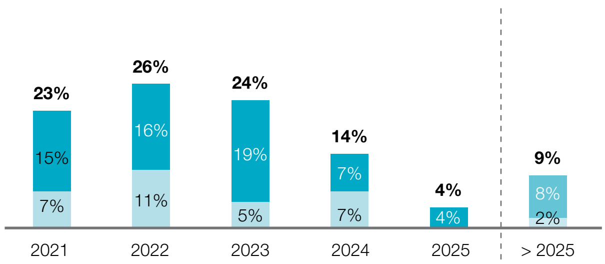
In this context, the contract structure in Spain is shorter term than the contract structure in France.

It should be noted that the contract portfolio is made up of clients of the highest quality and high levels of loyalty to the Colonial Group, seeking the best product with the best services.

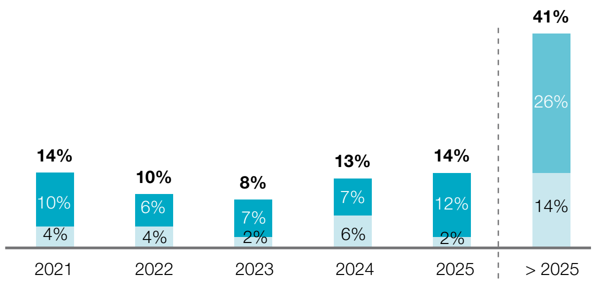
Spain

Commercial lease expiry dates in economic terms[1]
(% passing rent of surfaces to be leased)

First Potential Exit[2]



Expiry Date[3]



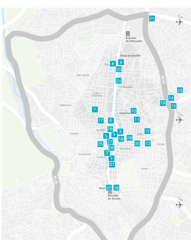
• Barcelona • Madrid

(1) % = surface to rent x current rents / current rental revenues.
(2) Renewal dates based on first potential exit of the current contracts.
(3) Renewal dates based on the expiry date of the current contracts.

Attracting AAA clients with strong solvency

BEST LOCATION

Paris **Madrid**



- Low commuting
- Low carbon footprint
- Urban life and Talent attraction
- Corporate branding

BEST PRODUCT

- Low rise buildings
- Efficient floors
- Flexible product
- Maximum quality and energy efficiency standards

CLIENTS WITH HIGH LOYALTY

REVERSIONARY POTENTIAL OF THE RENTAL PORTFOLIO

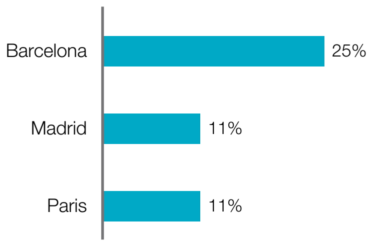
The Colonial Group's contract portfolio has a significant reversionary potential. This reversionary potential is the result of comparing the rental prices of the current contracts (contracts with current occupancy and current rents) with the rental price that would result from letting the total surface at the market prices estimated by independent appraisers as at the close of 2020 (not including the potential rents from the projects and significant refurbishments underway).

The static reversionary potential of the rental revenues of the office portfolio stood at:

Barcelona	Madrid	Paris
+25%	+11%	+11%

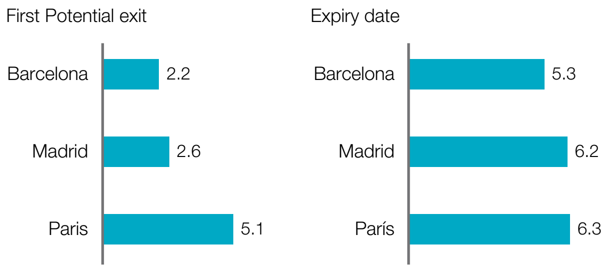
Figures at December 2020

Reversionary potential-rental income



Current passing rent[1]

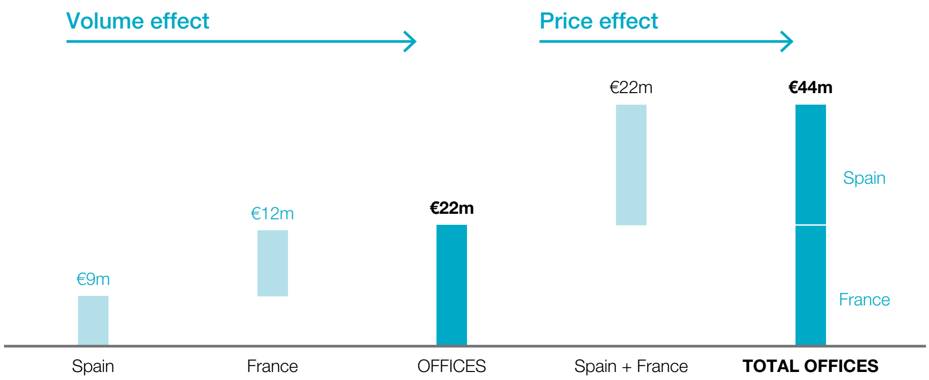
Average maturity of the contracts (years)



(1) Current office rent of occupied surfaces.

Specifically, the static reversionary potential in the current portfolio **would result in approximately €44m of additional annual rental income**.

Reversionary potential-rental income



5.2. Project portfolio, renovation program & disposals

Project portfolio and renovation programs

Colonial has a **project pipeline** of over 189,000 sqm with the aim of creating top quality products to obtain higher returns, and consequently maximize future value creation with solid fundamentals. In the current project portfolio, the Diagonal 525 property in Barcelona, and the 83 Marceau and Louvre Saint Honoré properties in Paris already have pre-let agreements signed. The other projects in the portfolio continue to progress in prime locations and where there is little new supply.

		Project	City	% Group	Delivery	GLA (sq m)	Total Cost €m(1)	Yield on Cost
< 12 months	1	Diagonal, 525	Barcelona CBD	100%	1H 21	5,706	41	≈ 5%
	2	Miguel Ángel, 23	Madrid CBD	100%	2H 21	8,204	66	5-6%
	3	83 Marceau	Paris CBD	82%	2H 21	9,600	154	5.5-6.0%
	4	Velázquez, 88	Madrid CBD	100%	2H 21	16,164	116	6-7%
> 12 months	5	Biome	Paris City Center	82%	2H 22	24,500	283	≈ 5%
	6	Plaza Europa, 34	Barcelona	50%	2H 22	14,306	42	≈ 7%
	7	Sagasta, 27	Madrid CBD	100%	2H 22	4,896	23	6-7%
	8	Méndez Álvaro Campus	Madrid CBD South	100%	2023	89,872	323	7-8%
	9	Louvré SaintHonoré (Prime Commercial)	Paris CBD	82%	2024	16,000	215	7-8%
Total Pipeline						**189,248**	**1,264**	**6-7%**

(1) Total Cost Finished Product = Acquisition Cost/ Asset Value pre Project + future Capex.

Colonial's project portfolio is 100% located in the city centres of Barcelona, Madrid and Paris.

The 3 projects in Paris: Marceau, Biome and Louvre Saint-Honoré, together with Méndez Álvaro in Madrid, represent more than 50% of the value of the projects and future creation of real estate value.

Marceau deserves special attention, located a few metres from the "Place de l'Étoile" in the epicentre of the prime CBD in Paris. This project was 100% pre-let at historic highs during the COVID-19 pandemic to different tenants.


Biome


Marceau


Louvre St. Honoré


Méndez Ávaro Campus

In **Barcelona**, the Diagonal 525 and Plaza Europa 34 projects continue to progress. The Diagonal 525 building has been pre-let by Naturgy, in which it will house its new corporate headquarters. Currently Colonial is completing the work on this property and it is expected to be finished during the first quarter of 2021. The Plaza Europa 34 project continues to progress with the construction of the structure.

In **Madrid**, the projects at **Miguel Ángel 23** and **Velázquez** are progressing as planned and are expected to be finished in the fourth quarter of 2021. Both buildings have a very efficient floor design and an exceptional location in the prime CBD of Madrid.

In addition, the design for the **Méndez Álvaro Campus** project continues to progress to become the new building of reference in the south of the Castellana.

In the **Paris** portfolio, the three current Flagship projects continue progressing: Biome, 83 Marceau and Louvre St. Honoré. Of the three projects, two of them, Marceau and Louvre Saint Honoré, are fully pre-let.

The project at 83 Marceau will offer one of the best located buildings in Paris – a one-minute walk from the "Place de L'Étoile"- with one of the most contemporarily floor plan design providing light to all floors, thanks to the new design of the central atrium. The building will have three certificates: BREEAM, LEED and HQE. In 2020, the pre-letting of the entire surface area of the asset was signed, obtaining 100% occupancy.

Of special mention is the signing of 6,500 sqm with the investment bank Goldman Sachs, where it will set up its Continental Europe corporate headquarters. The contract includes a non-cancellable term of nine years and was signed at very good terms.

In Biome, an iconic building is planned of more than 24,500 sqm in the Central-Western area of Paris with natural light, efficient floors of 1,400 sqm to 3,500 sqm and a green area surrounding the building.

Finally, it is worth mentioning that the project in the Louvre Saint Honoré building remains in progress. Likewise, it is important to remember that for this project a pre-letting agreement has been signed with a minimum fixed term duration of 20 years with the Cartier Foundation, of the Cartier Group, at top market prices.

Diagonal, 525
Pre-let

Plaza Europa, 34

Miguel Ángel, 23

Velázquez, 80

Méndez Ávaro Campus

Sagasta, 27

Biome

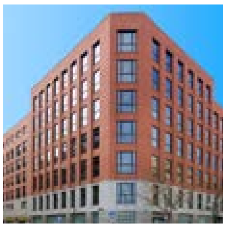
83 Marceau
Pre-let

Prime Commercial

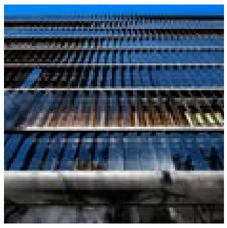
Louvre St. Honoré
Pre-let


Torre Marenostrum


Cedro


Ortega y Gasset, 100


176 Charles de Gaulle


Diagonal, 530

Renovation Program

In addition to the project portfolio, the Colonial Group is currently carrying out a **renovation program** on 5 assets in its portfolio, with the aim of increasing rents and value of these assets. This renovation program is mainly focused on the adaptation of communal areas and updating the facilities, requiring a limited investment.

In Spain, of special mention are the renovation programs on the **Cedro** and **Ortega & Gasset** assets in **Madrid** which represent excellent opportunities to optimize cash flow and value. In Barcelona, of special mention is the renovation of the **Diagonal 530** property, as well as the repositioning work on the **Torre Marenostrum asset in the prime 22@**, making it a multi-user asset and combining traditional office spaces with coworking spaces managed by Utopicus, a company of the Group.

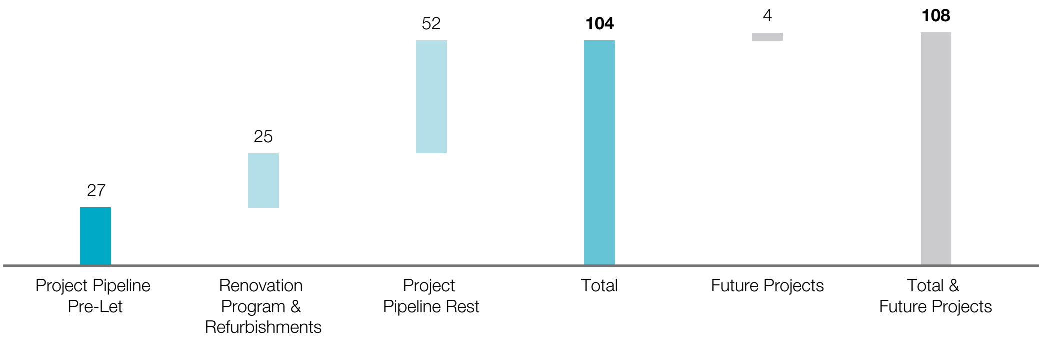
In France, highlighted is the **176 Charles de Gaulle** property, an office building located in the flowering district of **Neuilly**, in which the common areas are being repositioned, adding services for the users with the aim of capturing an increase in rents in the area compared to the previous contracts. During the first half of 2020 the renovation program of **Grenelle** was delivered, offering close to an additional 5,000 sqm of top-quality surface area.

Project portfolio and renovation program potential

The project portfolio as well as the renovation program provide potential additional annual rents of more than €108m, of which €83m correspond to the project portfolio.

It should be mentioned that thanks to high level pre-lettings of the projects, €27m of future rents are already assured. The entry of the renovation program and other refurbishments into the market has the potential of €25m in additional rents in the short-term.

Additional rental income from projects and significant refurbishments - €m



Disposal program

DISPOSALS OF MORE THAN €600M WITH DOUBLE DIGIT PREMIUM ON GAV

In 2020, the **Colonial Group divested a total of €617m(1) of mature** and non-strategic **assets**, of which **€413m(1) correspond to the Alpha V program carried out at the end of 2020**.

ALPHA V DISPOSALS - MORE THAN €400M IN Q4 2020(1)

At the end of 2020 and the beginning of 2021, Colonial executed **the Alpha V project for €413m and a double-digit premium on last appraisal**.

This project includes the disposal of two mature office assets, an office asset in a secondary location, a relocated commercial asset and the collection of the last asset included in the sale of the logistics portfolio.

With these disposals, the Colonial Group exceeded the Capital market Day guidance on disposal volume for the rest of the year that stood at €300m.

At the end of 2020, the sale of Av. Bruselas 38 was signed in Madrid, an asset located in Arroyo de la Vega, a secondary area in Madrid. After finishing the project and renting it at market price with a long-term expiry, Colonial sold the asset crystalizing a significant premium on the total cost of the project (acquisition cost + invested capex).

(1) Part of the volume of divestments in the Alpha V program, €282M, was registered at the beginning of the first quarter of 2021.

In Paris, two disposals were carried out on mature core assets, 112 Wagram and 70 Percier, with a premium of +16% over valuation and a capital value of €20.000/ sqm. These transactions show the investors' appetite for the Paris market, with special acceleration in the second half.

Additionally, Colonial sold the nom core retail asset Les Gavarres, coming from the purchase of Axiare, and executed the final settlement of the sale of the last asset in the logistics package within the agreement announced in August 2019.

Paris CBD Offices


112 Wagram

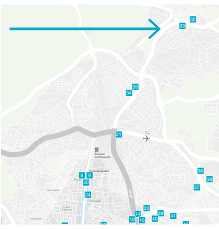

9 Percier

Mature assets

- GLA - 6,000 sq m each
- Small assets and floor plants with suboptimal efficiency
- Poor fit in Paris portfolio strategy

Madrid Secondary Offices


Av. Bruselas


Secondary Office

Secondary Office

- GLA - 11,697 sq m
- Secondary Location (Arroyo de la Vega)
- Full reversion achieved

Spain Non-Core

Les Gavarres


Logistics Phase III

Other assets

- Non core retail asset in C location (Tarragona)
- Last asset disposed included in 2019 Logistics agreement with Prologis

2Q 2020 AND 3Q 2020 DISPOSALS

In this context, in the second and third quarters of 2020 (in the middle of the COVID-19 period), the Colonial Group divested more than €204m in non-strategic assets corresponding to 11 buildings with a total surface area of 223,543 sqm above ground.

Specifically, part of the call option on the logistics portfolio, two secondary office buildings in Barcelona were sold, the Berlín-Numancia and the Plaza Europa, 40-42 assets, and the Hotel Mojácar was disposed of.

These transactions are being delivered under the framework of a capital allocation strategy of the portfolio, disposing of mature and/or non-strategic products in order to:

1. Optimize the quality and returns of the portfolio, further increasing the exposure to prime offices with interesting risk-adjusted returns.

2. Release capital to strengthen the capital structure and maximize Colonial's Total Shareholder Return.

Non-Core – Hotel & Logistic

Hotel Mojácar

Logistic Portfolio

Non-core - Offices

Berlín-Numància

Plaza Europa 42-44

5.3. Gross rental income and EBITDA of the portfolio

At the close of 2020, **Gross Rental Income** of the Colonial Group amounted to **€340m**, (3%) lower compared to the year before, mainly due to the disposals of non-strategic assets as well as the rotation of surfaces under refurbishment. In like-for-like terms, the rental income only had a correction of (1%).

Rental income from the office portfolio increased by +1% year-on-year.

The increase in rents in the office portfolio is based on (1) a like-for-like increase of +1.1% in gross rents in the portfolio, complemented by (2) additional growth based on successful project delivery and the acquisition of the Parc Glories II asset the previous year, as well as an indemnity for the early rotation of one client in Madrid.

In **Madrid**, this increase was driven by the increase in market rental reviews on properties such as José Abascal 56, Almagro 9 and Recoletos 37. Regarding increases in occupancy levels, worth highlighting are the assets of Ribera de Loira, Francisca Delgado 11, José Abascal 56, Window, Alfonso XII, Ramírez Arellano 15, and Francisca Silvela 42.

In **Barcelona**, the positive impact mainly came from rental price increases in Diagonal 197 and Parc Glories, as well as the improvement in occupancy in Sant Cugat Nord.

In **Paris**, **rental income decreased by (0.7%) like-for-like**, mainly due to the rotation of clients in Haussmann 104 and Galeries Champs Elysées. and low activity in the business centers of Cloud and Edouard VII due to COVID situation.

Rental income breakdown

Most of the Group's rental income, 93%, comes from the office portfolio. Likewise, the Group maintains its high exposure to CBD markets, with 73% of the income.

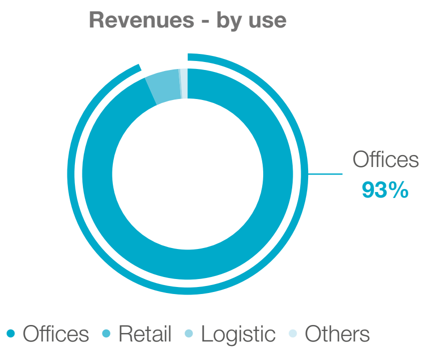
In consolidated terms, 54% of the rental income (€182m), came from the subsidiary in Paris and 46% was generated by properties in Spain. In attributable terms, 55% of the rents were generated in Spain and the rest in France.

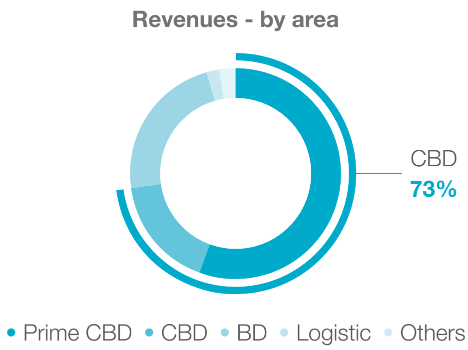
Variance in rents 2020 *vs.* 2019 - €m

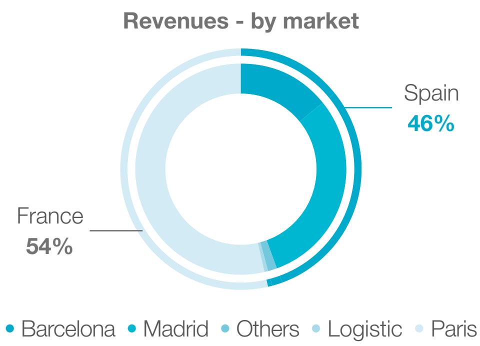
	Barcelona	Madrid	Paris	Offices[1]	Others[2]	Total
Rental revenues 2019R	**48**	**90**	**191**	**328**	**24**	**352**
EPRA Like-for-Like[3]	**2**	**3**	**(1)**	**3**	**(7)**	**(3)**
Projects & refurbishments	(3)	1	(6)	(7)	0	**(7)**
Acquisitions & Disposals	2	0	0	3	0	**3**
Axiare	(1)	(1)	0	(1)	(8)	**(10)**
Indemnities & others	0	9	(3)	6	0	**6**
Rental revenues 2020R	**49**	**103**	**180**	**332**	**8**	**340**
Total variance (%)	***2%***	***15%***	***(6%)***	***1%***	***(64%)***	***(3%)***
Like-for-like variance (%)	**5%**	**3%**	**(0.7%)**	**1.1%**	**(49%)**	**(1%)**

(1) Office portfolio + Prime retail of Galeries Champs Elysées and Pedralbes Centre.
(2) Residual logistics portfolio and secondary retail of Axiare and Hotel Indigo in Paris.
(3) EPRA like-for-like: Like-for-like calculated according to EPRA recommendations.

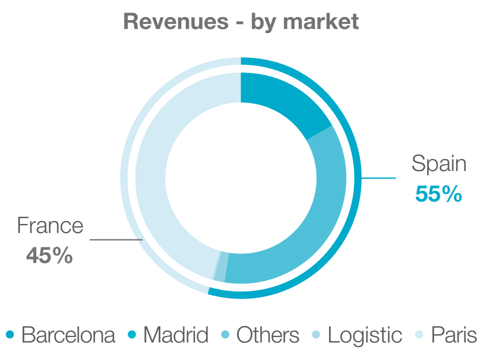
Consolidated Group







Attributable



Note: Includes retail use in the lower levels of office buildings.

At the close of 2020, EBITDA rents reached €318m, an increase of +2% in like-for-like terms, (+3% like-for-like for the offices portfolio). Worth highlighting is the Barcelona and Madrid portfolio with an increase of +9% like-for-like.

Property portfolio

				EPRA Like-for-like(1)	
December cumulative - €m	**2020**	**2019**	**Var. %**	**€m**	**%**
Rental revenues - Barcelona	49	48	2%	1.8	5%
Rental revenues - Madrid	103	90	15%	2.8	3%
Rental revenues - Paris	180	191	(6%)	(1.2)	(0.7%)
Rental revenues - Offices(2)	**332**	**328**	**1%**	**3.4**	**1%**
Rental revenues - Others(3)	8	24	(64%)	(6.8)	(49%)
Rental revenues Group	**340**	**352**	**(3%)**	**(3.5)**	**(1%)**
EBITDA rents - Barcelona	47	44	6%	3.1	9%
EBITDA rents - Madrid	94	76	23%	6.9	9%
EBITDA rents - Paris	172	185	(7%)	(1.2)	(0.7%)
EBITDA rents - Offices(2)	**312**	**305**	**2%**	**8.9**	**3%**
EBITDA rents Others(3)	6	17	(66%)	(4.1)	(46%)
EBITDA rents Group	**318**	**322**	**(1%)**	**4.8**	**2%**
EBITDA rents/Rental revenues - Barcelona	*95%*	*92%*	*3.5 pp*		
EBITDA rents/Rental revenues - Madrid	*91%*	*85%*	*6.1 pp*		
EBITDA rents/Rental revenues - Paris	*95%*	*97%*	*(1.6 pp)*		
EBITDA rents/Rental revenues - Logistic & others	*69%*	*74%*	*(4.5 pp)*		

Pp = percentages points.
(1) EPRA like-for-like: like-for-like calculated with EPRA recomendation.
(2) Office portfolio + Prime CBD retail of Galeries Champs Elysées and Pedralbes Centre.
(3) Residual logistics portfolio, secondary retail of Axiare and Hotel Indigo in Paris.

5.4. Analysis of the Profit and Loss Account

The **Colonial Group** closed **2020** with a **net recurring profit of €138m, which implies a net recurring EPS of €27.06cts/share, a figure slightly lower than the same period of the previous year**.

Analysis of the Consolidated Profit and Loss Account

December cumulative - €m	2020	2019	Var.	Var. %[1]
Rental revenues	340	352	(11)	(3%)
Net operating expenses[2]	(23)	(30)	7	23%
Net Rental Income	318	322	(4)	(1%)
Other income[3]	(0)	7	(8)	(105%)
Overheads	(46)	(47)	1	2%
EBITDA	**271**	**283**	**(11)**	**(4%)**
Exceptional items	(5)	(3)	(2)	(44%)
Change in fair value of assets & capital gains	(77)	894	(971)	(109%)
Amortizations & provisions[4]	(4)	(62)	58	93%
Financial results	(120)	(96)	(24)	(25%)
Profit before taxes & minorities	**65**	**1,015**	**(950)**	**na**
Income tax	(2)	(22)	20	91%
Minority Interests	(60)	(166)	105	64%
Net profit attributable to the Group	**2**	**827**	**(824)**	**na**

Results analysis - €m	2020	2019	Var.	Var. %
Recurring EBITDA	272	283	(11)	(4%)
Recurring financial result	(87)	(89)	2	3%
Income tax expense & others - recurring result	(14)	(15)	1	8%
Minority interest - recurring result	(34)	(39)	5	13%
Recurring net profit - post company-specific adjustments[5]	**138**	**139**	**(1.7)**	**(1%)**
NOSH (million)	*508.1*	*508.1*	*0*	*0%*
EPS recurring (€cts)	27.06	27.40	(0.3)	(1%)

(1) Sign according to the profit impact.
(2) Invoiceable costs net of invoiced costs + non invoiceable operating costs.
(3) Reinvoiced capex & EBITDA Utopic'us Centers.
(4) Includes impairment of goodwill.
(5) Recurring net profit = EPRA Earnings post company-specific adjustments.

Colonial closed 2020 with a Gross Rental Income of €340m, (3%) lower compared to the previous year, mainly due to the non-strategic disposals carried out in 2019 as well as in the current year, and the rotation of surfaces under refurbishment. In like-for-like terms, the rental income has decreased slightly.

Net Rental Income amounted to €318m, 1% lower than the previous year. However, the increase in comparable terms is +2% like-for-like. This increase was underpinned by the favorable evolution of the Net rental income of the office portfolio of +3% like-for-like.

The Group's EBITDA stands at €271m, 4% lower compared to the same period of the previous year.

The impact on the Profit and Loss account from the revaluation at 31 December 2020 and the margin from the disposals of property investments amounted to (€79m).

The revaluation, which was registered in France as well as in Spain, does not imply a cash outflow.

The net financial result amounted to (€120m), lower than that registered in the same period of the previous year.

The recurring financial result of the Group amounted to (€87m), an improvement of 3% compared to the same period of the previous year.

Profit before taxes and minority interests at the close of 2020 amounted to €65m.

Finally, and after deducting the minority interest of (€60m), as well as the income tax of (€2m), the Net Profit attributable to the Group amounted to €2m.

5.5. Financial structure

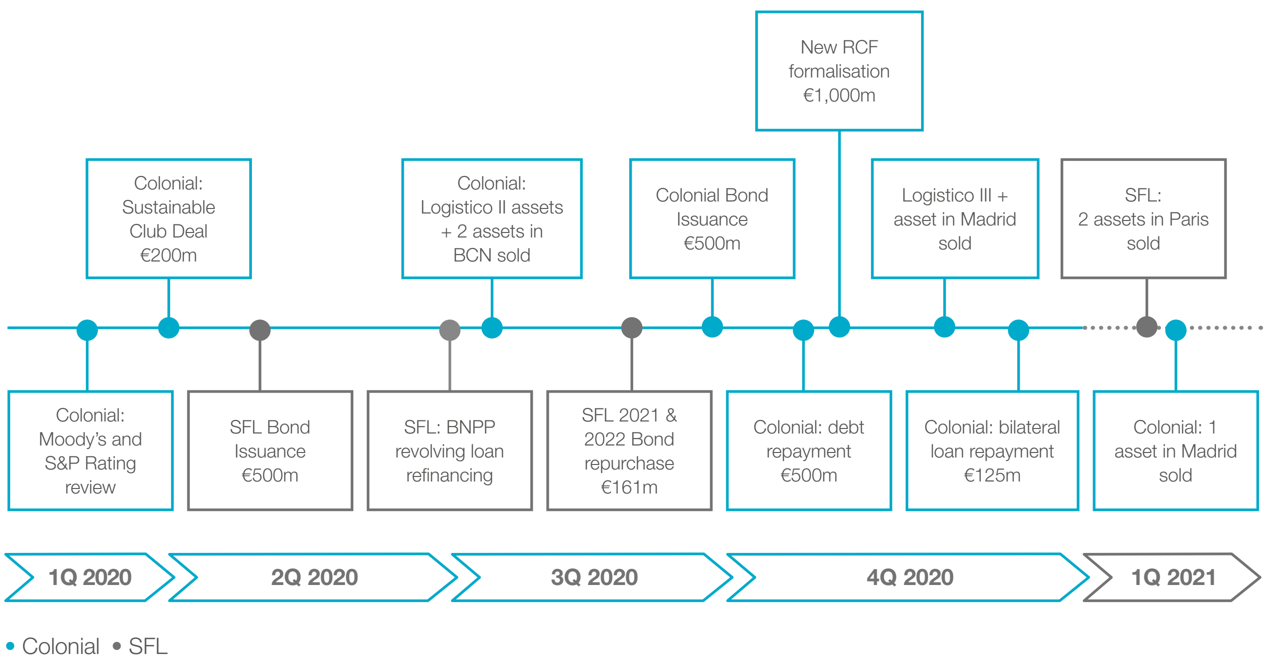
In a year marked by the exceptional conditions deriving from COVID-19, Colonial maintains a solid financial profile enabling the company to maintain a BBB+ credit rating by Standard & Poor's, the highest rating in the Spanish Real Estate sector.

Both Standard & Poor's and Moody's reviewed Colonial's credit rating in April and November 2020, in the midst of a worldwide pandemic, maintaining the same level as prior to the COVID-19 crisis.

The main operations carried out by the Group during 2020 and to date are as follows.

The objective during this period has been to ensure the liquidity of the Group, extending its debt maturity and improving the leveraging. In this respect, the Group has carried out the following operations:

- In April 2020, Colonial formalized a new loan, in Club Deal format, amounting to €200m and maturing in 2022. This loan was subsequently cancelled with the funds obtained from the bond issuance. The loan included the following benchmark institutions, both national and international: BNP Paribas, Natixis, BBVA and Caixabank. The latter acted as the Agent Bank and the Sustainability Agent. This loan was also a sustainable loan as its margin was linked to the rating obtained by the GRESB agency.
- In May 2020, SFL refinanced a revolving credit line with BNP Parisbas, increasing the nominal value to €150m and extending the maturity until May 2025.
- In June 2020, SFL launched a bond issuance in the amount of €500m. The bond issue is structured over 7 years, maturing in June 2027 with a coupon of 1.5%. Demand exceeded four times the issue volume. The issue was placed with a broad base of quality European investors, mainly in France, the United Kingdom and Germany with very stable profiles, such as insurance companies and investment funds.
- In September 2020, SFL bought back €100.3m of bonds maturing in 2021 and €60.4m of bonds maturing in 2022 that accrue an annual coupon of 1.875% and 2.25%, respectively.



- In October 2020, Colonial formalized a bond issuance for €500m on the Spanish stock market. The issue has been structured over 8 years with a coupon of 1.35%, maturing in October 2028. Demand exceeded three times the issue volume and was backed by international investors with an institutional profile. At the same time, Colonial bought back €194m of bonds maturing in 2023 and €107m of bonds maturing in 2024, accruing an annual coupon of 2.728% and 1.45%, respectively.

- On 10 November 2020, Colonial signed a new line of credit (Revolving Credit Facility – RCF) for €1,000m, replacing the two lines of RCF available in their entirety for the amount of €875m. The new credit line has two maturities of €500m at 5 and 5+1+1 years each. This new line of credit is sustainable as its margin is linked to the rating obtained by the GRESB agency, in addition to those previously signed by the Company, reinforcing the message of the Group's commitment to ESG. This new credit line has been backed by 14 financial entities, with Caixabank acting as the Agent Bank and with BBVA, Caixabank and Natixis acting as the Agents Coordinators of Sustainability, and that is added to the previous signed by the Company.

- In the month of December, Colonial cancelled two bilateral loans early, in the amount of €125m, which enabled the average maturity of the gross debt of the Group to be extended, reducing the financial expenses, and optimizing its treasury.

These operations have allowed for an improvement in the average maturity of the Group's debt, increasing it to 5.2 years vs 3.8 years if the above-mentioned operations had not been formalized. Regarding leveraging, after divestments carried out in the last three years amounting to €1,400m, the LTV ratio stands at 36.2%.

After the disposal transactions formalized in the beginning of 2021, previous to the publication of this report, the LTV ratios is at 34.8%.

At the close of 2020, the Colonial Group maintained a liquidity of €2,309m, between available cash and undrawn credit lines (€2,645m following the formalization of the disposals).

The main debt figures of the Group at 31 December 2020 are as follows:

Colonial Group (€m)

	December 2020	December 2019	Var.
Gross financial debt	4,851	4,826	*1%*
Net financial debt	4,582	4,609	*(0.6%)*
Total liquidity(1)	2,309	2,082	*11%*
% debt fixed or hedged	96%	88%	*9%*
Average maturity of the debt (years)(2)	5.2	4.9	*0.3*
Cost of current Debt(3)	1.70%	1.63%	*7 pb*
Rating Colonial (S&P's)	BBB+ Stable	BBB+ Stable	–
Rating Colonial (Moody's)	Baa2 Stable	Baa2 Stable	–
Rating SFL (S&P's)	BBB+ Stable	BBB+ Stable	–
LtV Group (including transfer costs)	36.2%	36.1%	*7 pb*
Mortgage Debt	6%	6%	–

(1) Cash & Undrawn balances.
(2) Average maturity based on available debt and post issuance and liability management.
(3) Cost of current debt including ECPs. Without taking into account the ECPs, the Cost of debt will be of 1.75%.

The net financial debt of the Group at the close of 2020 stood at €4,582m, the breakdown of which is as follows:

Net financial debt (€m)

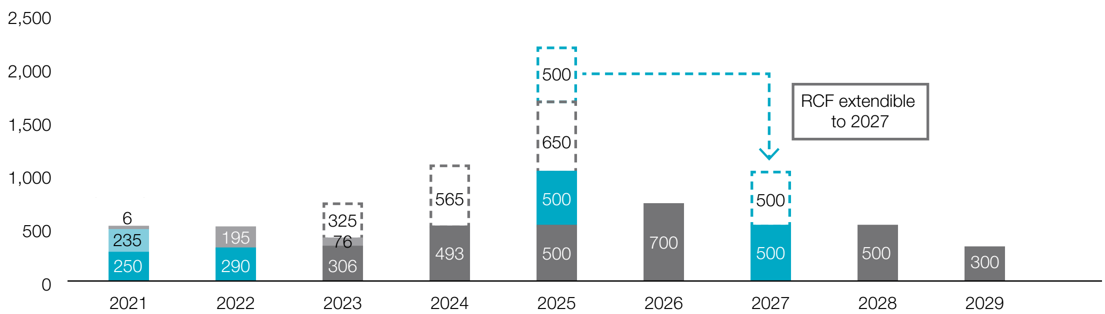
	December 2020			December 2019			Var.	
	Colonial	SFL	Total	Colonial	SFL	Total	Total	Average Maturity[3]
Syndicate loans	0	4	4	125	–	125	**(121)**	0.1
Mortgage debt	76	197	273	76	199	275	**(2)**	1.9
Bonds Colonial	2,800	1,539	4,339	2,600	1,200	3,800	**539**	5.7
Issuances notes	70	165	235	240	387	626	**(391)**	0.3
Gross debt	**2,945**	**1,906**	**4,851**	**3,040**	**1,786**	**4,826**	**25**	5.2
Cash	(253)	(15)	(269)	(163)	(54)	(217)	**(52)**	
Net Debt	**2,692**	**1,890**	**4,582**	**2,877**	**1,732**	**4,609**	**(26)**	
Total liquidity[1]	1,253	1,055	**2,309**	1,038	1,044	**2,082**	**227**	
Cost of debt - Spot (%)	1.82%	1.50%	1.70%[2]	1.80%	1.34%	**1.63%**	**7 pb**	

(1) Cash & Undrawn balances.
(2) Margin + reference rate, without inccluding commissions.
(3) Average Maturity calculated based on the available debt.

Without considering the ECP program, it is particularly noteworthy that 90% of Colonial's debt matures as of 2023 and 65% matures as of 2025. 94% of the drawn debt of the Group is made up of issuances in the bond market, the rest of the debt is financed with credit entities and only 6% have mortgage guarantees.

90% of debt matures as of 2023

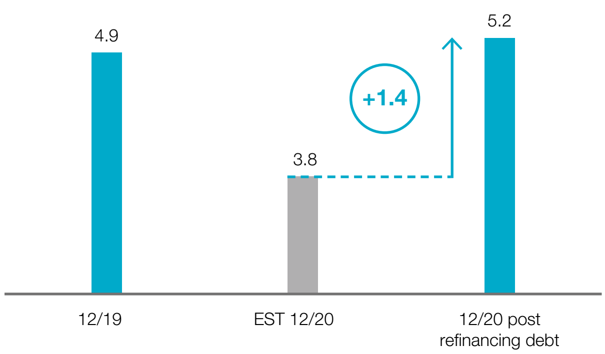
94% of the debt is made up of issuances in the bond market



										Total
Colonial	70	–	382	493	500	700	–	500	300	**2,945**
SFL	421	485	–	–	500	–	500	–	–	**1,906**
Total	**491**	**485**	**382**	**493**	**1,000**	**700**	**500**	**500**	**300**	**4,851**

• Bonds Spain • Bonos France • ECPs • Other debt ○ Undrawn balances (€m)

The evolution of the average maturity of the Group's debt (in years) is shown in the following graph. EST 12/20 is the average life of the debt estimated at the close of 2020 prior to the formalization of the operations described above.



Financial results

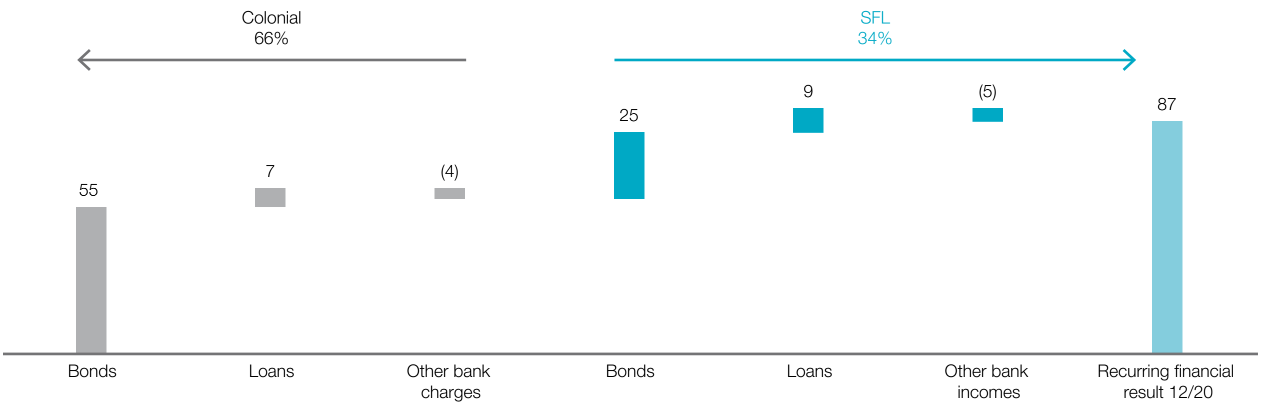
The main figures of the financial result of the Group are shown in the following table:

December cumulative - €m

	COL	SFL	2020	2019	Var.%
Recurring financial expenses - Spain	*(63)*	*0*	*(63)*	*(64)*	*1%*
Recurring financial expenses - France	*0*	*(35)*	*(35)*	*(31)*	*(11%)*
Recurring Financial Expenses	**(63)**	**(35)**	**(98)**	**(95)**	**(3%)**
Recurring Financial Income	0	0	0	*1*	(15%)
Capitalized interest expenses	5	5	11	*5*	107%
Recurring Financial Result	**(58)**	**(29)**	**(87)**	**(90)**	**3%**
Non-recurring financial expenses	(27)	(5)	(32)	*(4)*	802%
Change in fair value of financial instruments	(2)	(0)	(2)	*(3)*	40%
Financial Result	**(86)**	**(34)**	**(121)**	**(96)**	**(25%)**

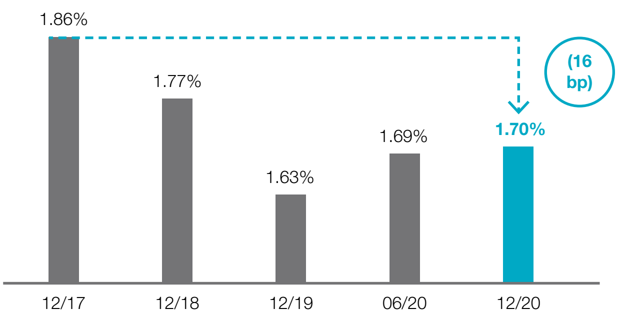
The objective of ensuring the liquidity during the year has resulted in an increase in the average gross debt in 2020 (although the net debt was lower). This objective has had an impact on the recurring financial result of 2020 which increased by 3% compared to the same period of the previous year. It has also contributed, to higher financial expenses, the exchange of short term-debt (ECP programme) vs long-term debt (new bond issuances).

The breakdown of the recurring financial result by product at the close of 2020 is shown below:



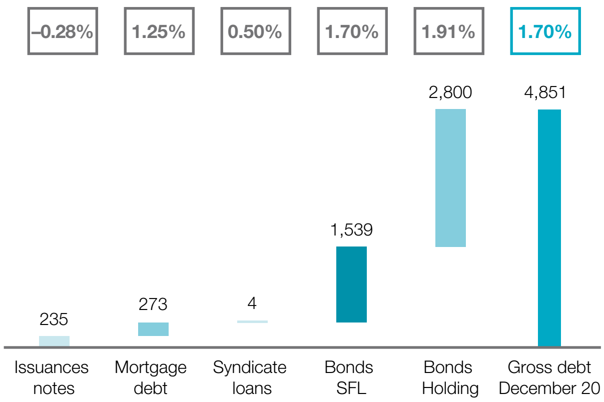
The spot financial cost of the drawn debt was 1.70%. Including formalization costs, accrued over the life of the debt, the financial cost amounted to 1.82%. Without considering the ECP program, the spot financial cost amounts to 1.75% (1.87% including the financing commissions). The increase in the financial cost mainly derives from a reduction in short term issuances (notes) substituted by long term debt.

Debt Spot cost evolution



In the first quarter of 2020, taking advantage of yield curves at historic lows, the Group formalized various pre-hedging instruments amounting €400m in order to cover the interest rates of future debt emissions. The cumulative value of these types of instruments amounts to €1,100m, with different execution dates, adjusted to the debt maturity profile of the Group. All of these comply with the hedging accounting standards.

Group debt and spot cost composition



Main debt ratios and liquidity

The undrawn balances of the Group as of 31 December 2020 amounted to €2,309m, an increase of more than €200m compared to December 2019. This liquidity enables the Group to guarantee its financing needs in the coming years.

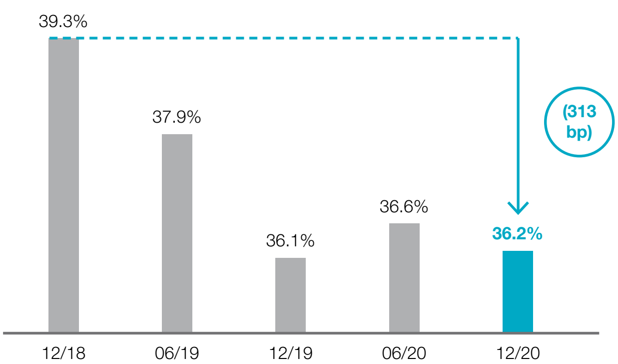
The Loan to Value (LTV) of the Group, calculated as the ratio of total net debt among the total GAV of the Group, amounted to 36.2%, compared to 36.1% as of 31 December 2019.

The breakdown of balances and LTV evolution is shown in the following graph:

Cash & undrawn balances (€M)

	Colonial	SFL	Group
Current accounts	254	15	269
Credit lines available	1,000	1,040	2,040
Total	1,254	1,055	2,309

LtV evolution



5.6. EPRA Net Tangible Assets (NTA) & Capital Market

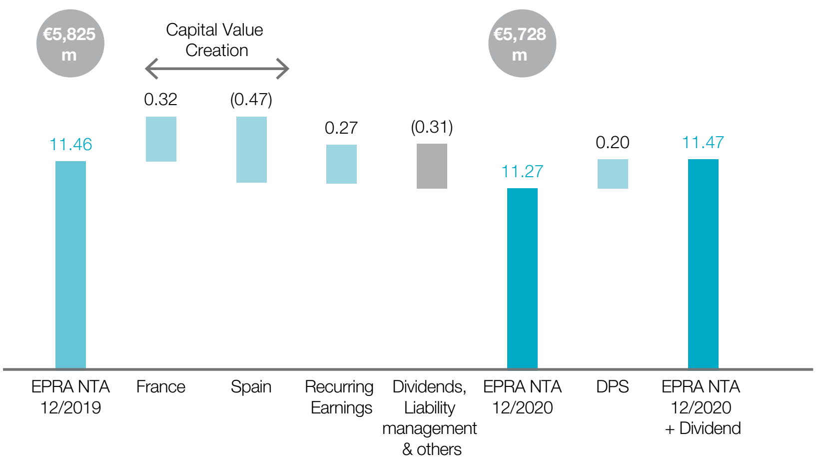
5.6.1 EPRA Net Tangible Assets (NTA)

Colonial closed 2020 with a **net value of the assets (EPRA Net Tangible Assets - NTA) of €11.27/share**, that including the dividend paid of €20cts/share, amounts to €11.47/share, stable compared to the NTA (NAV) of €11.46/share from the previous year (+0.1%).

The stable evolution of the NTA (NAV) is underpinned by the defensive performance of the value of the assets. It is worth highlighting the increase in value of the Paris portfolio that has compensated for the slight correction of the Madrid and Barcelona portfolios.

€11.47
/share (+0.1%)

EPRA NTA €/share



Total Shareholder Return[1]

	1H 2020	2H 2020	2020
NTA Growth per share	(2.2%)	+0.5%	(1.7%)
Dividend per share	+1.7%	na	+1.7%
Total Return per share	(0.5%)	+0.5%	+0.1%

(1) Total shareholder return understood as NTA (NAV) growth per share + dividends.

Among the main aspects that explain the evolution of the NTA (NAV), it is important to highlight:

1. Growth of +4% like-for-like in 2020 of the asset portfolio in Paris.
2. Successful management of the project portfolio with high levels of pre-letting.
3. Resilient execution of the contract portfolio, exceeding ERV's of the previous year.
4. Generation of stable cash flow maintaining recurring results of €27cts/share.
5. A favorable situation in the investment markets for prime assets, especially in the second half of 2020, enabling disposals with a double-digit premium over GAV.

The high interest by the investment market for core CBD assets, with an increase in transaction volumes and prices in the second half of the year, enabled a favourable evolution of value in the second half of 2020. This compensated for the slight correction of the NTA in the first half, closing the year with stable Net Tangible Assets, including the dividend paid.

The EPRA Net Tangible Assets (EPRA NAV – NTA) is calculated based on the Group's consolidated equity and adjustments of specific items following EPRA recommendations.

EPRA Net Tangible Assets - €m (Net Asset Value) - December 2020

		12/2020	12/2019
IFRS Equity attributable to shareholders		**5,401**	**5,559**
Include:			
(i)	Hybrid instruments	–	–
Diluted NAV		**5,401**	**5,559**
Include:			
(i.a)	Revaluation of investment properties (if IAS 40 cost option is used)		
(i.b)	Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)		
(i.c)	Revaluation of other non-current investment	64	45
(ii)	Revaluation of tenant leases held as finance leases	–	–
(iv)	Revaluation of trading properties	10	3
Diluted NAV at Fair Value		**5,475**	**5,607**
Exclude:			
(v)	Deferred tax in relation to fair value gains of IP	233	239
(vi)	Fair value of financial instruments	19	(21)
(vii)	Goodwill as a result of deferred tax	–	–
(viii.a)	Goodwill as per the IFRS balance sheet	–	–
(viii.b)	Intangible as per the IFRS balance sheet	–	–
Include:			
(ix)	Fair value on fixed interest rate debt	n.a.	n.a.
(x)	Revaluation of intangibles to fair value	n.a.	n.a.
(xi)	Real estate transfer tax	–	–
EPRA NAT (NAV) - €m		**5,728**	**5,824**
Nº of shares (m)		***508.1***	***508.1***
EPRA NTA (NAV) - Euros per share		***11.27***	***11.46***

Calculation of the EPRA NTA (NAV): Following the EPRA recommendations and starting from the consolidated equity of €5,401m, the following adjustments were carried out:

1. Revaluation of other investments: registry at fair value of several investments of the Group registered in the balance sheet at acquisition cost, mainly treasury shares and assets dedicated to own use.

2. Revaluations of assets held for sale. Registry of the unrealized gain of the properties posted under this heading.

3. Adjustment of deferred taxes: adjustment of the amount of deferred taxes associated with the revaluation of the property assets registered on the balance sheet.

4. Market value of financial instruments: adjustment of the market value (mark to market) of derivative instruments.

5.6.2 Investor and capital market relations

An essential element for executing a long-term sustainable value creation strategy is to have a continuous, fluid relationship with the capital market, investors and analysts.

Colonial has a team exclusively dedicated to maintaining and taking caring of the company's relationship with the capital market. The team has extensive international experience in the capital market, with previous experience in other listed companies, as well as with institutional investors and prestigious consulting firms.

In 2020, due to the pandemic, the work of the Investor Relations team has focused on giving maximum visibility to all of the company's actions to manage the complexity of the pandemic, as well as answering all enquiries from the main players in the capital market. The Colonial Group has increased its actions in a proactive approach to shareholders and investors to complement the general actions of the "traditional" Road Shows and events.

These approaches, which continue to be part of the Investor Relations 2.0 focus, have enabled a more focused approach to the capital market, ensuring better compliance with the corporate strategy and reinforcing the bond with investors aligned with the real estate strategy of creating value in the long term.

The main investor relations actions carried out during the year are as follows:

I. FINANCIAL RESULTS WEBCAST AND ROAD SHOWS

1. **Financial results Webcast**: Staying in constant contact with the capital market, Colonial organised 4 webcasts on its website. In these events, part of the management team, headed by Colonial's CEO, presented the Company's quarterly results. On average there were about 100 participants, reaching more than 150 in the case of the first half and the annual presentations.

2. **Road Shows with investment banks**: Colonial has continued with its agenda of Road Shows and conferences in the main European and United States financial markets. Due to the pandemic, they have been carried out remotely. This year the investor relations team has attended 19 events organised by the main European and North American investment banks, in cities such as London, New York, Miami, Paris and Amsterdam. As a result, in 2020 Colonial met with more than 350 institutional investors, including the main accounts in the sector. This includes seven countries and nine cities.

Road shows 2020

Key investors

3. **Market analysts**: Colonial is in contact with the main capital market analysts specialising in European real estate companies. It continuously monitors their financial models and maintains regular contact, responding to their requests and questions to convey the Colonial Group's strategy correctly. At present, 21 analysts, national and international, cover the company very actively, with a recommendation to buy in most cases.

Institution	Analyst	Date	Recomendation	Target Price actual (€/share)
BUY				
J.P. Morgan	Neil Green	15/1/21	Overweight	10.3
Renta 4	Javier Díaz	1/12/20	Overweight	10.2
JB Capital Markets	Daniel Gandoy López	10/2/21	Buy	10.0
Grupo Santander	José Francisco Cravo	5/2/21	Buy	10.0
Goldman Sachs	Jonathan Kownator	10/12/20	Buy	9.8
Oddo BHF	Florent Laroche-Joubert	8/2/21	Overweight	9.5
Banco Sabadell	Ignacio Romero	10/12/20	Buy	9.0
HOLD				
Green Street Advisors	Peter Papadakos	12/2/21	Hold	n.a.
Intermoney Valores	Guillermo Barrio	12/2/21	Hold	9.5
CaixaBank BPI	Pedro Alves	6/11/20	Neutral	9.2
Kepler Cheuvreux	Mariano Miguel	9/2/21	Hold	8.7
Kempen & Co	Jaap Kuin	19/1/21	Neutral	8.6
Alantra Equities	Fernando Abril-Martorell	12/2/21	Neutral	8.5
BofA	Álvaro Soriano	10/12/20	Neutral	8.4
Morgan Stanley	Bart Gysens	5/1/21	Neutral	8.3
SELL				
Barclays	Celine Huynh	10/12/20	Underwieght	6.9
Société Générale	Ben Richford	11/1/21	Sell	6.6
Mirabaud Securities	Ignacio Méndez	13/11/20	Sell	6.5
AlphaValue/Baader	Christian Auzanneau	28/1/21	Sell	4.4

Source: Bloomberg & analyst reports.

II. CUSTOMISED EVENTS FOR INVESTORS AND SHAREHOLDERS - INVESTOR RELATIONS 2.0

Two major events were organised in 2020 to bring together the major players in the European listed real estate sector:

1. **Online Field Trip - July 2020**: A Field Trip was organised in Paris, attended by more than 40 people, including investors and analysts. At this event, the Company was able to explain the situation of its Paris projects in more detail, and a tour was organized, dedicated exclusively to these projects to show their future value creation.

2. **Capital Markets Day - December 2020**: Colonial's Capital Market Day is the Group's main annual event to report on its corporate strategy and possible updates to its business plan. In 2020, the Company explained in detail its business model based on the three "Es": Efficiency, Experience and Environment. The event, held virtually this year, was attended by more than 120 analysts and investors.

3. **Presentation of Alpha V**

   In February 2021, Colonial presented its disposal program, part of the Alpha V project, in a webcast for investors and analysts. During the 2020 financial year, the Colonial Group divested more than €600m of mature, non-strategic assets with a double-digit premium over GAV.

Likewise, ad-hoc Road Shows were organised for Colonial with boutique investment banks, targeting certain institutional investment funds, which had been selected previously.

III. PROACTIVE APPROACH TO SHAREHOLDERS - CUSTOMER RELATIONSHIP MANAGEMENT

Colonial has carried out actions to approach shareholders and investors proactively, complementing the general actions of the "traditional" Road Shows and events.

1. To carry out this approach, a specialised Customer Relationship Management (CRM) program is used to monitor activity and identify investors. Since its launch in June 2019, this tool has allowed Colonial to better monitor its contacts with investors and identify the main target accounts.

2. With this, internally organised Road Shows have been set into motion, establishing a relationship with the funds that, due to their internal strategy, best fit the Colonial Group's strategy.

IV. ESG COMMUNICATION

During the 2020 financial year, the capital market was very active in continuing to communicate how its strategy is focused on companies that follow the highest quality standards in ESG (Environmental, Social & Governance) policies, because of their ability to create value in the short, medium and long term. The main opinion leaders among investors have shown publicly that companies' ESG strategies have positively influenced their decision-making.

At many of the meetings held with investors, one of their recurring questions is to ask about the company's ESG strategy. Many of them believe that Colonial is following the right policies on sustainability and they ask for it continue in the same way.

The Company has specifically monitored how investors' doubts and concerns affect voting at the Shareholders' Meeting. The recommendations of the ISS and Glass Lewis proxy advisors have also been specifically monitored. These recommendations have been analysed and incorporated into the strategy and objectives for the coming years in corporate and ESG matters.

Main ESG ratings of Colonial's investors

5.7. Tax information

5.7.1 Tax Strategy

Taking into account the changes established by the Limited Liability Companies Act on matters of tax governance, and being aware of the importance of tax in matters of social responsibility and good corporate governance, on 10 December 2015 Colonial's Board of Directors approved its Tax Strategy. Compliance with this strategy is mandatory for all Colonial employees.

In relation to the Group's subsidiary companies, Colonial will strive to apply Colonial's Tax Strategy and Tax Risk Management and Control Policy, except in those cases in which, considering their specific characteristics, said companies have their own tax strategy or their own tax risk management and control policy.

The Tax Strategy includes the guidelines on which Colonial's tax governance model pivots, focusing mainly on reducing tax risk, in collaboration with the tax authorities, both to comply with its tax obligations and to facilitate the information required in the framework of any tax procedure and in compliance with regulations. In this regard, the Group acts in accordance with a reasonable interpretation of tax legislation and according to its economic capacity and business reality.

At the same time, promoting Colonial's fiscal transparency, responding to the concerns of its stakeholders and its commitment to contributing to public finances are all essential values of its culture. To this end it has created a space on its website (https://www.inmocolonial.com/responsabilidad-social/transparencia-fiscal) where it states its position on different issues related to its Tax Strategy, the management and control of its tax risks, its tax contribution, the status of its main tax inspections and tax litigation, among other aspects.

5.7.2 Tax Risk Management and Control Framework

Colonial has a Risk Control and Management System through which the corresponding risks, including tax risks, are identified, analysed, managed, controlled, evaluated and updated, contributing to achieve the Group's business objectives. For this purpose, it has structured a corporate risk map to allow it to evaluate the corresponding risks based on their impact, measured in economic terms, and their probability (i.e., potential for the risk event to occur over time). A model has been designed to ensure the integrity, reliability, correct presentation and validity of Colonial's financial information (ICFR), including tax aspects.

All of the above has been established by Colonial's Board of Directors which, through the Audit and Control Committee and with the support of Internal Audit, regularly performs the necessary supervision activities to evaluate the effectiveness of the risk management processes and the controls implemented to mitigate risk, and performs the relevant tests necessary to verify the operational effectiveness of the ICFR's organisational model.

The Tax Risk Management Policy, approved on 10 December 2015 by Colonial's Board of Directors, is the base document detailing the corresponding principles, criteria and good practices to be followed to achieve a correct management and control of its tax risks.

Colonial has a tax risk management and control framework that develops its tax strategy and complements the Group's global risk control and management system. It is configured as a procedure of mandatory compliance for all Colonial employees (extending to any collaborators or third parties with which Colonial has a relationship) and mainly covering the following areas:

- Description of the structure, organisation and management of the Group's tax function.
- Collaboration on tax matters between the Organisation's different departments.
- Storage, administration and management of documentation generated by interactions with the different tax authorities (including any resulting from management of the tax function).
- Making use of tax knowledge acquired in past experiences.
- Updating, monitoring and dissemination of technical tax knowledge.
- Managing possible tax litigation, checks and inspections.
- Criteria for delimiting the Group's tax risk in line with the provisions of the management and supervision system for other risks, factors for their identification and assessment, and an action protocol.
- Definition of operations of special tax significance and their channel for approval by the Group's management bodies.
- Report of information on the tax attributes of the Group's entities.
- Regular checks on the effectiveness and fulfilment of the tasks necessary to settle and declare taxes to which it is subject in Spain.
- Monitoring of applicable requirements of the REIT, SIIC or a similar regime.

Likewise, Colonial's tax function is leveraged on the Group's horizontal systems in relation to the selection of the organisation's members, communication on policies related to personnel, performance control levers and employee compensation, training plans, the controls on contracting and approving third parties, as well as the other internal and external due diligence procedures.

Finally, it should be noted that Colonial has developed its fiscal risk management and control framework taking account the best practices in the market on fiscal governance (as recommended by the Tax Administration itself, by NGOs, by experts in the area or by any other stakeholder). These practices are monitored and based on the principle of continuous improvement. Following their criteria, any updates or improvements needed are gradually introduced to strengthen the control procedure.

5.7.3 Cooperative relationship with the tax authorities

On 10 December 2015, Colonial's Board of Directors decided to adhere to the Code of Best Tax Practices, assuming a series of commitments based on transparency, mutual trust and preventive actions of assistance and collaboration.

Regarding the compliance behaviour that the code encourages in matters of tax governance, Colonial states that it has adopted them satisfactorily:

- The Board of Directors has established and documented a tax strategy.
- The Board of Directors has approved the operations and investments with special tax risk.
- The Company's risk management policy includes measures to mitigate the tax risks identified and has established internal corporate governance rules in this area.
- The Company has used effective information systems and internal control of tax risks, insofar as their design and operation are fully integrated into the general internal control systems of the business it undertakes.

In any case, the Group continues to work on building an even closer relationship with the tax authorities, using the instruments for cooperative relations available in each of the jurisdictions where it operates, such as prior consultation, prior rating or valuation agreements or other similar instruments.

Colonial endeavours to respond to all the issues raised by the different stakeholders in relation to tax matters through the different communication channels in place.

5.7.4 Breakdown of tax information

Properly explaining the importance of the Colonial Group's tax contribution is a priority for Colonial from the point of view of transparency and corporate social responsibility.

NON-FINANCIAL TAX INFORMATION

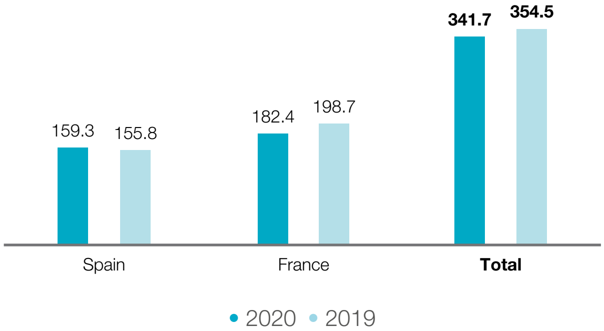
The list of entities that make up the Group, their name and main activity, as well as their tax residence, are included in the Annex to the consolidated annual accounts for the 2020 financial year.

The number of employees in the Group and the basis for calculating them are detailed on page 194 of the *Integrated Annual Report* for the financial year 2020.

The financial year for the Group corresponds to the calendar year.

The Group's revenues from sales to third parties are detailed by jurisdiction in the following chart:

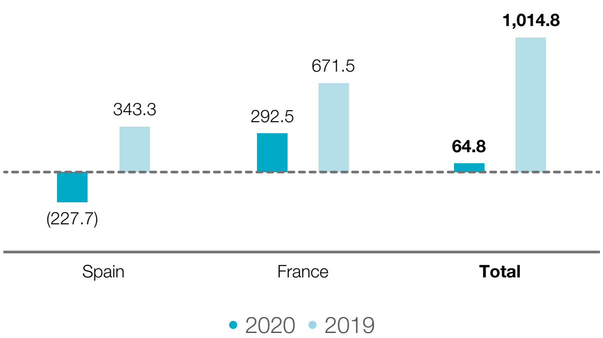
Revenue from sales to third parties (millions of euros)



There were no intragroup transactions between tax jurisdictions.

The consolidated profit before tax attributable to each jurisdiction is presented in the following chart:

Accounting profit before tax (millions of euros)

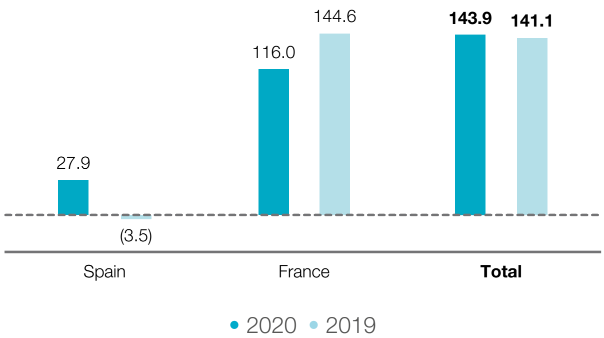


The Colonial Group applies the fair value through profit or loss method to the accounting records of its investment properties, and therefore the consolidated results include the impact of the change in value recorded during the year. These results do not have an impact on the tax payable in each country, given that (i) they are either treated as deferred taxes as they are deferred unrealised capital gains, (ii) they do not generate such deferred tax as they are properties that have met the minimum maintenance requirements established by the REIT Law, or (iii) they are French assets subject to the SIIC regime for which the Group has already paid the corresponding tax (exit tax) and, therefore, no additional taxation is associated to them.

The amount of investment property revaluations recorded for 2020 in Spain and France amounts to €255.6m of losses and €176.5m of income, respectively (2019: €346.8m and €526.9m of income, respectively). These amounts do not include the effect of possible deferred taxes associated with them, nor the portion of such results attributable to non-controlling interests.

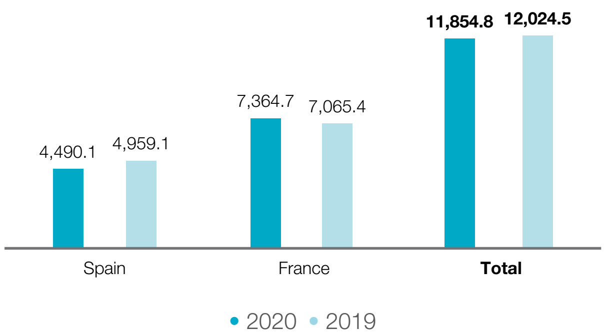
The Group's consolidated accounting profit before tax, excluding the effect of recording its investment property at fair value through profit or loss, is shown in the chart below:

Accounting profit before tax (millions of euros)



Given the activity in which the Group is engaged, tangible assets other than cash and cash equivalents basically correspond to property investments owned by the Group. The following chart shows material assets and property investments (including those classified as non-current assets held for sale) by jurisdiction:

Material assets and property investments (millions of euros)



The majority of the Group's companies, both in Spain and in France, are part of what are known as REITs (*Real Estate Investment Trusts*). These are real estate companies listed on official national markets and which generate income for their shareholders through the development and sale of their real estate assets. Investors in this type of entity (be they small investors or institutional investors) can invest in a listed real estate company, in the same way as they can invest in other listed entities, and instead of investing in individual properties, they can invest collectively in a portfolio of assets.

Since the purpose of the REIT is to channel the collective investment in real estate assets, the profits generated by these companies is not taxed from the REIT, and in fact it is the shareholder who is taxed on these profits when they are distributed via dividends. Spanish REITs and French SIICs are legally obliged to distribute as dividends the following gains/ losses that have benefited from these tax regimes

Dividend distribution obligations according to type of income (%)

(1) The remaining 50% must be reinvested in new assets subject to the REIT regime within 3 years from the date of the transfer, and if not reinvested, the net gain must be distributed as a dividend.

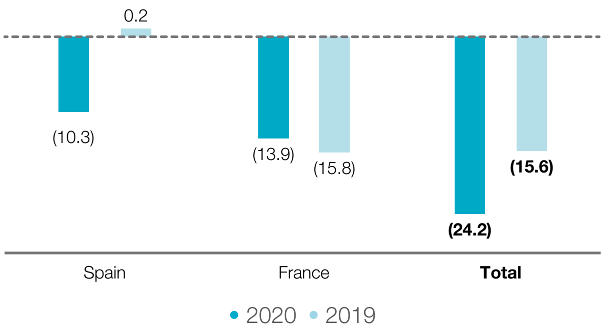
Taxation of net rental income and sales of real estate assets is passed on to its shareholders to ensure that such gains are only taxed once and not twice (first by the REIT and then by the shareholder). This creates an incentive for investing in property through REITs, as they are accessible, transparent and liquid.

In addition to REITs and SIICs, there are companies under the general Spanish and French corporate income tax regime. Certain gains and losses in REITs are also included in the general regime, such as sales of assets which have not been held for the minimum three-year holding period required by the REIT Law, or the inclusion of certain adjustments from years before the adoption of the REIT regime, which Colonial opted for with effect from 1 January 2017.

The breakdown of paid income tax recorded in the Group's consolidated results, as well as the breakdown of the reconciliation between nominal and effective corporation tax, are given in note 19 of the Group's consolidated annual accounts for the year 2020.

The following chart shows the amount of tax on profits paid in 2020 and 2019:

Profit tax paid



TAX CONTRIBUTION REPORT

Colonial publicly breaks down the main tax payments in those countries in which it operates. This reflects the importance attached by Colonial to tax matters, as well as its level of commitment to the main stakeholders. To view this information, access the tax transparency section on the corporate website (link).

TOTAL TAX CONTRIBUTION IN 2020

Total Tax Contribution of the Group

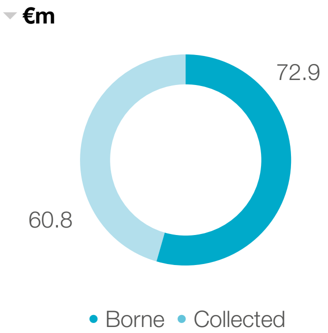
Total taxes generated by the Group's activity in all the territories in which it operates **amounted to €133.7m**, of which **54% refers to taxes borne** and the other **46% refers to taxes collected**.

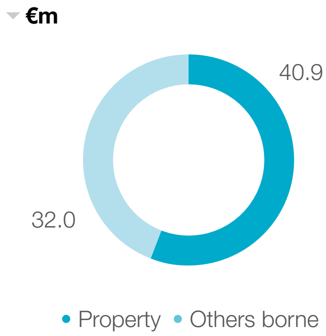
Taxes borne in 2020

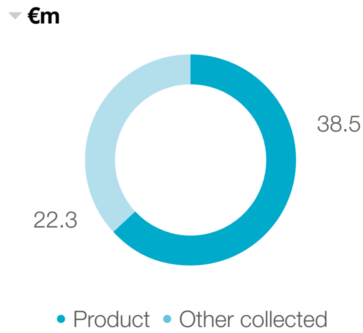
The taxes borne by the Colonial Group in 2020 amounted to €72.9m, within which the importance of property taxes (IBI), which represent 56% of the figure, stands out.

Taxes collected in 2020

The taxes collected by the Colonial Group in 2020 amounted to 60.8 million euros, the most significant of which are the taxes on products and services, mainly VAT, which represent 63% of the total taxes collected.







Source: Prepared in-house.

Colonial's Tax Contribution with respect to 2020 turnover

For every €100 of the Group's revenue, €39 are used to pay taxes. Of that amount, €21 are taxes borne and €17 are taxes collected.

Total Tax Contribution Rate in 2020

During 2020, the Total Tax Contribution Ratio of the Colonial Group represents 38% of the profits before taxes borne (the profit before taxes borne is adjusted for the impact of revaluations).

Distributed tax value in 2020

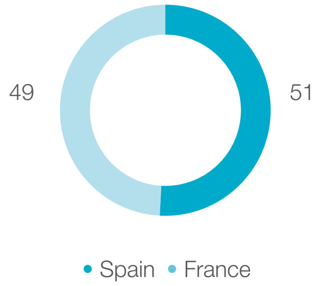
Of the value generated[(1)] by the Colonial Group in carrying out its business activities, €133.7m was paid to the Public Treasury through taxes borne and collected. Thus, of every €100 of value generated by the Group in 2020, €33 euros were used to pay taxes.

(1) The value generated by the company is calculated as the sum of taxes (borne and passed on), net withholding dividends, net interest and wages and salaries net of taxes collected on behalf of employees.

GEOGRAPHIC DISTRIBUTION OF THE TAX CONTRIBUTION IN 2020

Of every €100 that the Colonial Group pays in taxes throughout the world, €51 are paid in Spain.

Geographic distribution of the tax contribution in 2020 - €



Source: Prepared in-house.

Total amount of payments to Public Administrations

Total Tax Contribution (TTC)	Property taxes	Taxes on products
€133.7 in Total Tax Contribution (TTC).	€40.9 in property taxes, all of which are borne.	€38.9, €38.5 of which correspond to VAT collected by the various Group companies.

Source: Prepared in-house.

Taxes paid to the Public Treasury

	Spain		France		Total	
	Taxes borne	Taxes collected	Taxes borne	Taxes collected	Taxes borne	Taxes collected
Income tax	**11.1**	**13.2**	**14.1**	**0.1**	**25.2**	**13.3**
Income tax	10.3	–	13.9	–	24.2	–
Other	0.8	13.2	0.2	0.1	1.0	13.3
Property tax	**21.2**	**–**	**19.7**	**–**	**40.9**	**–**
Yearly municipal property tax	17.8	–	17.6	–	35.4	–
Other	3.4	–	2.1	–	5.5	–
Taxes associated with employment	**1.9**	**5.6**	**4.5**	**3.0**	**6.4**	**8.6**
Payments to Social Security	1.9	0.4	4.5	1.7	6.4	2.1
Work income withholdings	–	5.2	–	1.3	–	6.5
Taxes on products and services	**0.4**	**14.3**	**–**	**24.2**	**0.4**	**38.5**
VAT settled	–	14.3	–	24.2	–	38.5
Other	0.4	–	–	–	0.4	–
Environmental taxes	**0.1**	**0.4**	**–**	**–**	**0.1**	**0.4**
Subtotal of taxes paid	**34.6**	**33.5**	**38.3**	**27.3**	**72.9**	**60.8**
Total	**68.1**		**65.6**		**133.7**	

06
Risk management

6.1. Our approach to risk management

I. Overview

Asset management is exposed to various internal and external risks and uncertainties which may have an impact on Colonial's ability to grow. Colonial's objective is therefore to create sustainable value by optimising the relationship between profitability and risks, which is constantly evolving in financial, environmental, social and economic areas, among others. This balance, together with a holistic and dynamic view of risk, reinforces Colonial's leadership in the sector and consolidates its long-term position.

II. Governance

Risk management is a key aspect of the organisation's culture. For this reason, it has developed the Colonial Risk Management and Control System (hereinafter RMCS), establishing the bases for efficient and effective risk management throughout the organisation.

The main responsibilities for the RMCS are assigned to the Board of Directors, the Audit and Control Committee, the Management Committee and the internal audit unit. The RMCS also expressly determines the responsibilities of senior management, operational divisions and other risk owners with respect to risk management.

The **Board of Directors** is responsible for determining the risk management and control policy, identifying the Company's main risks and overseeing the internal information and control systems in order to ensure the Group's future viability and competitiveness. The **Audit and Control Committee**, as a body delegated by the Board of Directors, performs the following functions related to the oversight of risk management and control systems, among others:

- Submission of a report on risk policy and risk management to the Board for approval.
- Periodic review of risk management and control systems to identify, manage and report key risks.
- Supervision of the preparation process, and of the integrity and presentation of mandatory public reporting (both financial and non-financial).

In addition, the Company has two support units:

- **Regulatory compliance**: responsible for ensuring proper compliance with regulations and laws that affect the Group in the course of its business.
- **Internal Audit**: responsible for carrying out the monitoring activities set out in its annual plans approved by the Audit and Control Committee to assess the effectiveness of the risk management processes, action plans and controls implemented by the relevant departments to mitigate the risks identified.

Top Down
Implement the Control and Risk Management System (CRMS) and define risk appetite and tolerance

BOARD OF DIRECTORS

- Approval of the risk control and risk management policy
- Approval of the corporate risk map

AUDIT AND CONTROL COMMITTEE

- Supervision of the risk control and risk management systems
- Corporate risk map analysis and monitoring
- Supervision of the process of preparing financial and non-financial information
- Direct supervision of units with control functions (internal audit and regulatory compliance)

Internal Audit Unit	Regulatory Compliance Unit
Supervising effectiveness of the CRMS Coordinating risk map assessment	Regulatory compliance analysis Establishment of regulatory risk prevention system

MANAGEMENT COMMITTEE

- Identification of each area's risks
- Periodic assessment of the criticality of their risks
- Definition of an action plan
- Defining the corresponding controls
- Monitoring of the risk indicators

BUSINESS UNITS

- Identification of each unit's operational risks
- Reappraisal of risk events under their responsibility
- Implementation and continuous review of mitigating controls

Bottom Up
Assess risks and implement operational controls

III. Risk identification

The operational management of Colonial's risk management model is based on the corporate risk map. This serves as a tool for the integrated monitoring of the evolution of risks according to the economic impact and the probability of the event materialising in the Group.

The corporate risk map has a dynamic approach. It is reviewed every six months to reflect the constant change in Colonial's economic, social and political environment, as well as its internal development. In this way, monitoring is carried out on the evolution of risks and on the action plans defined and implemented by each area. These plans set out the necessary controls to mitigate each of the risks overseen by each area.

Colonial distinguishes between different types of risks to which it is exposed by their origin:

- **External risks**: External risks are factors that arise from the environment in which Colonial carries out its activity and which influence and condition the company's operations.
- **Internal risks**: Internal risks are all factors that arise from the performance of its activity and the day-to-day management of the company and its different areas.

Both internally and externally, Colonial identifies Environmental, Social and Governance (ESG) risks that are integrated into with the rest of the Group's corporate risks. ESG risk management allows Colonial to transform these risks into opportunities for improvement, helping to manage the company's assets more efficiently and creating a positive environmental and social impact.

IV. Risk assessment

Risk assessment is carried out on a half-yearly basis by means of reviews with the members of the Management Committee (*risk owners*). These reviews assess risks in terms of impact and probability, and risks are categorised in accordance with their inherent level (risk level with no assessment of control measures) and their residual level (risk level after mitigation control measures have been assessed), thus obtaining the main risks to which the Group is exposed and which can threaten its business model and development.

In addition, the analysis encompasses new risks identified by each area that could pose a threat to the Group and its activities, as well as the need to eliminate those risks whose exposure or influence on the Group's activities is deemed to be of little significance after several review periods. In addition, risks are compared with respect to the last review and the factors that have influenced their variation are analysed in order to identify possible risk indicators for subsequent monitoring. Finally, the review includes an analysis of the action plan and specific controls to mitigate each risk.

V. Risk management

Risks are managed by each business unit and are led by the members of the Management Committee. Each member is responsible for the risks in his or her area and his or her exposure to those risks, and has to define the risk appetite of the activities in his or her area. To ensure that the Group's activities are within a tolerable level of risk and an acceptable degree of exposure, they must establish and ensure the proper functioning of the controls in place for risk mitigation and that these are within the defined risk appetite.

The Internal Audit Department is responsible for verifying the correct functioning of the controls established by the different areas and that the mitigating measures are sufficient and appropriate to maintain an adequate level of risk appetite as established by the Board of Directors.

6.2. Main risks

Colonial's commitment in relation to the public information reported is to guarantee its transparency and integrity, transmit a true, fair image and ensure a robust control environment over the activities that make up the Group's Risk Management and Control System.

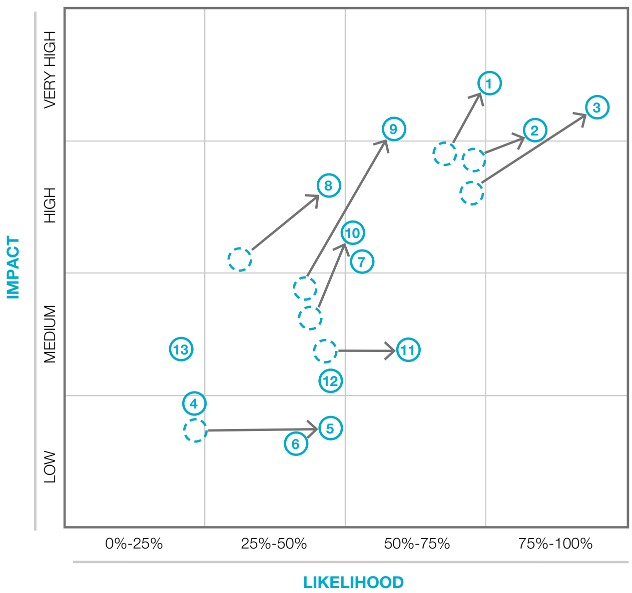
In order to achieve this commitment, the purpose of this section is to present the Group's main risks according to the assessment made by the management team, as well as the change in the influence of each risk with respect to the previous year.

In the special context of 2020, the emergence of COVID-19 and the subsequent health crisis have led to a general increase in the perception of the level of risks to which the Group is exposed. However, it is not deemed that the effects of the pandemic have changed the nature of the Group's main risks, and that Colonial's strategy and business model make it highly resilient to the situation experienced in 2020.

A graphical representation of the Group's main risks is shown below:

External risks	Variation
Market risks	
1. New trends in the business model	^
2. Property cycle fluctuation	^
Economic risks	
3. Political and/or macroeconomic instability	^
Financial risks	
4. Liquidity and cost of financing	=
5. Client insolvency	^
ESG	
6. Effects of climate change	=
7. Crisis - Extraordinary events	^

Internal risks	
Strategic	
8. Investment strategy and profitability	^
Operational	
9. Management of rents and occupancy levels	^
10. Financial structure	^
11. IT system failure and cybersecurity	^
ESG	
12. Human Capital	=
13. Damage to the environment	=



Annual variation

^ Increases
= Remains steady
v Decreases

Risk in 2019
Risk in 2020

Below is a description of the main risks, their impact and the management and control measures implemented.

EXTERNAL RISKS

Market risks: Risks associated with the real estate market

Risk	1. New trends in the business model
Description and impact	The inability to anticipate or meet our clients' demands, given the changing and competitive environment in which the Group's companies operate, may generate progressive obsolescence in our buildings due to the scarcity of added value offered to our clients. This is specifically caused by low levels of comfort, flexibility and services compared to what is expected by tenants, leading to a decreased demand in spaces, with a direct impact on the Group's income and increased vacancy.
Control measures	▸ An internal committee for the analysis and monitoring of new trends. ▸ Market studies to identify new trends and behavioural changes in company workplaces. ▸ Customer satisfaction questionnaires to identify their level of satisfaction and their needs. ▸ Investment in innovation through the "PropTech" implementation project and digitalisation in its buildings to improve user comfort. ▸ Increased flexibility through the offer of more flexible spaces.
Changes to risk during the year	▸ The surge in new trends such as teleworking and the demand for more flexible spaces continued to grow in 2020. ▸ In the long term, the advance of new technologies can facilitate an adaptation to these new trends that are causing structural changes in demand. ▸ COVID-19: This has had a strong impact on company work models, accelerating the implementation of teleworking. However, there is uncertainty about whether these changes are contingent or rather structural.
Opportunities: The analysis of new business opportunities, a quick adaptation to new trends and the implementation of new technologies will enable the Group to maintain and increase its competitive advantage.	

Risk	2. Property cycle fluctuation
Description and impact	The real estate market cycle is closely linked to the economic cycle and the client demand for m^2, directly impacting property valuations and the complexity related to acquiring, managing or selling assets at the optimal moment of the real estate cycle.
Control measures	▸ A periodic analysis of Colonial's portfolio to review the maturity of the assets, their profitability, their development capacity and their compliance with the business plan. ▸ Portfolio concentration in prime areas with high growth potential. ▸ The search for and analysis of off-market operations. ▸ Monitoring of the real estate market through sector reports and contact with real estate agents. ▸ Reappraisal of the risks of rental contract expiry to preserve the property values.
Changes to risk during the year	▸ At the beginning of 2020, the real estate market's growth rate slowed down, showing signs of the start of a downturn in the cycle. ▸ COVID-19: Its impact has generated great economic uncertainty affecting the real estate market and its valuations. A lack of product in prime areas and a lack of buyers in the secondary market have paralysed operations.
Opportunities: Property cycle fluctuation can present investment opportunities.	

Economic risks: risks associated with the political and economic situation

Risk	3. Political and macroeconomic uncertainty
Description and impact	The political and economic environment directly affect the real estate cycle and the performance of the Group's clients. The current political and economic uncertainty in the Eurozone may negatively influence job creation, investor and consumer confidence and business activity, resulting in a decline in demand for space.
Control measures	▸ The monitoring of macroeconomic data (GDP growth, the unemployment rate, the inflation rate and business confidence) to anticipate changes in the economic environment. ▸ A sensibility test of the business plan to ensure that the Group's structure is resilient to adverse changes in the economic environment. ▸ The analysis of possible impacts of new regulations and legislation on the business. ▸ Constant contact with public authorities and advisers in the public sector to ensure compliance with regulations.
Changes to risk during the year	▸ At the beginning of 2020, economic uncertainty remained, with signs of weakness and forecasts of lower growth in coming years. ▸ Political uncertainty remained high, especially in Spain and in the Eurogroup due to a lack of unity. ▸ COVID-19: The impact of the coronavirus on the economy still generates a lot of uncertainty, especially in the medium term, increasing the risk of a recession in the entire Eurozone that could impact the real estate market. At the political level, there has also been an increase in uncertainty due to the lack of consensus on the imposition of restrictions and the lack of clear strategies to stop the advance of the pandemic.

Opportunities: Macroeconomic and/or political changes may generate opportunities in new sectors in which the Group is not present.

Financial risks: Financial risks arising from market liquidity and solvency

Risk	4. Liquidity and cost of financing
Description and impact	The lack of liquidity in the financial markets may mean that the Group is unable to borrow or to refinance its debt at competitive interest rates, resulting in increased financing costs.
Control measures	▸ The Group's obtained ratings and its size enable it to access multiple sources of financing and to have undrawn credit lines to ensure the necessary liquidity in case of need. ▸ A constant monitoring of the liquidity of debt markets and trends in interest rates to design the optimal financial structure for the Group. ▸ Roadshows with the main financial institutions to maintain investor confidence in the Group. ▸ A search for new financing tools (green bonds, green loans, etc.).
Changes to risk during the year	▸ Financial markets have remained stable but with greater access restrictions for small companies with a lower degree of solvency. ▸ Economic stimuli and the ECB's decision to keep interest rates low have allowed the cost of financing to also be kept low. ▸ COVID-19: The impact of COVID-19 on the financial market has increased the requirements for access to debt markets. However, the Group has managed to attract liquidity from the financial market thanks to its size and solvency.
Opportunities: The Group's size and ratings enable it to borrow and to renegotiate debt at highly competitive costs and to access financial markets with high liquidity.	

Risk	5. Client insolvency
Description and impact	The current scenario of economic weakness may affect various economic sectors of the Group's clients, weakening their income statements and reducing their solvency to meet their monthly payments.
Control measures	▸ A diversified client portfolio across various sectors, focused on major AAA companies. ▸ The analysis and monitoring of client concentration to avoid individual exposure. ▸ The analysis of new clients' solvency and regulatory compliance to ensure their soundness and reduce the probability of non-payment. ▸ A proactive search for potential clients to replace, if necessary, existing clients whose activity or sector may experience difficulties.
Changes to risk during the year	▸ Payment defaults have remained at very low levels. ▸ COVID-19: Due to the composition of the Group's client portfolio, the risk of insolvency is not perceived to be a threat. However, the impact of COVID-19 on certain sectors and operations of the Group's clients could increase the probability of insolvency for some of them.
Opportunities: A client portfolio composed of AAA clients, diversified in various sectors.	

ESG risks: Risks arising from the management of environmental, social and governance indicators

Risk	6. Effects of climate change
Description and impact	The inability to foresee and reduce the long-term impacts that climate change may have on the Group's assets and on the well-being of their occupants may generate negative impacts on the Group's image, interrupt its activities and operations, or even accelerate the obsolescence of properties.
Control measures	▸ Climatic resilience in the designs of the Group's assets to ensure the maximum comfort and well-being of their occupants and the physical integrity of the assets in case of adverse weather effects. ▸ The preparation of contingency and emergency plans for each property to respond adequately to incidents caused by extreme weather events. ▸ Studies on the impact of climate change on assets. ▸ The implementation of TCFD recommendations for climate change risk management.
Changes to risk during the year	▸ Risks related to the effects of climate change were not seen to have changed during the year. ▸ COVID-19: the pandemic has not had any impact on this risk.

Opportunities: The possible adverse effects of climate change mean that the Group is constantly researching how to improve the designs and quality of its spaces, with the aim of achieving greater energy efficiency.

Risk	7. Crisis - Extraordinary events
Description and impact	A lack of ability to react to an unexpected event affecting the assets and/or activities of the Group could cause stakeholders to lose confidence, causing an impact on reputation and/or an economic loss as the result of a inadequate or late response.
Control measures	▸ Our *Business Continuity Plan* addresses multiple scenarios caused by extraordinary events, to ensure a quick and adequate response in the event of a possible unexpected event that could impact the Group's assets and/or operations. ▸ The definition of roles and responsibilities of the different emergency teams responsible for evaluating and coordinating situations caused by unexpected events. ▸ A Health and Safety Committee to ensure the well-being of employees at all times.
Changes to risk during the year	▸ In the *Business Continuity Plan*, no events were found to have been unaddressed by the Company (with the exception of the pandemic). ▸ COVID-19: During 2020, plans and protocols were drawn up to ensure employee safety, secure the facilities and create safe work spaces for our clients and suppliers.

Opportunities: Constant work to assess vulnerabilities and ensure the safety and integrity of the assets and their occupants.

INTERNAL RISKS

Strategic risks: risks derived from the company's strategic plan

Risk	8. Investment strategy and profitability
Description and impact	Lack of profitability of investments or the inability to achieve strategic results may be caused by a wrong approach in the Group's strategy, such as entering or leaving an inappropriate sector, too little or too much exposure in one or more markets (cities), or delays and/or unexpected cost increases in investment projects, among others.
Control measures	‣ The alignment of the strategic investment plan with the risk appetite and profitability established by the Board of Directors in the plan reviews. ‣ The analysis of potential operations by the Investment Committee to evaluate possible risks and expected returns, and their submission to the Board of Directors for approval. ‣ The analysis of the Group's main indicators compared to competitors in the sector, to identify possible corporate transactions. ‣ A constant monitoring of new sectors and/or markets in search of new growth opportunities. ‣ A definition of the strategy based on concentrating its portfolio on high quality offices in the CBD and BD of the cities of Barcelona, Madrid and Paris, thus ensuring a minimum value and return on its assets.
Changes to risk during the year	‣ The prime market showed great resilience in 2020, while the secondary market was more affected. ‣ Pressure on the real estate market continued to grow in 2020, increasing the complexity of purchase-sale transactions and hindering their profitability. ‣ COVID-19: The pandemic has increased uncertainty in the real estate market, further increasing the complexity of purchase-sale transactions, as well as costs and delays in executing new projects. The coworking market has been very highly exposed, although this does not represent a high impact at the Group level.

Opportunities: Our strategic position ensures profitability in investment projects, as well as the growth expected for the Group by taking advantage of the opportunities that appear.

Operational risks: Risks derived from the company's day-to-day operations

Risk	9. Management of rents and occupancy levels
Description and impact	An increase in vacancy, influenced by an unfavourable economic-political outlook and/or the appearance of new disruptive trends for the business model, may increase the downward pressure on occupants' income levels, leading to a fall in the Group's revenue and profitability.
Control measures	‣ The analysis of commercial transactions in the market to set the appropriate rent levels. ‣ The reappraisal of rental contracts according to the state of the property cycle. ‣ Customer satisfaction surveys to identify client needs and adjust the investment and maintenance plan for each building. ‣ Proactive search for potential clients to replace, if necessary, existing clients whose activity or sector may experience difficulties.
Changes to risk during the year	‣ Occupancy and rent levels remained at maximum levels in early 2020 until the outbreak of the pandemic. ‣ COVID-19: the pandemic has significantly increased risk in occupancy and rent levels. Although the Group has been able to maintain the prior occupancy levels during the pandemic with slight reductions in rents, an increase in unemployment and a reduction in rent levels are expected.

Opportunities: High demand in the prime offices market forces the Group to maintain a high level of quality in the spaces and services offered, to ensure high occupancy and adequate rent levels.

Risks	10. Financial structure
Description and impact	An inadequate financial structure could cause the Group to fall into over-indebtedness, increasing the risk of non-payment of debts, an increase in the cost of financing, difficulties in debt issuance and/or refinancing and a consequent loss of ratings.
Control measures	‣ The monthly analysis of the level of indebtedness to ensure a robust, balanced position of the financial structure in accordance with the value of our assets (Loan to Value less than 40% of the value of assets). ‣ The active management of the financial strategy in search of opportunities to diversify sources of financing, renegotiating and increasing debt maturities and/or optimising the cost of financing. ‣ The Group's size, quality and financial structure allow it to obtain high level credit ratings in the sector (Standard & Poors: BBB+ Moody's: Baa2). ‣ The periodic analysis of the situation in the debt and capital markets to identify opportunities and achieve an optimal balance between debt and equity.
Changes to risk during the year	‣ The Group has continued with its debt refinancing strategy and its containment plan, measured in Loan to Value terms, while lengthening debt maturities and reducing the cost of financing. ‣ The credit ratings have been renewed. ‣ COVID-19: The impact of COVID-19 on property valuations has increased the risk of a rise in the Group's LtV. Additionally, during the pandemic, the Group has reinforced its financial structure with a new bond issue and obtaining a syndicated loan to ensure its liquidity.

Opportunities: Maintaining an adequate financial structure is essential to execute the Group's strategic plan and ensure value creation. The Group maintains sufficient liquidity to take advantage of any investment opportunities that may arise.

Operational risks: Risks derived from the company's day-to-day operations (cont.)

Risk	**11. IT system failure and cybersecurity**
Description and impact	Any interruption to systems due to a failure or cyber-attack could result in the loss of sensitive data and/or interruptions to the Group's company activities and operations, leading to possible reputational impacts, economic losses or regulatory sanctions (GDPR).
Control measures	‣ An outsourced data centre server with a high level of Tier IV service availability, with a secondary server backup system. ‣ The IT department keeps the systems updated and patched in order to mitigate vulnerability risk. ‣ Regular cybersecurity diagnostic tests to detect potential vulnerabilities and new threats. ‣ Random audits and testing of IT controls to verify their operation and effectiveness. ‣ A Data Protection Officer role to verify and monitor compliance in the field of data protection.
Changes to risk during the year	‣ COVID-19: The implementation of remote working during the pandemic for the entire workforce has increased the Group's exposure to possible cyber-attacks.

Opportunities: The constant evolution of information systems, and of cyber-attacks, forces us to maintain high investment in technology and innovation to ensure that our systems function correctly. Investing in digitalisation in our buildings gives us a significant competitive advantage.

ESG risks: Risks arising from the management of environmental, social and governance indicators

Risk	**12. Human capital**
Description and impact	The inability to attract, develop and retain adequate personnel with the skills and knowledge required to achieve the Group's objectives could negatively impact employee performance and effectiveness, causing inefficiencies in the Group's activities and operations. Concentrating critical processes on certain key people could result in losses of essential knowledge and even interruptions in the Group's activities and operations.
Control measures	‣ The search for key personnel through headhunting companies. ‣ The attraction and retention of talent through competitive salaries, flexible working and social benefits. ‣ Individualised career development plans for internal promotions. ‣ A training plan, which includes language learning for the entire company. ‣ The *"Colonial Cares about You"* programme promotes the health and well-being of employees through well-being practices. ‣ The updating of the performance evaluation system, with the development of the "Colonial Career Conversation" digital tool.
Changes to risk during the year	‣ The Group's turnover level has remained stable compared to previous years. ‣ COVID-19: Although the health crisis has changed the Group's work model, workers' productivity has remained high and a strong level of commitment has even been noted, with satisfactory adaptation to remote working during the period of home confinement. Technical and emotional assistance was also offered from the first moment. In the medium-term, it will be necessary to adapt the work model to the changes demanded by the society.

Opportunities: By developing our employees, we obtain the necessary know-how to continue improving the Group's business model.

Risk	**13. Damage to the environment**
Description and impact	The growing concern for the environment by the society and governments worldwide, especially after the commitments resulting from the Paris Agreement on climate change, has increased regulatory pressure on the possible impacts of companies' activities and operations on the natural environment. The Group is subject to these regulations due to the nature of its activities and, in the event of regulatory breaches and/or environmental incidents, it could be fined, possibly affecting its reputation, leading to a loss of competitiveness against other companies.
Control measures	‣ The certification of all properties with LEED and BREEAM certificates. ‣ The implementation of the "PropTech" project and digitalisation through the "Edi" programme, with the goal of obtaining real-time consumption measurement data in order to manage properties more efficiently. ‣ Colonial has a Climate Change Policy with commitments made to reduce its carbon footprint. It also has various Biodiversity policies, in which it undertakes to preserve and conserve the environment, to minimise environmental impact and to mitigate the urban "heat island" effect. ‣ The design and planning of new projects with high energy efficiency. ‣ Continuous innovation in construction methods and materials that are less aggressive to the environment (the WittyWood project will be the first wooden office building in Spain). ‣ The request for construction and installation companies to meet the requirements of responsible materials procurement. ‣ Colonial has a long-term decarbonisation plan with asset-by-asset actions enabling the carbon footprint reduction targets to be reached.
Changes to risk during the year	‣ The Group acts proactively with a defined strategy and commitments to transition to a low-emission economic model. ‣ COVID-19: The pandemic has not had any impact on this risk.

Opportunities: The search for new construction methods and new efficient designs enables us to increase our value proposition for our stakeholders, reducing environmental impact.

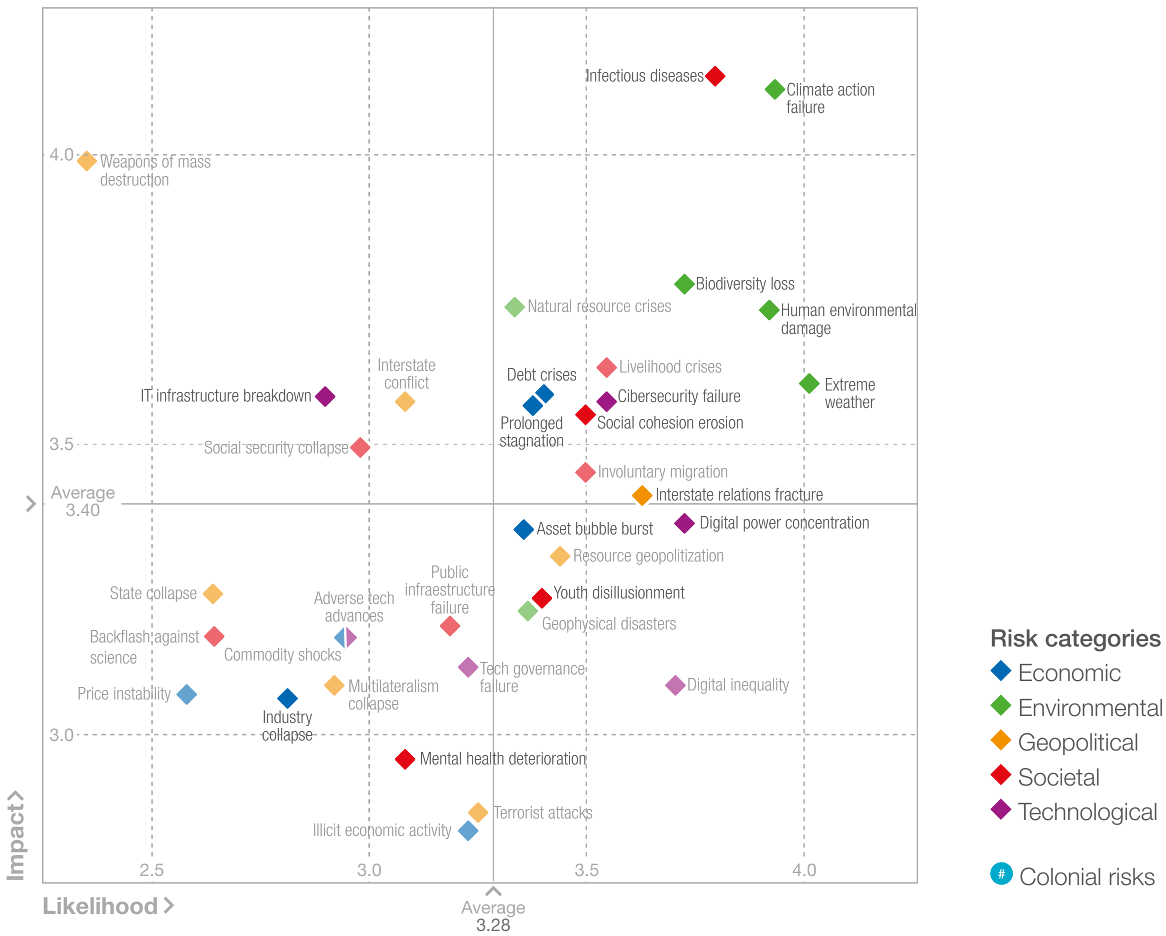
6.3. Our exposure to global trends

At the Colonial Group, we understand that we are not immune from the changes and risks that exist in our world.

As we belong to an increasingly globalised and connected world, Colonial is exposed to the changes occurring all over the planet. The patterns of behaviour that set global trends can have a more or less direct influence on the risks that Colonial faces on a daily basis. For that reason, Colonial is conducting an analysis to detect how the Company's risks are connected to global trends (in accordance with the World Economic Forum's publication *'The Global Risks Report 2021'*).

In this regard, the risks identified by the *World Economic Forum (WEF)* have been linked to our corporate risks in order to identify which global factors may influence our risks and set a future trend. The following map highlights those WEF-identified risks that we believe may influence our own risks.

Below is a brief explanation of the list of the WEF-identified risks that we believe may have an impact on the Colonial Group's risks.



1. **New trends in the business model**
   - Infectius diseases
   - Digital power concentration
2. **Property market fluctuation**
   - Asset bubble burst
3. **Political and/or macroeconomic instability**
   - Prolonged stagnation
   - Social cohesion erosion
   - Interstate relations fracture
4. **Liquidity and cost of financing**
   - Debt crisis
5. **Client insolvency**
   - Industry collapse
6. **Effects of climate change**
   - Extreme weather
   - Climate action failure
7. **Crisis - Extraordinary events**
   - Extreme weather
   - Terrorist attacks
   - Infectius diseases
8. **Investment profitability**
   - Prolonged stagnation
9. **Management of rents and occupancy levels**
   - Prolonged stagnation
10. **Financial structure**
    - Debt crisis
11. **IT system and cybersecurity failures**
    - IT infrastructure breakdown
    - Cybersecurity failure
12. **Human capital**
    - Youth disillusionment
    - Mental health deterioration
13. **Damage to the environment**
    - Human environmental damage
    - Biodiversity loss

1. **New trends in the business model**: The business model has been strongly impacted by the effects of the pandemic, accelerating the need for the transformation and adaptation of the sector to meet clients' needs. In addition, digitalisation and the emergence of new technologies can help accelerate this transformation process.

2. **Property cycle fluctuation**: The real estate cycle in 2020, especially in the markets in which the Group operates, has been impacted mainly by the effect of the pandemic on the economy and not by the existence of a bubble in real estate assets. However, an increase in the risk of an asset bubble could influence the real estate cycle.

3. **Macroeconomic and/or political uncertainty**: This risk has increased mainly due to the effects of the pandemic. Even so, we believe that it will gradually decrease as the pandemic subsides. However, a prolonged economic stagnation in EU countries, increasing political conflicts in these countries and the further erosion of social cohesion may keep this risk high.

4. **Liquidity and cost of financing**: The Group's size as well as its high credit rating level enable the Group to mitigate the risk linked to a debt market crisis. We believe that this risk will remain stable in the coming years due to the Group's robust financial structure, and given the macroeconomic outlook for the Eurozone and the decisions taken by the ECB to avert a sovereign debt crisis.

5. **Client insolvency**: Having a diversified portfolio of clients with a high degree of solvency reduces the impact of this risk, despite the consequences related to a sector or industry collapse.

6. **Climate change risk**: The Group's assets are not currently found in locations with high exposure to the physical effects of climate change. However, this is likely to continue to trend upwards in the coming years in line with the high perception of environmental risks reflected in the *WEF* report.

7. **Crisis - Extraordinary events**: The potential increase in adverse climate effects and the occurrence of future pandemics or other extraordinary events may cause an upward trend in this risk over the coming decades in line with global concerns.

8. **Investment strategy and profitability**: This risk is directly influenced by the economic situation of the markets in which the Group operates and a prolonged economic stagnation may directly influence the strategy and profitability of the investments, although the Group's current strategy reduces the likelihood of this risk materialising.

9. **Management of rents and occupancy levels**: Our risk related to the management of rents and occupancy is directly related to the risk of prolonged economic stagnation, which would have a major impact on our business.

10. **Financial structure**: The Group has maintained a strong financial position during the pandemic. However, an increase or crisis in the debt market could influence the Group's financial structure in the medium to long term.

11. **IT system failure and cybersecurity**: Increasing digitalisation and ever more complex and interlinked IT structures lead to greater reliance on systems and a greater exposure to cyberattacks.

12. **Human capital**: Managing people and talent is a major challenge for any organisation. The deterioration of mental health and the lack of motivation and incentives for the younger generation may trend upwards in the coming years due to socio-economic changes in society, thus influencing human capital risk.

13. **Damage to the environment**: The Group's strong commitment to sustainability, the reduction of its carbon footprint and its concern for the impact of its activities on the environment are measures that mitigate this risk for the Group. However, a growing concern about environmental damage and biodiversity loss caused by human and organisational behaviour may further increase current social awareness and regulatory pressure and increase the perception of this risk to the Group.

07
Managing our impacts on ESG

7.1. ESG Strategy - 2020 Milestones

The Colonial Group pursues a clear leadership in ESG, being a fundamental element of its strategy, prioritizing sustainable long-term returns, and based on a business model of high-quality products. Accordingly, the Colonial Group's Corporate Strategy has a central focus on maximum excellence in the fields of governance, social aspects and sustainable investment.

To accelerate the strategic leadership in ESG, Colonial constituted the Sustainability Commission at the end of 2020. This Commission is comprised of five members of Colonial's Board of Directors, namely Ms. Silvia Alonso-Castrillo Allain, Mr. Adnane Moussanif, Mr. Luis Maluquer Trepat, Ms. Ana Bolado Valle and Ms. Ana Peralta Moreno.

Likewise, at the end of 2018, the Colonial Group created the ESG Committee, a body created to accelerate the operational implementation of the ESG strategic plan. This Committee is comprised of 7 members of Colonial's Executive Board.

The company continues to make great strides in the strategic plan for decarbonisation. This plan implies the commitment of the Colonial Group so that by 2050, its entire office portfolio will be neutral in carbon emissions, and totally aligned with the Paris climate agreement of December 2015.

For the Colonial Group, this implies (i) neutrality in carbon emissions by 2050 and (ii) a (75%) reduction in Scopes 1 & 2 by 2030 starting from 2015.

I. Major progress in Sustainability

1. DECARBONISATION - CARBON FOOTPRINT - OFFICE PORTFOLIO

In 2020, the Group achieved a major reduction of its carbon footprint in Scopes 1 and 2, which fall within the scope of direct action by the company.

Specifically, it reduced the **total carbon footprint** from the portfolio of 8,017 tCO_2e by –39% to 4,926 tCO_2e, and in terms of ratio per m² (carbon intensity) the reduction was –41%, bringing it to 7 $KgCO_2e/m^2$ for the entire portfolio, one of the European property sector's lowest intensity ratios.

The impact is even greater if we analyse the like-for-like assets portfolio, i.e., excluding single-use buildings and projects, refurbishment work or plots. In this case, the reduction of its carbon footprint was –51% in absolute terms and –50% in terms of the intensity ratio, achieving a ratio of 5 $KgCO_2e/m^2$ for the entire portfolio like-for-like.

Thanks to this progress, the 2030 decarbonisation target had already been achieved by 2020, thereby accelerating Colonial's journey towards a neutral portfolio of CO_2 emissions.

	2020	2019		Var.
Total GHG emissions Scopes 1&2 (tCO_2e)	4,926	8,017	–3,091	–39%
LFL GHG emissions Scopes 1&2 (tCO_2e)	**3,315**	**6,732**	**–3,417**	**–51%**
Total Intensity ($kgCO_2e/m^2$)	7	12	–5	–41%
LFL Intensity ($kgCO_2e/m^2$)	**5**	**11**	**–5**	**–50%**

2. ECOEFFICIENCY - ENERGY & WATER

a) Energy

The Colonial Group's energy consumption decreased by more than 27,000 MWh in 2020 compared to the previous year (2019), in like-for-like terms. This was due to the implementation of savings measures and energy efficiency, such as refurbishment of the primary air conditioning systems at Sagasta 31-33 (Madrid), the installation of more efficient facilities in the refurbishment of the Torre BCN storeys and the signing of an energy performance contract with Dalkia for the Cloud building in Paris. Like-for-like intensity decreased to 179 kWh/m^2.

The Colonial Group strives to give priority to energy sources which help reduce the carbon footprint (green energy).

Among the various types of energy used by the Group, electricity predominates throughout the company's portfolio, and it is precisely in the electricity market where there is contracting capacity for the organisation to guarantee the origin of energy from clean sources. In terms of other energy sources such as fuels (natural gas) and DH&C, there is a dependence on the current suppliers, and therefore there is smaller scope of action by the company. In this regard, in order to improve the energy combination, SFL is taking direct courses of action, such as negotiations with suppliers to increase the weight of renewable energies through an energy supply contract, to ensure that 30% of the electricity at properties managed directly by SFL is from renewable sources.

b) Water

Comparing 2020 to 2019 in like-for-like terms, the Colonial Group's water consumption considerably decreased by more than 77,000m^3, a reduction of –27%, mainly due to the measures to improve efficiency in water consumption such as installing efficient sanitary fittings, automatic leak detectors and rain water storage tanks, among others, and to some extent, due to a decrease in consumption during the pandemic.

	2020	2019		Var.
Total energy consumption (MWh)	149,784	149,785	–1	0%
LFL energy consumption (MWh)	**110,796**	**138,529**	**–27,734**	**–20%**
Total Intensity (kWh/m^2)	179	223	–44	–20%
LFL Intensity (kWh/m^2)	**179**	**221**	**–42**	**–19%**

	2020	2019		Var.
Total water consumption (m^3)	270,740	307,300	–36,560	–12%
LFL water consumption (m^3)	**205,230**	**282,398**	**–77,168**	**–27%**
Total Intensity (l/m^2)	332	457	–125	–27%
LFL Intensity (l/m^2)	**334**	**450**	**–116**	**–26%**

3. ENERGY CERTIFICATIONS

93% of the portfolio of offices in operation have LEED or BREEAM energy certificates, up by 100 bps on the previous year. This high level of certification makes Colonial a leader in terms of energy efficiency. In particular, €1,900m of assets have LEED ratings, and €9,400m of assets have BREEAM ratings.

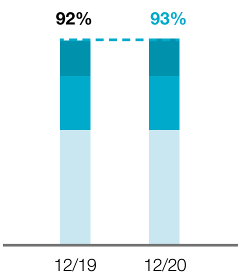
Standard energy certification ratings (ratings A, B, C, D etc.) cover the entire portfolio.

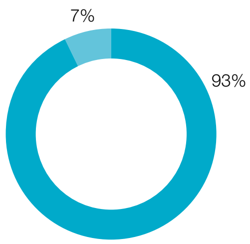
SFL has also made BBCA 2020 classification and is ranked among the 10 best project owners in 2020.

Environmental Scope of Office Portfolio

Energy Certificates	2020	2019	Var.
Office Portfolio with Leed & Breeam Certificates	93%	92%	+100 pb
Office Portfolio with Energy Certificates	100%	100%	0 pb

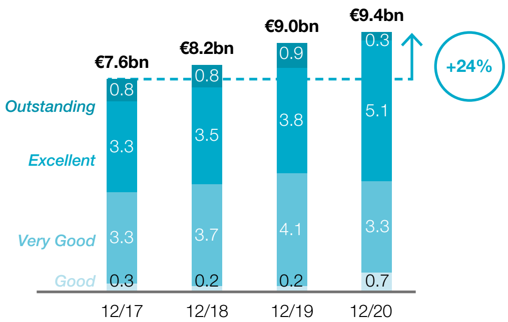
Portfolio with LEED / Breeam[1] - Value

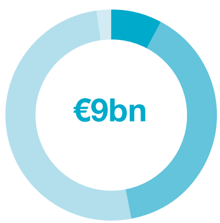




- Energy certifications
- Rest

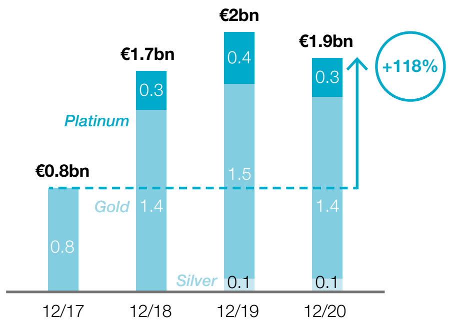
BREEAM Certifications - Value





- Good
- Very Good
- Excellent

LEED Certifications - Value



- Platinum
- Silver
- Gold

(1) Office Portfolio in operation.

4. COVERAGE OF CONSUMPTION AND TECHNOLOGY

Colonial has significantly increased the coverage of consumption in its portfolio, as shown in the table below.

More than 90% of the portfolio of offices in operation has energy consumption coverage, showing an increase of more than 1,000 bps compared to the previous year, and more than 800 bps in comparison to 2019 in terms of the carbon footprint.

Enviromental KPIs Scope

	2020	2019	Var.
Office Portfolio with GHG emissions coverage (Scope 1 + 2)	92%	84%	+848 pb
Office Portfolio with Energy consumption coverage	92%	82%	+1,029 pb
Office Portfolio with Water consumption coverage	92%	82%	+1,005 pb

The Group is also aware of the high potential for improvement of energy performance and water consumption arising from conductive management of the facilities, and so some mention should be made to the following initiatives:

- Major progress on the "PropTech" project that will allow the monitoring and remote management (IoT) in real time of the consumption per each facility and the performance of the production machines, scheduled for completion in 2021.
- Implementation of the "PropNet" platform where, through the compilation and centralisation of data, we can gain a better insight into our clients and satisfy their needs more efficiently and rapidly. In turn this will enable us to measure the building's carbon footprint, control the use of resources to reduce and optimise energy consumption, and also design the most efficient future spaces and assets possible and boost the client's own ESG rating.

5. CIRCULAR ECONOMY / VALUE CHAIN

In 2020, progress has been made in waste management by prioritising disposal methods that favour its reuse as new resources and, therefore, the circular economy. Consequently, more than 99% of the waste managed by the Colonial Group has been destined for recycling or other recovery methods. **In like-for-like terms**, in 2020 the recycling and recovery of waste increased by 10 percentage points compared to 2019.

	2020	2019	LFL 20/19
Office portfolio- % Recycled/reused wasted	94%	84%	+10 pp

Regarding the purchase of materials, responsible sourcing initiatives took hold in 2020. More than 99% of the materials supplied in Spain have met responsible purchasing criteria and 58% of the materials supplied are recyclable materials. In Madrid and Barcelona, more than 99% of the purchase of materials has been from local suppliers. Meanwhile, in Paris, 100% of the suppliers are local.

6. DECARBONISATION LABORATORY

Colonial will build the first office building in Spain made entirely of wood.

The WittyWood building will have 4,100m² destined to office use. The project, which is a unique concept of office building in Spain, will have spaces equipped with the latest technologies. WittyWood is located on 42 Llacuna, in the heart of the 22@ district.

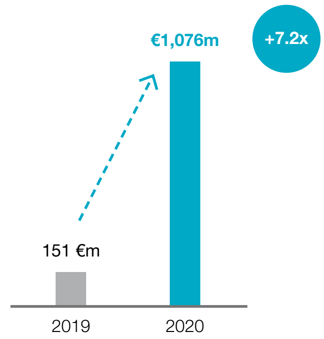
The WittyWood building will be built using wood as the primary material, an unprecedented case in the offices market in Spain. Timber engineering acts as storage for CO_2, consequently considerably reducing the emissions that impact global warming. In the construction phase alone, carbon emissions are reduced by 50%. Due to these characteristics, among others, the building will count on the maximum environmental certificates: LEED Platinum and WELL Platinum.

7. SUSTAINABLE FINANCING OF €1,076M

In 2020, Colonial signed the refinancing of the two Revolving Credit Facility lines that were available in their entirety for the amount of €875m increasing its amount to €1,000m. The new credit line will be structured in two tranches with maturities at 5 and 5+1+1 years and is considered as sustainable as its margin is linked to the rating obtained by the GRESB agency.

BNP PARIBAS NATIXIS
CaixaBank BBVA

At year-end 2020 Colonial held €1,076m in sustainable financing, and this shows an increase of €925m with respect to December 2019.



II. Major progress in Corporate Governance & Human Resources

1. CORPORATE GOVERNANCE

New design of the remuneration plan for the Board of Directors in accordance with best market practices, with advisory by Willis Towers Watson. A remuneration scheme has been implemented with an efficient balance between fixed and variable remuneration components. Variable remuneration for 2021 will be determined on the basis of certain common criteria, focusing on the progress made in ESG issues, with an environmental emphasis.

There has been an increase in the number of female Board Members and in those holding Committee Chair positions. In the Board Committees the proportion of women increased, as they chair three of the four committees of this governing body.

Corporate Governance

	2020	2019	Var.
Female Board Members	27%	23%	+400 pb
Females Chair of Board Comittees	3 of 4	0 of 4	+3

At the end of 2020, the Sustainability Commission was established to promote the policies and practices of society in the field of sustainable and environmental development.

2. TEAM OF PROFESSIONALS

Pursuant to the commitment undertaken by the Colonial Group in relation to gender equality, Colonial's first Equality Plan was drawn up and published in the first quarter of 2021. To this end an **Equality Committee** was set up, composed of eight employees.

Likewise, Colonial carried out its second **Great Place to Work survey (GPTW)**, which had a higher participation than the previous one. This survey is carried out every two years, and it provides an understanding of and an insight into the commitment and confidence of employees. The result outperformed the December 2018 survey by sixteen points. This result has enabled us to certify ourselves as a "Great Place to Work" and to form part of the "Top 50 Best Places to Work" on a national level. Of special mention is the confidence employees have in their managers and the pride and joy in what they do.

Regarding the Group Training Plan, in 2020, we should mention the digitalisation of **"Colonial Career Conversations"** (CCC), a performance assessment tool whereby the manager and the reporter converse on areas which facilitate professional growth and create value for the company.

In 2020, Colonial demonstrated the ability to adapt to the new circumstances caused by the pandemic, chiefly through its transition from a localised employment model to remote working for the entire workforce, where internal communication and the creation of new channels to keep the team informed and united were key. Rapid and immediate priority was also given to the health and safety of all employees, highlighting the development of all kinds of measures to adapt spaces, to carry out monthly COVID-19 control tests and to provide psychological support.

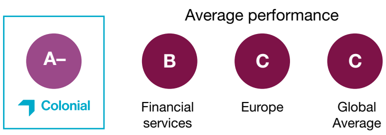
III. Substantial improvement in ESG ratings

2020 was a very successful year in terms of ESG. Accordingly, the Colonial Group achieved some significant advances in the sustainability indexes:

1. Colonial obtained the EPRA Gold sBPR rating for the 5th consecutive year, which certifies the highest reporting standards in ESG.

2. Colonial obtained a rating of 90 out of 100 in the GRESB index 2020, placing it at the high end of the sector. This 5-star rating is above the average of its peers and has led to an increase of scoring by +48% in 2 years and +17% year-on-year (+13 bps). Colonial achieved the top score (100) in areas such as leadership, ESG reporting and policies, risk management and the monitoring and review of ESG information, significantly outperforming the company average in its sector.

3. Colonial obtained a rating of A- from CDP 2020, confirming its leadership in decarbonisation. This rating far exceeds the European regional average as well as the financial services sector average and has led to a strong year-on-year boost, increasing from C to A-. Specifically, it obtained a high score (A) in aspects such as initiatives to reduce emissions, energy and Scope 1 and 2 emissions.



4. Colonial obtained a rating at the high end of the sector from Vigeo Eiris, A1, placing it in the top 5% of the 4,835 companies rated (9th of 86 within financial services). This rating exceeds the average of the sector in all KPIs of performance and risk management, with a major year-on-year boost. Vigeo Eiris ranks Colonial high in its sector due to its high level of commitment to the certification of its buildings under the most stringent environmental standards (BREEAM and LEED) and the implementation of platforms to monitor energy and water consumption, key factors in decarbonisation and efficiency. It also acknowledges Colonial's focus on diversity, management of professional careers and the health and safety of its workforce.

Rank in Sector	9/86
Rank in Regions	154/1601
Rank in Universe	169/4835

5. Sustainalytics gave Colonial a rating of 10.5 in ESG risk, placing it in the top 20 of the 420 listed real estate companies analysed. The agency highlights the good management of ESG policies in accordance with all the international standards.

6. MSCI, the benchmark company for rating the performance of listed companies, has given Colonial an A on its ESG rating, one of the highest ratings internationally, in particular due to its very high standards in Corporate Governance.

LAST UPDATE: December 11. 2020

IV. Adherence to TCFD & SBti

Colonial pays particular attention to the identification of risks and opportunities arising from climate change, which may affect its activity, assets and investment in the present and future. To demonstrate this, in 2020 Colonial joined the Task Force on Climate-related Financial Disclosures (TCFD) as a TCFD Supporter.

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

In early 2021 Colonial joined the Science Based Target Initiative (SBTi), which defines new objectives aligned with science to reduce emissions and to limit the rise in the Earth's average temperature to below 2ºC.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

The strategic decarbonisation plan will enable progress to be made in this direction, and its alignment with science will be certified by the SBTi method.

7.2. ESG Policy

A crucial element of the Colonial Group's Corporate Strategy is its commitment to excellence and leadership in ESG, since it is the fundamental basis for guaranteeing long-term sustainable returns for the company, that is, for all of the Group's stakeholders and shareholders.

The Colonial Group sees ESG and its Corporate Strategy as an integrated approach that seeks to achieve maximum levels in each of the three dimensions.

1. **E** for Environmental, i.e., sustainable management of the entire real estate value chain;

2. **S** for Social, providing the best contribution possible to employees and the company, and

3. **G** for Governance, committing to the highest standards of Corporate Governance and Transparency.

We understand that this integrated approach allows for long-term sustainable returns for both the company in general and our shareholders.

Our ESG commitment is reflected in our ESG Policy (or Corporate Social Responsibility, CSR, a term which is also used in the markets and in various forums), applicable to all our stakeholders.

Specifically, our ESG policy is divided into five large areas of action which enable us to focus our efforts both methodically and efficiently.

Environmental
Environmental commitments

Eco-efficient management

Social
Social commitments

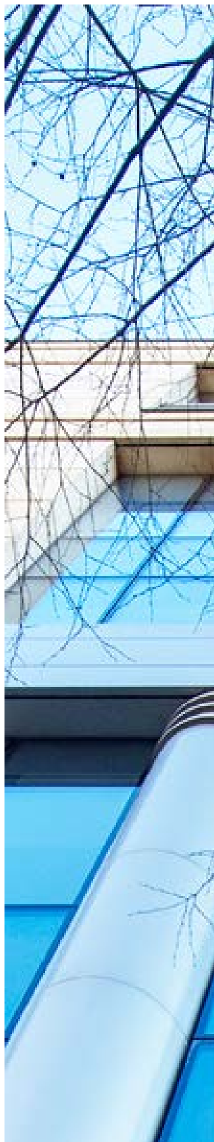
Talent Management & People Development

Governance
Governance and transparency commitments

Client satisfaction and loyalty

Value generation

Ethics and Compliance



7.3. ESG Strategy: Governance Model & Conceptual Framework

Our ESG strategy pursues an integrated holistic approach to the three dimensions E, S and G, prioritising all initiatives on the basis of an approach to maximise the creation of value for the company and for the shareholders of the Group.

In this respect, the Group's Corporate Strategy and ESG Strategy are completely integrated and are managed with a methodology to create long-term sustainable value for all stakeholders.

I. ESG Governance Model

BOARD OF DIRECTORS

The Board of Directors establishes and determines the Company's general strategies and policies, in particular, strategic development in terms of ESG and the policies to this end.

While safeguarding the best interests of the Company, and in compliance with laws and regulations and conduct based on good faith, ethics and respect for uses and commonly accepted good practices, the Board of Directors strives to reconcile corporate interests with the legitimate interests of its employees, suppliers, clients and any other stakeholders that could be affected, and the impact of the Company's activities on the community as a whole and on the environment.

SUSTAINABILITY COMMITTEE

In order to accelerate its strategic ESG leadership, at the end of 2020 Colonial created the Sustainability Committee, a delegated committee of the Board of Directors, assigning it the following functions, among others:

(i) Regularly assess and review the policies concerning the environment and sustainable development approved by the company's Board of Directors and ensure that company practices in relation to the environment and sustainable development are in line with these policies.

(ii) Assess and monitor proposals for the company to form part of the most widely acknowledged international sustainability indexes.

(iii) Advise the Board of Directors regarding the environment and sustainable development in accordance with internationally accepted best practices.

(iv) Analyse draft bills, voluntary initiatives and recommendations in relation to the environment and sustainable development and their possible effects on the activities of the company, and report on the possible impact on the company of European regulations and legislation at national, regional and local level in relation to the environment and sustainable development for the purposes of taking any decisions that may be necessary.

(v) Analyse the most commonly accepted measurement instruments and indexes in international practice to evaluate and measure the position of the company in relation to the environment and sustainable development, and issue recommendations to improve the company's position.

(vi) Produce reports and take any action in relation to the environment and sustainable development that may ensue.

The Sustainability Committee has met twice since it was created, and each year it will meet on at least a quarterly basis. The Committee is composed of five members of Colonial's Board of Directors, specifically Ms Silvia Alonso-Castrillo Allain, Mr Adnane Moussanif, Mr Luis Maluquer Trepat, Ms Ana Bolado Valle and Ms Ana Peralta Moreno.

ESG COMMITTEE

Committee composed of 7 members of the Management Committee

In late 2018 the Colonial Group created the ESG Committee, a body set up to guarantee operational implementation of the strategic directives of the Board of Directors and in turn the Sustainability Committee.

The functions assigned to the ESG Committee and the Sustainability Committee enable the monitoring of measures to manage risk and opportunities in relation to climate change.

The Committee is composed of **7 members of the Management Committee** at Colonial, specifically by the following directors:

- Pere Viñolas, CEO
- Carmina Ganyet, Corporate Managing Director
- Albert Alcober, Chief Operating Officer
- Carlos Krohmer, Chief Corporate Development Officer
- Begoña Muñoz, Chief of Human Resources and General Services
- Nuria Oferil, Chief Legal Officer and Deputy Secretary of the Board
- Àngels Arderiu, Chief Financial Officer

The ESG Committee meets at least quarterly, although in 2020 it met on 6 occasions, specifically addressing the following issues:

- Monitoring and analysis of Colonial's position in the sustainability indexes
- Monitoring and updating the ESG Business Plan and ESG objectives
- Development of an ESG scorecard
- Development of an internal and external training and communication plan
- Operational action plan for the implementation of courses of action
- Preparation of the 2020 Integrated Annual Report

OPERATIONAL IMPLEMENTATION AREAS

The new ESG Coordination and Reporting area has been set up within the Corporate Development Department, and its functions include the coordination of all aspects of ESG, and the analysis of the company's business plan and its impact on value.

This area collaborates with all areas of the company, although for the purposes of monitoring, updating and complying with the ESG business plan, it is specifically assisted in the **sustainability areas of Colonial Spain and SFL**.

II. Sustainable Development Goals

In September 2015 the United Nations Organization (UNO) adopted the 2030 Sustainable Development Agenda, establishing a total of 17 global goals (known as Sustainable Development Goals or SDGs) and 169 specific targets, to be achieved globally by 2030.

In line with its strategy focusing on long-term sustainability, the Colonial Group is committed to the 2030 Agenda. To this end it has conducted an analysis of its contribution to the achievement of the SDGs and all actions included in the ESG Strategic Plan have been analysed in detail. On the basis of this analysis, the main goals to which the organisation can make the greatest positive impact have been identified, along with other interrelated SDGs to which the Colonial Group also contributes. The various sections of the report list the Group's specific contribution to each goal by monitoring key indicators.

7.4. Our strategy for the management of climate change-related risks and opportunities (TCFD)

Colonial pays particular attention to the identification of risks and opportunities arising from climate change, which may affect its activity, assets and investment in the present and future. One example of this is that in 2019 Colonial began to implement the recommendations issued by the *'Task Force on Climate-related Financial Disclosure'* (TCFD).

Colonial also became a TCFD Supporter, thereby demonstrating its support of TCFD and its recommendations.

I. Governance

As described in section "6.1 Our approach to risk management", the main responsibilities assigned in relation to the Control and Risk Management System (CRMS) are undertaken by the Board of Directors, the Audit and Control Committee and the Internal Audit Unit. As climate risks are included in the Group's risk matrix, the level of control is the same as for other types of risks.

At the end of 2020, the Group set up a Sustainability Committee as a delegated committee of the Board of Directors, in order to strengthen the governance of the various aspects of sustainability in the Group.

Governance	Strategy	Risk management	Metrics and objectives
a) The Board's monitoring of climate-related risks and opportunities. Pages 88-89, 116-117	a) Climate-related risks and opportunities the organisation has identified over the short, medium and long term. Pages 95, 99, 117	a) Processes to identify and assess climate-related risks. Pages 90, 118, 183	a) Metrics used to assess risks and opportunities related to climate. Pages118, 134-137
b) Management's role regarding assessing and managing climate-related risks and opportunities. Pages 88-89, 114, 116-117	b) Impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning. Pages 95, 99, 117	b) Processes to manage climate-related risks. Pages 90, 95, 99, 118, 184	b) Scopes 1, 2 and 3 of GHG emissions and related risks. Pages 118, 144-146, 378, 380, 387, 390, 399-400
	c) Resilience of the organisation's strategy, taking into consideration different climate-related scenarios. Page 117	c) Integration of these processes in the organisation's general risk management. Pages 90, 118	c) Goals used to manage climate-related risks and opportunities. Pages 104, 118, 134-137

In addition, Colonial's ESG Committee, which is responsible for leading the assessment and monitoring of the implementation of the ESG strategy, also has functions assigned in relation to the supervision of mechanisms to control climate-change risks and opportunities (for further details, see "7.3 ESG Strategy - Governance Model & Conceptual Framework").

II. Strategy

In order to conduct an analysis of climate-change risks and opportunities, Colonial uses two scenarios devised by the Intergovernmental Panel on Climate Change (IPCC). The worst-case scenario (RCP 8.5) and the best-case scenario (RCP 2.6) are selected, with a focus on the consequences in Spain and France. In 2021, Colonial will continue to further deepen its analysis of risks based on these scenarios and the identification of opportunities and financial impact for Colonial.

Scenario RCP 8.5: Business as usual	**Scenario RCP 2.6: Limiting the temperature increase to 1.5-2ºc**
Transition risks and opportunities	
▸ In this scenario, governments, companies and society make no changes to their behaviour, and greenhouse gases (GHG) continue to increase at their current rate. Energy intensity is still extremely high, and there is still a high dependency on fossil fuels. There is also a lack of political and social collaboration to undertake climate initiatives, and it is expected that the health of the population will get worse. ▸ With this scenario, it is not envisaged that there will be significant changes in the behaviour of clients and investment in terms of sustainability criteria.	▸ In this scenario, GHG emissions are halved by 2050. New renewable-energy technologies are deployed on a wide scale, significantly reducing energy intensity and dependency on fossil fuels. ▸ In this scenario, tax and regulation systems are implemented based on GHG emissions, and business models will require major transformations to respond to the transition. ▸ Greater regulation on sustainability criteria is also expected in all sectors, including Real Estate. In addition, there are considerable changes in the expectations of clients and investors in relation to demands of eco-efficiency and environmental responsibility. ▸ In this context, Colonial has identified the main risks as an increase in regulation and taxation with respect to emissions, the use of land and building codes, leading to an increase in costs due to the need to adapt the assets.
Physical risks	
▸ In this scenario, the average temperature could increase by more than 3ºC globally, and it could increase even more in the Mediterranean area, especially during the summer months. Ocean levels are expected to rise, as are the number of days with extreme climate conditions, with fewer but more intense days of precipitation, thus generating a greater lack of water resources and increasing flooding and storm damage. ▸ Colonial has identified the main risk as damage caused to properties due to the increased frequency of storms and gales, thereby increasing the costs of maintaining the assets. Operational costs related to the climate control of the offices and ensuring the availability of water are also expected to increase.	▸ The temperature increase is less than 2ºC and the climate change impacts are not considered significant enough to affect Colonial's assets.

III. Risk management

Climate risk (physical and transitional risk) forms part of the corporate risk framework, which undergoes a six-monthly review with members of the Management Committee (risk owners) (for further details, see section “6.1 Our approach to risk management”).

Specifically, climate risks form part of the matrix mainly through the risks “6. Effects of climate change” and “13. Damage to the environment”. Even so, for an internal analysis of climate-change risks and opportunities, consideration is given to all the categories recommended by the TCFD and CDP. Section “6.2 Main risks” contains a description of these risks, control measures, risk variation compared to 2019, and the associated opportunities.

Climate risks, like other risks, are assessed in terms of impact and probability, and the risks are categorised in accordance with their inherent level (risk level with no assessment of control measures) and their residual level (risk level after mitigation control measures have been assessed). Each review also analyses the need to add new climate risks which may pose a threat to the Group and its activities. Finally, an analysis is conducted of action plans and specific controls to mitigate these risks.

IV. Metrics and objectives

The Colonial Business Plan contains several strategic objectives, most of which are directly or indirectly related to climate change and the associated risks and opportunities. The main objective in this regard is reduction of the carbon footprint by 75% by 2030 compared to 2015, and carbon neutrality by 2050. Thanks to improvements in energy efficiency, and in particular the use of electricity produced by renewable sources, in 2020 Colonial already succeeded in reducing the carbon footprint intensity for Scopes 1 and 2 by –77%, progressing rapidly towards the total decarbonisation of its portfolio.

For further details, chapter “8. Environmental Sustainability” in the report sets out the metrics and objectives used to identify, assess and manage risks in relation to climate change. It also contains the results of the calculation of GHG emissions in all three scopes.

7.5. Materiality Analysis

The Colonial Group's ESG strategy takes into account obtaining the most value possible for all its stakeholders, as well as ensuring a trusting and sustainable relationship with them.

For the Colonial Group it is essential to know and respond to the expectations and concerns of its stakeholders on environmental, social and economic issues. For this purpose, the Colonial Group has a Materiality Analysis that is regularly reviewed and updated.

This analysis defines significance and establishes the approach that must be taken to address key issues in ESG depending on their impact and their importance for the company and its stakeholders. In order to determine the most significant issues for the company, consideration has been given to the significance (internal and external), and the impacts (positive and negative on operations and on the reputation of the company) of significant issues for the real estate sector and the main sustainability indexes.

Significance

Internal	Employees	▸ Regular communication with employees, training and awareness concerning sustainability issues.
	Shareholders	▸ General Shareholders' Meeting. Shareholder services office. Home page for shareholders. Meetings and events with shareholders. Annual and quarterly results reports. Newsletters.
External	Clients / tenants	▸ Newsletter on a quarterly basis, regular formal meetings and frequent encounters to manage day-to-day business. ▸ Regular surveys for users and clients in Spain and in France (Colonial/ SFL/ Utopicus). ▸ Identification of future client trends: ▸ Paris Workplace survey since 2016 to identify major market trends in the Eurozone. ▸ Long-term European trends. ▸ Pan-European survey of the Think Tank of offices to analyse future clients.
	Suppliers	▸ Regular contact with suppliers for the implementation of sustainable needs and requirements. ▸ Questionnaires for the approval of suppliers with ESG criteria sent in 2020.
	Company	▸ Participation in national and international forums for the exchange of best practices.
	Investors / Financers:	▸ Annual and quarterly results reports. Newsletters. Home page for investors. Investor services office. Meetings and events with investors: ▸ Selection of aspects to prioritise & benchmarking. ▸ Identification of priority areas in reporting frameworks. - SBTi & TCFD. ▸ Monitoring of relevant ratings for Colonial and its stakeholders: GRESB, EPRA, MSCI, CDP, Vigeo Eiris, Moodys, Bloomberg, FTSE4 Good.

Impacts

Operations

The level of impact that the identified issue could have on Colonial's operations, based on the interviews conducted with the heads of the Group's various departments.

Reputation

The level of impact that the identified issue could have on Colonial's reputation, based on the interviews conducted with the heads of the Group's various departments.

In line with the ESG management approach, the material issues are broken down into the environmental, social and governance categories, composed of a total of 18 areas, and their links to the SDGs.

E

1. Climate change

- Minimisation of direct and indirect emissions.
- Design of efficient energy systems, consumption of energy from renewable sources and contributing to resilient cities.
- Identification and analysis of climate-change risks and adaptation by geographic areas.

2. Impact reduction

- Management of impacts on water, materials and transport.

3. Waste and the circular economy

- Reuse and recycling of waste, and minimising the generation of waste.

4. Energy efficiency

- Sustainable construction, energy certifications and consumption optimisation.

5. Management systems

- Continuous development of the environmental management system.

6. Conservation

- Biodiversity protection.
- Promoting green spaces.

S

7. Society

- Social action and contribution to the community.

8. Human rights

- Risks in terms of Human Rights.

9. Sustainability management

- Internal and external sustainability training and awareness.
- Integration of ESG dimensions in operations, daily activities and interaction with the environment.

10. Client management

- Accessibility, security, communication and customer satisfaction.
- Offer of sustainable, healthy products and services.

11. Health and safety

- Occupational and training health and safety management system.
- Offer of activities and spaces to encourage a healthy lifestyle.

12. Equality and diversity

- Promotion of diversity in relation to gender, age, origin etc.

13. Human resources management

- Development of human capital, professional career and satisfaction.
- Attracting and retaining talent.

14. Supply chain

- Selection and assessment of suppliers in relation to ESG.

15. Stakeholder relations

- Dialogue, consultation and transparency.

G

16. Corporate Governance

- Integration of ESG factors to corporate governance.
- Ethics, anti-corruption and transparency.

17. Risk management

- Efficient risk management and strengthening the integration of ESG dimensions in risk management.

18. Relations with the investor community

- Value generation.

7.6. Stakeholders

The Colonial Group's ESG strategy takes into account obtaining the most value possible for all its stakeholders, as well as ensuring a trusting and sustainable relationship with them.

In this regard, a stakeholder management model has been defined based on best international practices, considering in particular the Global Reporting Initiative (GRI) standards and ISO 26000.

This model ensures the proper identification of expectations and the significant economic, social and environmental impacts of Colonial's activities on its stakeholders.

Our stakeholder identification model is structured through three phases:

1. **Identification and categorisation of stakeholders**: Identification, together with Colonial management, of the tasks and operations developed by the organisation and their relationship with the environment.
2. **Prioritisation in terms of objectives and impacts**: Assessment of the influence of the stakeholder group on the achievement of Colonial's strategic objectives, as well as the impact that the activities have on each stakeholder group under consideration.
3. **Categorisation of the type of relationships**: The relationship framework allows the type of relationship with each stakeholder to be categorised and the most appropriate management and communication channels to be defined.

Internal Stakeholders

- Employees and workers' representatives
- Shareholders and investors

External Stakeholders

- Clients and tenants
- Financers
- Suppliers and contractors
- The society

7.6.1 Communication with stakeholders

1. EMPLOYEES

An internal communication plan has been drawn up so that our employees are informed, supported and advised.

As a result of the circumstances experienced due to COVID-19, we have given priority to the safety of all employees and, in addition to the many measures taken, a course focusing on COVID-19 has been carried out with the main objective of making employees aware of preventive measures and ways of taking action, with a focus at all times on the health of each and every one of them. Within this process, we have addressed physical and mental health through a number of programmes and psychological support from psychology firms that have provided individual, personalised assistance.

Connection, information, participation and the creation of meeting points have been the pillars of each of our courses of action: humanising the business in a totally digital period imposed by the pandemic.

- "Live and Direct": as part of the actions of the "Colonial counts on you" channel, in April 2020 weekly sessions were started to be offered to the company's employees to foster a sense of pride and belonging. In addition, these sessions provided constant qualitative information on business developments and assisted each and every one of the employees during this phase, creating digital environments of proximity, closeness and trust.

- Traditional Christmas celebration: despite COVID-19, the "Colonial counts on you" channel allowed employees to enjoy a traditional Christmas celebration in a year in which thanking all employees for their efforts was more necessary than ever. It was for this reason that we arranged an original and emotional virtual celebration with a number of activities: talks to share the company's vision for 2021, exchanges of opinions on the past year from both a personal and professional perspective, and the co-creation of a tune, with lyrics created by several groups of employees and a surprising and emotional videoclip made by all of us.

- Training sessions in relation to Employment Health and Safety: Prevention of Occupational Hazards and COVID-19.

- Training sessions in relation to Compliance: Prevention of Criminal Risks and Prevention of Money Laundering and the Financing of Terrorism.

- A programme called "Accompanying your emotions": the "Colonial takes care of you" tool was used to set up this programme, which was composed of the following courses of action:

  - Psychological Therapy.

  - Health Survey.

  - Training action - "Emotional Accompaniment".

- 2019 surveys on sustainable mobility for the Colonial Group employees (these were not carried out in 2020 due to COVID-19).

  - In Spain through the Commuting survey, provided to all Colonial employees nationwide on daily transportation to the workplace and business trips.

  - In France, through the Paris Workplace survey carried out by SFL.

Regular communication channels with employees:

- Intranet.

- Points of contact.

- Human resources email, complaints channel.

- Informal horizontal and vertical communication channels.

2. CLIENTS AND TENANTS

In 2020, the following initiatives were taken to improve communication with clients:

- Publication of a quarterly newsletter to inform the Colonial Group's client portfolio of services and spaces, as well as the benefits and discounts available to all clients.
- Installation of large LED screens in the lobbies of buildings, showing exclusive satellite images of nature from around the world as platforms to raise awareness and publicise Climate Change.
- User Manual for Good Practices in Environmental Management, with specific guidelines on the building to ensure tenants manage their implementation activities and maintain their offices in a manner consistent with the sustainability criteria of the Colonial Group's Environmental Policy.
- Special activities: events for users of our buildings in Paris, which are increasingly popular. Specific activities for each client, as well as competitions between companies in sports complexes, outdoor boules competitions, ecological product tasting events, among others.
- Biannual newspaper at Washington Plaza: this is published twice a year with news about the building.

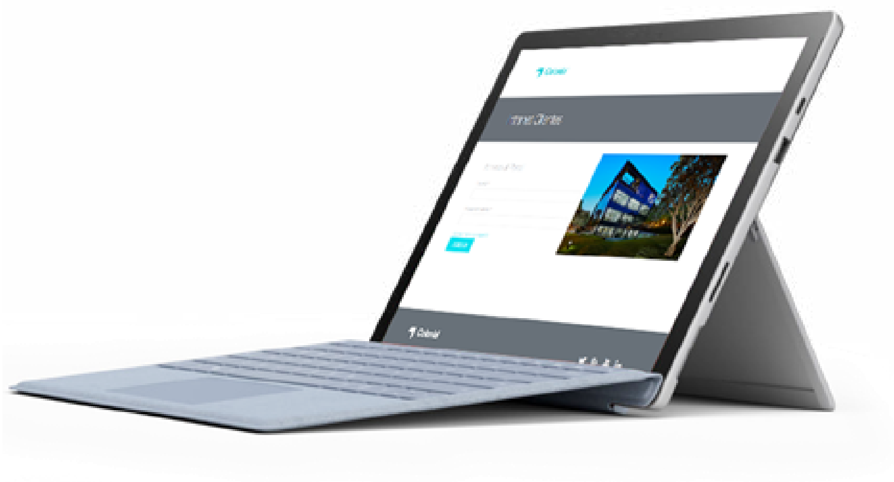
Regular communication channels with Clients:

- Property managers
- Space manager and Community Front (co-working spaces)
- Surveys and programmes
- "Coffee with the Manager" programme
- Satisfaction surveys
- Paris Work Place barometer
- Colonial - Utopicus initiatives
- Client portals
- Newsletter
- Blog and social media
- Colonial Intranet: inmuebles.inmocolonial.com
- Client management points of contact:
  +34 93 404 79 00
  www.inmocolonial.com

3. SUPPLIERS AND CONTRACTORS

The usual communication channels are:

- **Supplier approval questionnaire**. In line with the ESG Criteria Policy, in 2019 the Colonial Group approved a supplier approval survey with ESG criteria. In 2020 the survey was sent to regular suppliers in various fields, such as construction companies, maintenance companies, manufacturers, service companies and various consultants (architectural firms, engineering firms, control bodies etc.). The survey, integrated into the supplier selection process, is part of a scoring system on ESG aspects with suppliers. In this respect, it aims to comply with the ESG Criteria Policy for the selection of suppliers, thus ensuring that the companies making up the supply chain share these values and apply them during each phase of activities relating to Colonial. It also seeks to maximise the positive impact on the entire supply chain in environmental, social and governance issues.
- Supplier management platform
- Points of contact with purchasing managers:
  proveedores@inmocolonial.com



4. SHAREHOLDERS AND INVESTORS

In addition to the usual relationship channels, Shareholders and Investors are informed through regular publications such as (1) Quarterly Results Reports and (2) their respective webcast presentations, (3) the 2019 Integrated Annual Report, (4) a number of interviews with Colonial Executives on the subject of ESG and (5) Press releases, among which the following headlines in 2020 are highlighted: *Colonial and COVID-19, Colonial promotes an aid plan against COVID-19, Colonial successfully closes a debt issue of 500 million euros*.

Some of the main events that took place throughout the year are as follows: 19 Equity Roadshows, with the participation of over 320 investors and analysts, the Barcelona Field Trip (July 2020), with over 86 participants, and the Capital Markets Day (December 2020) with over 115 attendees.

Communication channels:

- Shareholder Services Office:
  accionistas@inmocolonial.com
  Tel. +34 93 404 79 10

- Investor Services Office:
  inversores@inmocolonial.com
  Tel. +34 93 404 78 98

- Shareholders and investors homepage:
  inmocolonial.com

- General Shareholders' Meeting

- Meetings and events with Shareholders and Investors

- Other communication channels
  Newsletter
  Spanish National Securities Commission - CNMV: cnmv.es
  Switchboard: +34 93 404 79 00
  Website: www.inmocolonial.com

5. FINANCERS

Information is provided through regular publications such as (1) Quarterly Results Reports and (2) their respective webcast presentations, (3) the 2019 Integrated Annual Report, (4) a number of interviews with Colonial Executives on the subject of ESG and (5) Press releases, among which the following headlines in 2020 are highlighted: *Colonial and COVID-19, Colonial promotes an aid plan against COVID-19 & Colonial accesses the bank financing market with an ESG loan of €200m*.

Some of the main events that took place throughout the year are as follows: 4 Debt Roadshows with the participation of a total of 42 companies, the Barcelona Field Trip (July 2020), with over 86 participants and the Capital Markets Day (December 2020) with over 115 attendees.

Communication channels:

- General Shareholders' Meeting

- Other communication channels
  Newsletter
  Spanish National Securities Commission - CNMV: cnmv.es
  Switchboard: +34 93 404 79 00
  Website: www.inmocolonial.com

6. SOCIETY

Communications to the society are continuous, and are provided through regular publications such as (1) Quarterly Results Reports and (2) their respective webcast presentations, (3) the 2019 Integrated Annual Report, (4) a number of interviews with Colonial Executives on the subject of ESG and (5) Press releases, among which the following headlines in 2020 are highlighted: *Colonial and COVID-19, Colonial implements an assistance plan to counter COVID-19 & Colonial accesses the bank financing market with an ESG loan of €200m*.

Communication channels:

- General Shareholders' Meeting

- Other communication channels
  Newsletter
  Spanish National Securities Commission - CNMV: cnmv.es
  Switchboard: +34 93 404 79 00
  Website: www.inmocolonial.com

7.6.2 Stakeholder service in relation to COVID-19

Considering the seriousness of the social situation caused by COVID-19, and giving continuity to the supportive spirit of the corporate social responsibility policies regularly carried out by the company, Colonial implemented a programme of initiatives to help stop the pandemic and attenuate its consequences.

The programme has different lines of action, among which include:

1. Economic Contributions: Colonial will provide €1m through various financing programmes to healthcare institutions located in Barcelona, Madrid and Paris, and to research programmes carried out in centres in Spain and France in order to contain and cure the COVID-19 pandemic. Currently, specific projects are already underway to provide resources to the University Hospital La Paz's Research Foundation in Madrid, Hospital Sant Joan de Deu and Hospital Clínico in Barcelona and the Fondation de France.

2. Provision of spaces: Colonial has offered its available spaces at its locations in Madrid, Barcelona and Paris for any activity related to the treatment of the pandemic.

3. Assistance for the self-employed, start-ups and small and medium-sized enterprises:

    - Deferral systems or, in exceptional cases, discounts on rent payments for any small companies experiencing financial difficulties.

    - Creation of a Solidarity Fund through Utopicus, composed of an offer of free services and economic contributions, to help our self-employed, SMEs and start-ups in situations of real necessity within our community.

4. Volunteer schemes and other assistance: Colonial has promoted various volunteer schemes and social initiatives involving local groups (clients, suppliers, employees etc.).

5. Support for employees: Various support initiatives have been implemented for all Colonial employees to facilitate business normality amid the current pandemic.

08
Environmental sustainability

8.1. Strategic Environmental Sustainability and Decarbonisation Plan

8.1.1 Environmental sustainability policies

One of the Group's tools to ensure the sustainable management of its buildings in line with its strategy is its Environmental Policy approved in 2017, which establishes different environmental objectives, all of which are aligned with the United Nations Sustainable Development Goals (SDGs).

The Colonial Group's Environmental strategy is reflected in the "Good Practices in Environmental Management Manual" as a management tool providing specific guidelines on the building to ensure the activities carried out in its installations are consistent with the Group's sustainability criteria. This Manual is divided into three main areas of environmental building management (Colonial Group, maintenance companies and users of the facilities).

Additionally, in accordance with the Group's Sustainability Master Plan, in 2018 and 2019 various specific environmental policies were implemented, which are available on the company's corporate website(1):

- Well-being policy.
- Biodiversity policy.
- Climate change policy.
- ESG policy for supplier selection.
- Renewable energies policy and nearly-zero energy buildings (NZEBs).

In 2020, policy updates were carried out on the various policies, to be approved in 2021.

8.1.2 Levers of the Strategic Sustainability Plan

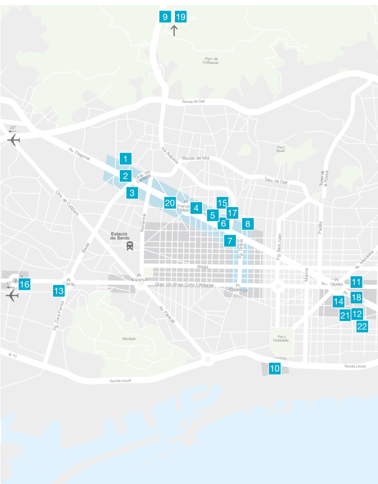
The Colonial Group's strategy maintains a strong commitment to (1) the decarbonisation of its portfolio, (2) a progressive reduction in its consumption, and (3) a responsible and efficient use of resources to boost the circular economy throughout the whole real estate value chain.

I. PRIME POSITIONING

The Colonial Group has a portfolio of 84 office properties with 77% in Central Business District (CBD) locations, focusing its area of activity on premium clients, offering them the best product in the city centre.

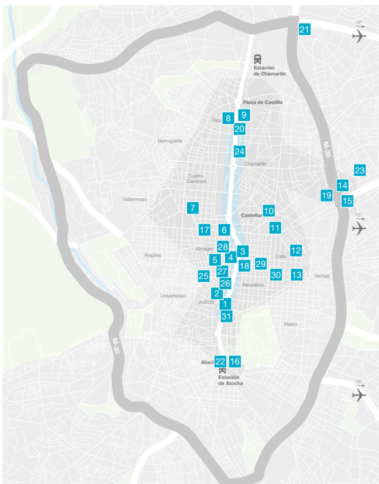
Barcelona

Colonial Portfolio - max rent signed



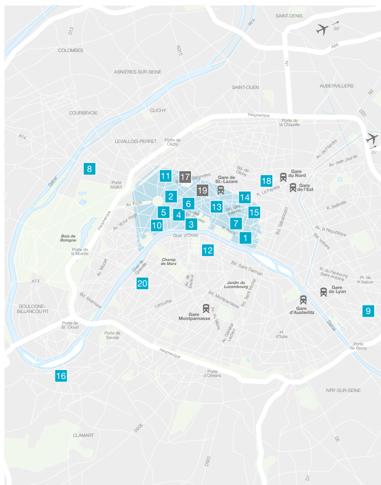
Madrid

Colonial Portfolio - max rent signed



Paris

Colonial Portfolio - max rent signed



(1) Company policies are available at: https://www.inmocolonial.com/en/social-responsability

This positioning puts the group in a privileged position with respect to Scope 3 carbon emissions, with city centre locations.

The CBD locations optimise travel to the offices and reduce the carbon footprint

The main aim of Colonial's decarbonisation strategy is to improve eco-efficiency and its carbon footprint, in addition to the decarbonisation of its portfolio of prime office real estate in CBD locations. It also offers its clients access to more efficient offices.

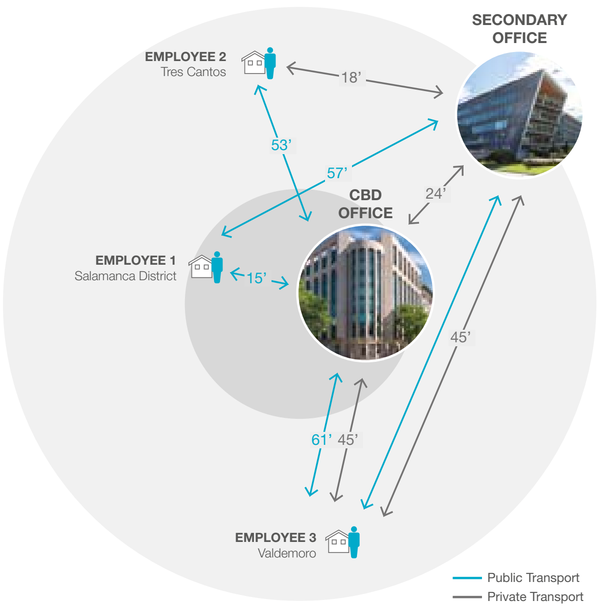
In the office rental business, the location of the offices is a key factor for differentiating between types of assets. There is greater demand for CBD locations which tend to attract top-tier clients, while also capturing the highest rents.

Likewise, location also directly affects the clients' environmental impact and their carbon footprint (Scope 3) due to the time taken by employees to commute to work from their homes and the means of transport used.

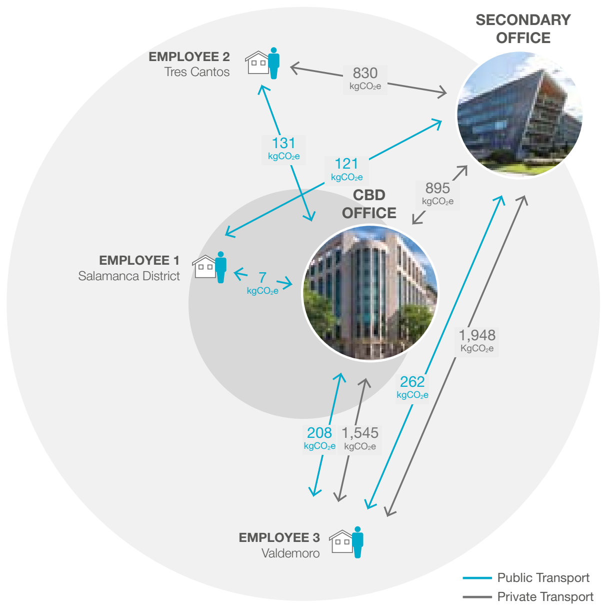
Colonial, through Google Analytics, has carried out a case study to assess the time required by three user types to commute to an office located in the CBD as well as an office located in the secondary market. The time calculated takes into account public or private transport.

With this information, based on the European Union average emissions data according to distance travelled and means of transport, the average emissions for each trip have been calculated.

OPTIMISATION OF COMMUTING TIME



OPTIMISING THE CARBON FOOTPRINT



Optimisation of commuting time

The results of the analysis of the time taken to travel to work based on Google Analytics data are as follows:

Commuting Time in minutes

		Public Transport			Private Transport		
Case	**Lives in**	**CBD**	**Secondary**	**%**	**CBD**	**Secondary**	**%**
Employee 1	City Center	15’	57’		7’	24’	
Employee 2	North of Town	53’	41’		30’	18’	
Employee 3	South of Town	**61’**	**95’**		**45’**	**45’**	
Average - in minutes		43’	64’	50%	27’	29’	7%

Using public transport, the commute time to an office in the city centre is 50% faster than the commute time to an office in the secondary market. This is because the assets located in the CBD are more accessible to all employees due to the radial network of city infrastructures. Likewise, it is noteworthy that a larger variety of types of public transport are more readily available to commute to the CBD.

Optimising the carbon footprint

The study made shows the following average emissions per commute, which would affect the Colonial Group’s Scope 3 emissions.

kg CO_2e per year

		Public Transport			Private Transport		
Case	**Lives in**	**CBD**	**Secondary**	**%**	**CBD**	**Secondary**	**%**
Employee 1	City Center	7	121		51	895	
Employee 2	North of Town	131	112		974	830	
Employee 3	South of Town	**208**	**262**		**1,545**	**1,948**	
Average - kgCO_2e per year		115	165	43%	857	1,225	43%

A user's commute to the office is 43% more efficient if the office is located in the city centre, and if public transport is used, the user consumes almost nine times less than they would using private transport.

Therefore, given that the assets located in the CBD are more easily accessible by public transport, users will choose public transport if the offices are located in the centre, significantly reducing the impact of their carbon footprint.

II. INDUSTRY TRACK RECORD - EXPERTS IN THE VALUE CHAIN

The Group has been operating in the real estate sector for more than 70 years and is the European leader in the prime offices segment. It currently operates in the Paris, Madrid and Barcelona markets.

The Strategic Sustainability Plan is based on detailed knowledge of all segments of the real estate value chain through the best technical teams in the Paris, Madrid and Barcelona markets.

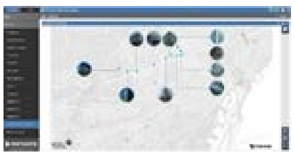
This capacity is applied efficiently in terms of managing the consumption of resources and energy through more sustainable suppliers, who ensure that the different activities are carried out in the most optimal and sustainable manner.

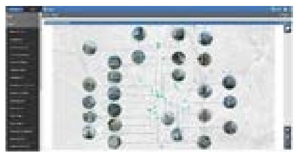
III. LEADER IN INNOVATION - BEST PRODUCT AND TECHNOLOGY

The Group has been recognised repeatedly for creating the most innovative product and in particular, for setting European standards for eco-efficiency.

In 2019, the Colonial Group developed the Building Management System exclusively with Johnson Control to optimise the portfolio management and maximise the energy efficiency of its portfolio and client usage. This includes the real time monitoring of all buildings by systems and zones (Energy Management System, Telemetry, energy, water and related carbon footprint monitoring systems).

In 2020, work continued on the roll out of this system across the entire portfolio of assets managed by Colonial, mainly newly repositioned buildings and new projects delivered in Madrid and Barcelona. The implementation of this system is scheduled to be completed in 2021.





8.1.3 Business Sustainability Plan - Milestones and objectives

Following the recapitalisation of Colonial in 2014, the Colonial Group developed a Business Plan for Sustainability 2015-2030, setting 2015 as the baseline year, to monitor reductions in consumption (in particular of energy and the carbon footprint), with the aim of charting a path towards carbon neutrality.

In particular, this far-reaching strategic plan for decarbonisation responds to the Colonial Group's commitment to achieve carbon neutrality in its office portfolio as a whole by 2050.

Furthermore, to underscore the Group's commitment to the Paris Agreement, Colonial has adhered to the Science Based Target Initiative (SBTi) to set new emissions reduction goals in alignment with science and to limit the rise in global average temperatures to below 2ºC.

At the same time, the Colonial Group has joined the Task Force on Climate-related Financial Disclosures (TCFD) as a TCFD Supporter, with the aim of maximising value creation in the short, medium and long term through the management of risks and opportunities relating to climate change.

I. OBJECTIVES OF THE BUSINESS SUSTAINABILITY PLAN 2015-2030

1. Carbon footprint reduction (Scopes 1 + 2) by more than 75% from the baseline year.
2. Reduction of energy intensity by more than 10% from the baseline year.
3. Energy certificates for 100% of the offices portfolio in operation.
4. Maximum energy certification (A rating) for all new projects.
5. "Life cycle analysis" for new acquisitions/projects.
6. Supply of more than 70% of green energy in the portfolio.
7. Monitoring of energy KPIs for the entire portfolio of offices in operation.
8. Waste management and the circular economy: optimisation of waste management and implementation of a circular economy model.
9. Suppliers: ESG clauses in all contracts with significant suppliers.
10. Clients: "Green Clauses" for all new clients.
11. Enhance the biodiversity of our portfolio environment.

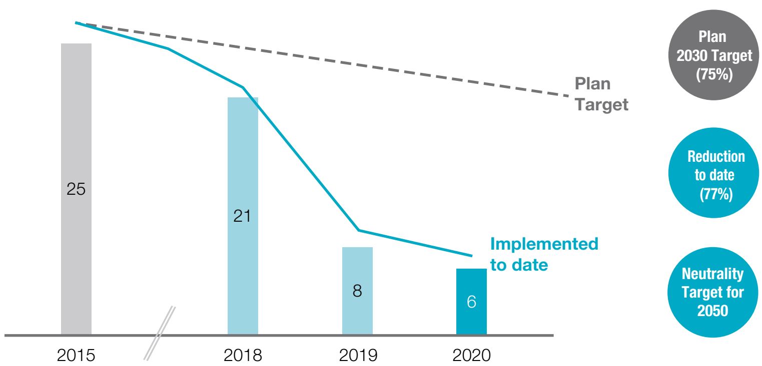
II. MILESTONES ACHIEVED TO DATE - 2015-30 BUSINESS PLAN

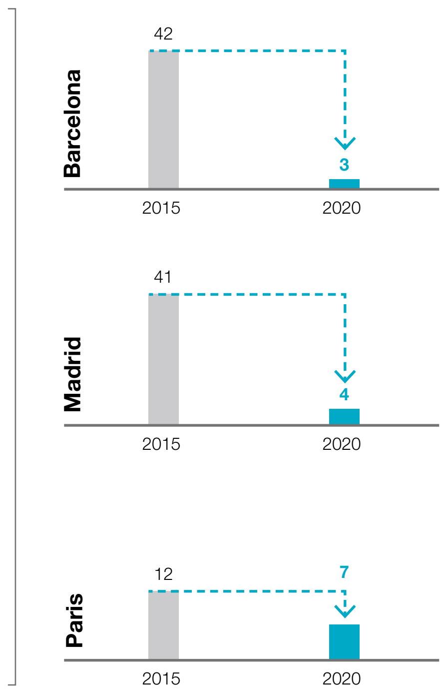
The balance of the milestones achieved to date is very positive and shows that the Colonial Group's efforts have enabled significant progress to be made.

1. Like-for-like reduction of –77% in GHG emission intensity in 2020

The Colonial Group's strategic plan establishes a reduction target of (75%) from the baseline year 2015 in the carbon intensity of Scopes 1 and 2 of its portfolio.

LFL intensity 2020 *vs.* 2015 - Scopes 1 & 2 (kgCO_2e/m²)





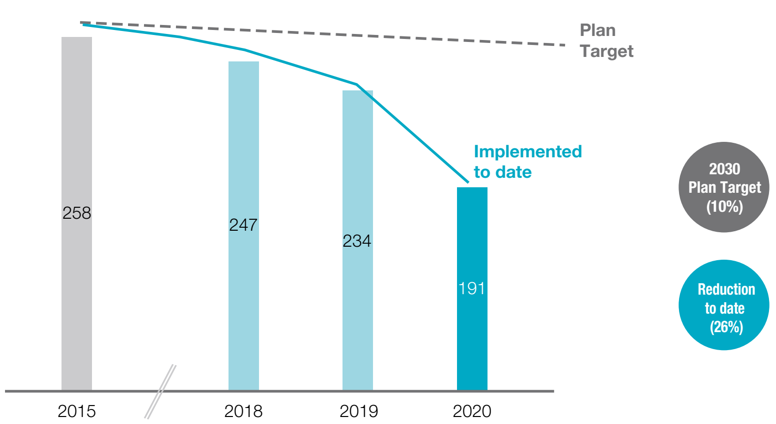
At 31 December 2020, the reduction achieved from the baseline year had exceeded this target, with the reduction in carbon emissions of Scopes 1 and 2 down 77% compared to 2015. This milestone has enabled the Group to meet the target set for 2030, ten years early, and make headway towards achieving a carbon neutral portfolio by 2050.

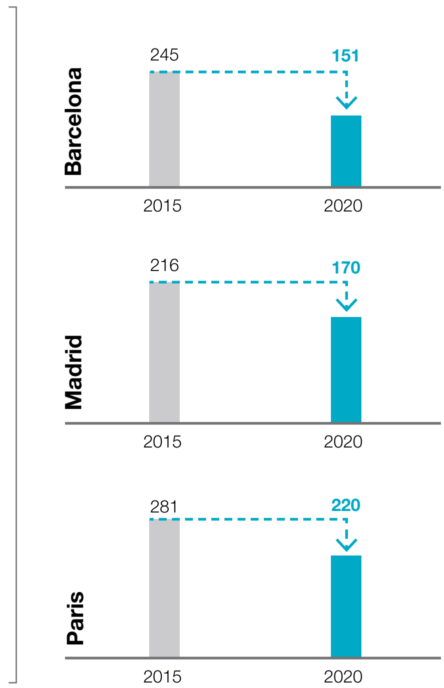
2. Like-for-like reduction of –26% in energy intensity in 2020

As shown in chart, the Colonial Group's energy intensity has decreased progressively from 2015, standing at 191kWh/m² in like-for-like terms in 2020, a reduction of 26% (–38% in Barcelona, –21% in Madrid and –22% in Paris), meeting the energy intensity reduction target set by the company for 2030, compared to the baseline year 2015.

This improvement was largely due to the implementation of savings and energy efficiency measures, most significantly the replacement of installations reaching the end of their useful lives with more efficient ones, improvements in automation and building control, and relamping (LED lights and lighting regulation and control systems), among other. This reduction has also been influenced by the COVID-19 pandemic situation, which has reduced energy consumption to some extent.

LFL intensity 2020 *vs.* 2015 - Energy (kWh/m²)





The table below shows the main achievements to date as well as the long- and short-term objectives:

Business Plan Objective 2015 - 2030

	2030 Strategic Objective	LFL chg. 15/20	Business Plan Advances
1. Reduction of GHG emission intensity Scope 1&2 Reduction $kgCO_2e/m^2$	> (75%)	(77%)	✓
2. Reduction of energy intensity Reduction kWh/m²	> (10%)	(26%)	✓

Business Plan Objective 2015 - 2030

	2030 Strategic Objective	Start 2015	2019	2020	Business Plan Advances
3. Energy Certificates Office portfolio in operation					
▸ Energy Efficiency Certificates	100%	100%	100%	100%	✓
▸ BREEAM/LEED/HQE certifications	100%	90%	92%	93%	✓
4. Maximum Energy Certification in Office Projects	100%	0%	100%	100%	✓
▸ The projects to be delivered in Barcelona and Madrid will obtain the highest energy certification available: ▸ Diagonal 525: LEED Gold ▸ Miguel Ángel 23: BREEAM Excellent and Well ▸ In addition, the next 2 projects to be delivered in Paris will have triple certification:	**Biome** - BREEAM Refurbishment: Excellent - LEED Core and Shell: Gold - HQE Rénovation: Exceptionnel - BBC-Effinergie: Rénovation - BBCA: Rénovation - Biodivercity: Excellent - Wired score: Gold		**83 Marceau** - BREEAM Refurbishment: Excellent - LEED Core and Shell: Gold - HQE Rénovation: Exceptionnel - BBC-Effinergie: Rénovation - Ready 2: Services		
5. Life Cycle Analysis for projects ▸ Identification of all phases of the cycle to introduce improvements ▸ It is already being applied to all of Colonial's assets with a sustainable approach ▸ Involvement of all suppliers in sustainability objectives: from design to demolition to construction and maintenance			Analysis performed for assets		
6. Green procurement / renewable energy procurement ▸ Acquisition of 74% of renewable energy in 2020 in the Madrid & Barcelona portfolios ▸ Acquisition of 50% renewable energy in the Paris portfolio	> 70%	0%	58%	63%	✓
7. Coverage of KPIs analysis for the entire portfolio of offices in operation					
▸ Energy	100%	74%	82%	92%	✓
▸ GH Scope 1&2	100%	75%	84%	92%	✓
▸ Water	100%	74%	82%	92%	✓
8. Waste management/Circular Economy ▸ 99% of the non-hazardous and hazardous waste generated in Barcelona and Madrid has been recycled or recovered ▸ 91% of non-hazardous and hazardous waste generated in Paris will be recycled or recovered	85%	nd	83%	99%	✓
9. ESG clauses with all significant suppliers ▸ The 41 most significant suppliers in Barcelona and Madrid include ESG clauses ▸ The 188 most significant suppliers in Paris include ESG clauses	100%	0%	100%	100%	✓
10. Green Clauses for all new clients ▸ Green contracts incorporated into all new contracts in Paris ▸ Green contracts successively incorporated in 2019/2020 in Barcelona and Madrid	100% new clients	–	44%	41%	✓

III. BUSINESS PLAN IN THE FRAMEWORK OF SUSTAINABLE DEVELOPMENT GOALS

Breaking down these commitments in relation to the Sustainable Development Goals allows us to observe the contribution and impact of Colonial's actions on each one, based on the different policies of the Group:

SDG 3. HEALTH AND WELL-BEING

Well-being policy

Colonial has a *"Well-being policy"* which aims to achieve healthy, safe and pleasant environments that promote well-being and enable people to develop their skills both personally and professionally. The Group guarantees optimal conditions of the indoor environment and the use of its facilities.

Strategies / Lines of action

- Guarantee air and water quality.
- Provide adequate lighting.
- Promote comfort and accessibility for occupants.

SDG 7 & 9. AFFORDABLE AND NON-POLLUTING ENERGY/ INDUSTRY, INNOVATION AND INFRASTRUCTURES

Colonial is making progress in energy efficiency and sustainability also thanks to innovative designs, and the automation and digitalisation of the control of building consumption, also contributing to the innovation of our customers and service providers.

Colonial's renewable energies policy and nearly-zero energy buildings (NZEBs)

The Group is committed to the implementation of 100% non-polluting renewable energies as it is essential to combat climate change by aligning itself with nearly zero-energy buildings (NZEBs).

Strategies / Lines of action

- Decrease in energy demand.
- Increased energy efficiency.
- Implementation of 100% non-polluting renewable energies.
- Green supply management.
- New bioclimatic constructions.
- Innovation and digitalisation of real estate spaces in Colonial's portfolio.
- Standardisation of automation systems, building control and monitoring of consumption in real time.

SDG 6. CLEAN WATER AND SANITATION

Colonial's climate change policy

Given the scarcity and contamination of water resources threatened by climate change, the Colonial Group has objectives for saving water consumption in its buildings and reusing it. Colonial implements measures to promote responsible consumption and avoid potentially polluting spills.

Strategies / Lines of action

- Implementation of mechanisms for saving water consumption and systems to automatically detect water leaks.
- Recycling grey water and rainwater.
- Control of spills.

SDG 12. RESPONSIBLE CONSUMPTION AND PRODUCTION

ESG policy for Colonial supplier selection

In order to ensure the proper management of ESG aspects in its value chain, the Colonial Group has defined social and environmental criteria for choosing its suppliers.

Likewise, the responsible acquisition of materials and the sustainable management of waste are encouraged in new construction works and in reforms, operations and maintenance promoting the circular economy.

Strategies / Lines of action

- Evaluation criteria for the choice of suppliers from an environmental, social and governance perspective.
- Monitoring the supply of materials and management of hazardous and non-hazardous waste.
- Increased use of sustainable materials, minimisation and sustainable waste management.

SDG 13. CLIMATE ACTION

Colonial's climate change policy

The Group is working towards achieving low-GHG buildings without undermining user comfort and safety, while also adapting buildings to future scenarios of climate change and mitigating its effects.

Strategies / Lines of action

- Study and implementation of measures to adapt to climate. change and mitigation measures.
- Facilities to achieve sustainable mobility by users and employees.

SDG 15. LIFE OF TERRESTRIAL ECOSYSTEMS

Colonial's biodiversity policy

Actions and standards regarding biodiversity are introduced and promoted in undertaking the company's activity, its facilities and in relation to its stakeholders.

Strategies / Lines of action

- Biodiversity management plans and environmental studies.
- Implementation of living ecosystems.
- Environmental maintenance of the implemented ecosystems.

8.2. Progress in eco-efficiency and decarbonisation - 2015-30 Business Plan

In order to achieve a reduction in emissions in the Group as a whole, the main factor Colonial has to focus on is the improvement in the energy efficiency of the buildings that make up its portfolio, together with an increase in the implementation and transformation of renewable energies. Therefore, the Colonial Group is working on developing nearly zero-energy buildings (NZEBs), with high environmental performance and very low energy consumption, which mainly comes from renewable sources.

The Group has shown its intention to continuously invest in the property portfolio with the aim of reducing the dependency of its buildings on external energy sources, while at the same time encouraging onsite renewable energy production.

The first step in this transformation process is to assess the current status and characteristics of each asset individually through savings and energy efficiency measures related to production and demand, with the aim of identifying all the options for improvement and the possibilities of implementing renewable energies. On the basis of this assessment, all buildings are categorised according to their potential for implementing renewable energies.

Six years after the 2015-2030 Business Plan commenced, the progress made has been very positive.

8.2.1 Energy

I. ENERGY CONSUMPTION 2020

In 2020, the Colonial Group made a major effort to increase the monitoring of consumption across its entire portfolio, extending its monitoring of energy consumption to almost all its assets, with the sole exception of those which are still at the project stage with no operational energy consumption.

The Group's energy consumption during the year was 149,784 MWh, which signals an energy performance or intensity indicator of 179 kWh/m².

The consumption of MWh during 2020, compared to the previous year, remains stable.

By country, in **Spain**, a 16% increase in consumption can be observed, mainly due to the **extension of coverage** to single-user assets, in part of which consumption monitoring has also been carried out, such as, for example, in Av. Diagonal 220-240 and Serrano 73, among others. However, in comparable terms it is –22%. In **France**, certain energy efficiency measures played an important role in reducing energy consumption (–18%), specifically, in the Cloud building, an energy performance contract was signed with Dalkia. Likewise, energy consumption has been partially impacted by the effect of the pandemic.

Energy

			Var.		Var. LFL	
MWh	**2020**	**2019**	**MWh**	**%**	**MWh**	**%**
Barcelona	37,937	35,824	1,573	4%	–6,753	–22%
Madrid	55,706	44,706	11,000	25%	–8,407	–22%
Paris	56,682	69,255	–12,573	–18%	–12,573	–18%
Total	**149,784**	**149,785**	**–1**	**0%**	**–27,734**	**–20%**
Spain	93,103	80,530	12,573	16%	–15,160	–22%
France	56,682	69,255	–12,573	–18%	–12,573	–18%
Total	**149,784**	**149,785**	**–1**	**0%**	**–27,734**	**–20%**

Energy Intensity

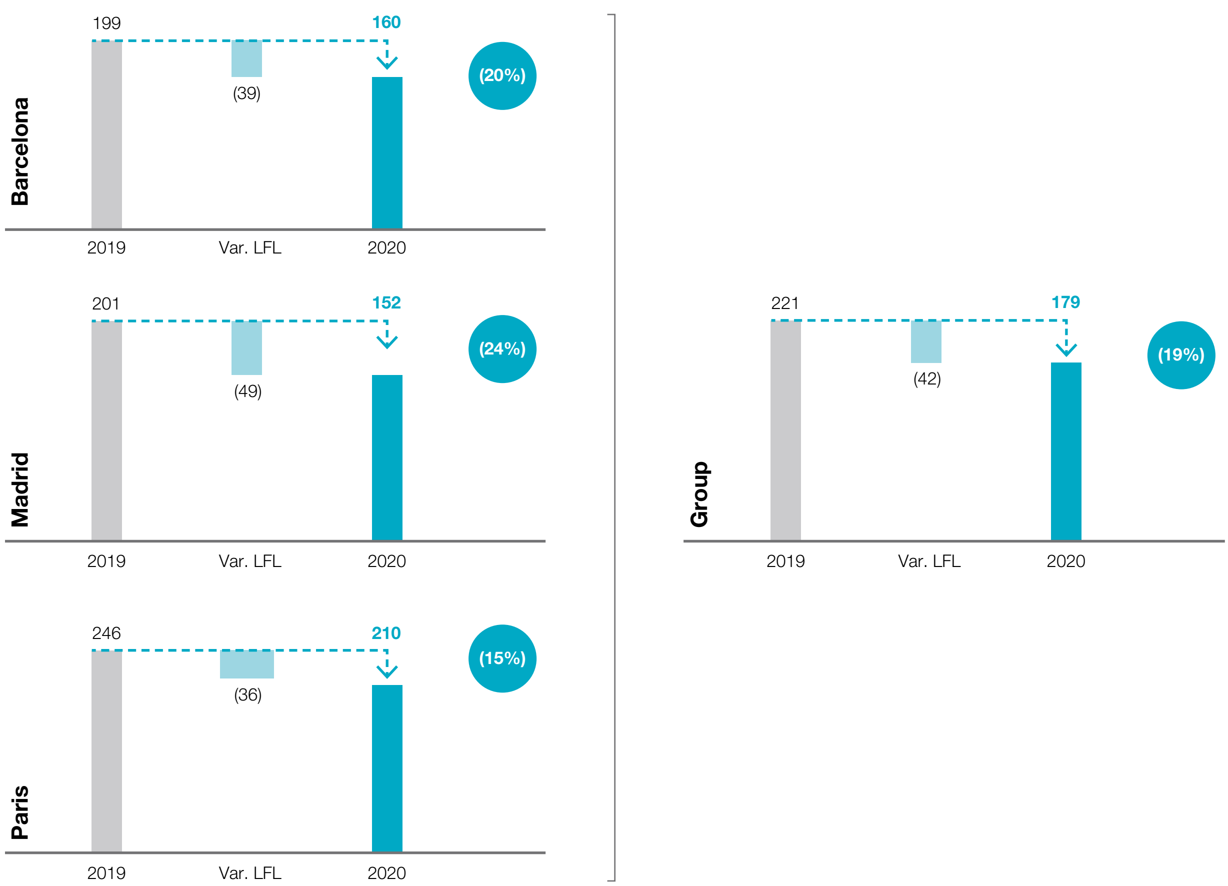
			Var.		Var. LFL	
kWh/m²	**2020**	**2019**	**MWh/m²**	**%**	**MWh/m²**	**%**
Barcelona	168	203	–35	–17%	–39	–20%
Madrid	162	209	–47	–23%	–49	–24%
Paris	210	246	–36	–15%	–36	–15%
Total	**179**	**223**	**–44**	**–20%**	**–42**	**–19%**
Spain	164	206	–42	–20%	–45	–22%
France	210	246	–36	–15%	–36	–15%
Total	**179**	**223**	**–44**	**–20%**	**–42**	**–19%**

II. LIKE-FOR-LIKE REDUCTIONS IN ENERGY INTENSITY

The **energy performance or intensity indicator** for the Colonial Group was 179 kWh/m² in 2020, 165 kWh/m² in Spain and 210 kWh/m² in France.

If we compare the **variation in the office portfolio in 2020 with 2019**, in **like-for-like** terms, in accordance with the recommendations of EPRA Best Practices on Sustainability Reporting, including buildings that were on the portfolio during the year of the report and the prior year (2020 and 2019), and excluding single-user buildings and projects, refurbishments or plots, **the Colonial Group's energy intensity would be 19% lower** (–20% in Barcelona, –24% in Madrid and –15% in Paris).

LFL Intensity 2020 *vs.* 2019 - Energy (kWh/m²)



III. RENEWABLE ENERGY

In line with the Sustainable Development Goals and guidelines for Nearly zero-energy buildings (NZEBs), the Group assesses the implementation of the different renewable energy technologies on site. Reports on renewable energies and nearly zero-energy buildings were also drawn up, which include feasibility studies of the different options based on climatic factors, use and maintenance.

a) Renewable energy installations

The Group currently has on-site photovoltaic solar power installations at several of its assets, with a combined installed capacity of approximately 166 kWp. Colonial is aware of the importance of decentralised production using renewable energy sources and therefore expects to implement these types of installations in virtually all the buildings it manages and in all its large projects.

b) Green supply

With the aim of reducing its carbon footprint, since 2018 the company has been actively working with its clients to increase the supply of renewable energy with a certificate of Guarantee of Origin (GoO). In 2019 58% of the Group's asset portfolio held this certification, and in 2020 the figure was 63% at the Group level, an increase of +467bps, the rise of 755bps in Spain highlighted.

	2020	2019	Var.
Spain	74%	67%	+755 bp
France	50%	49%	+174 bp
Group	**63%**	**58%**	**+467 bp**

8.2.2 CO_2 emissions in 2020 - Market-based

I. GREENHOUSE GAS EMISSIONS 2020 - CARBON FOOTPRINT - ABSOLUTE FIGURES

In terms of Greenhouse Gas Emissions (GHG), it must be taken into account that the Colonial Group calculated Scopes 1 and 2 of its carbon footprints based on the energy consumption of the buildings and the leaks and recharges of refrigerant gases, excluding the consumption of diesel electricity generators. Scope 3 includes the energy consumption of private areas and single-user assets (category 13 GHG Protocol), while bearing in mind that most of the emissions from its activities are part of Scope 3. The Group has continued to work on calculating new categories to include in this scope, following the GHG Protocol emissions calculation methodology.

Scopes 1, 2 and 3

In this respect, the **Group's GHG emissions for 2020 for the three scopes are 18,684 tCO_2e**, 16,087 tCO_2e correspond to Spain and 2,597 tCO_2e to France. In absolute terms, comparing 2020 with the previous year, GHG emissions for the three scopes remained stable, due to the inclusion of single-user buildings in the coverage for the first time in 2020. In like-for-like terms, GHG emissions have been reduced by 7,582 tCO_2e, resulting in a reduction of –49%.

Scopes 1 and 2 - Direct manageable objectives

GHG emissions corresponding to Scope 1 and 2, over which the company has more direct influence, totalled **4,926 tCO_2e** in 2020; corresponding to 2,944 tCO_2e in Spain and 1,982 tCO_2e in France.

Absolute GHG emissions

tCO_2e	2020 Scopes 1, 2 & 3	2020 Scopes 1 & 2	2019 Scopes 1, 2 & 3	2019 Scopes 1 & 2	Variance Scopes 1, 2 & 3 tCO_2e	Variance Scopes 1, 2 & 3 %	Variance Scopes 1 & 2 tCO_2e	Variance Scopes 1 & 2 %	LFL Variance Scopes 1, 2 & 3 tCO_2e	LFL Variance Scopes 1, 2 & 3 %	LFL Variance Scopes 1 & 2 tCO_2e	LFL Variance Scopes 1 & 2 %
Barcelona	5,913	1,385	5,767	1,321	146	3%	65	5%	–2,575	–53%	–698	–67%
Madrid	10,174	1,558	9,198	3,966	976	11%	–2,407	–61%	–4,086	–58%	–1,970	–67%
Paris	2,597	1,982	3,509	2,731	–912	–26%	–749	–27%	–921	–26%	–749	–27%
Total	**18,684**	**4,926**	**18,474**	**8,017**	**210**	**1%**	**–3,091**	**–39%**	**–7,582**	**–49%**	**–3,417**	**–51%**
Spain	16,087	2,944	14,965	5,286	1,122	7%	–2,343	–44%	–6,661	–56%	–2,668	–67%
France	2,597	1,982	3,509	2,731	–912	–26%	–749	–27%	–921	–26%	–749	–27%
Total	**18,684**	**4,926**	**18,474**	**8,017**	**210**	**1%**	**–3,091**	**–39%**	**–7,582**	**–49%**	**–3,417**	**–51%**

GHG emissions in France are lower due to the District Heating & Cooling (DH&C) system in the city of Paris, which is very efficient and greatly reduces these emissions. In Spain, this system is used in only three assets in Barcelona, located in the 22@ district. The energy mix in France also has lower emission factors than in Spain.

In absolute terms, a sharp reduction can be observed in GHG emissions in Scopes 1 and 2 (–39%) compared to 2019.

This is due the following:

1. the rise in renewable energy contracted (electricity supply with certificate of Guarantee of Origin (GoO)) and
2. a certain reduction in the use of spaces during the year due to the pandemic, which was partially offset by the need for increased ventilation in buildings, as the systems were operating 24/7, in addition to closing down energy recovery mechanisms in ventilation systems for the same reason, in order to ensure a safe environment for our clients and complying with the measures established to prevent the spread of COVID-19.

In like-for-like terms, GHG emissions were reduced by 3,417 tCO_2e, a 51% reduction.

Likewise, at SFL, the progressive increase in the expansion of the urban cooling network option (a network with a low emission factor) for buildings stands out, which will allow emissions to be reduced even further in the next few years. Lastly, the advantages of replacing the last heating system that used diesel in 2018 with a heating system that uses natural gas with lower energy consumption are starting to help reduce emissions.

II. REDUCTION IN GREENHOUSE GAS INTENSITY

If we analyse the **carbon footprint or GHG emissions intensity performance indicator of the Colonial Group in 2020 for the three scopes, we can observe a figure of 22 $kgCO_2e/m^2$, 28 $kgCO_2e/m^2$ in Spain and 10 $kgCO_2e/m^2$ in France**.

Excluding Scope 3, which includes energy consumption in private areas, the **intensity of the carbon footprint for Scopes 1 and 2 is 7 $kgCO_2e/m^2$**, both at Group level as well as for Spain and France.

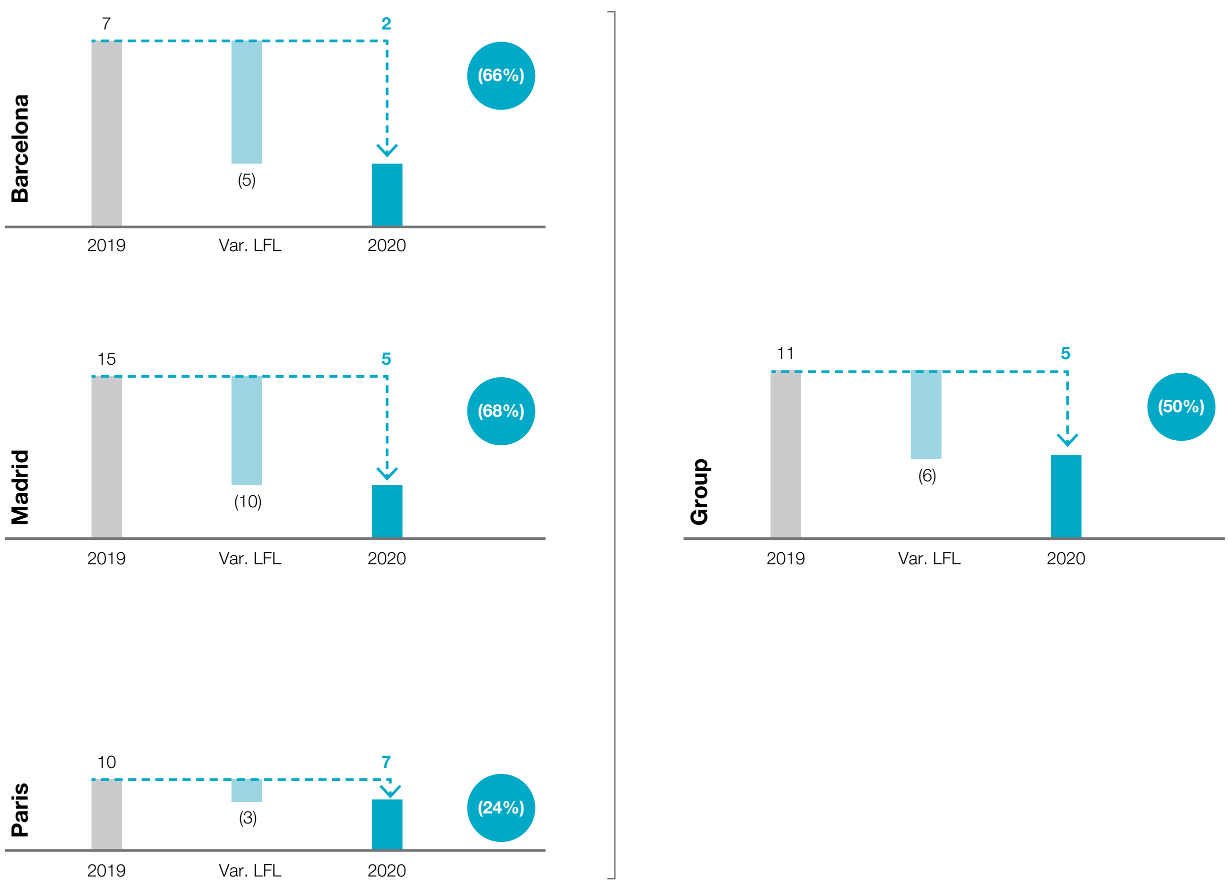
GHG emissions - Intensity

	2020		2019		Variance				LFL Variance			
$kgCO_2e/m^2$	Scopes 1, 2 & 3	Scopes 1 & 2	Scopes 1, 2 & 3	Scopes 1 & 2	Scopes 1, 2 & 3		Scopes 1 & 2		Scopes 1, 2 & 3		Scopes 1 & 2	
					$kgCO_2e/m^2$	%	$kgCO_2e/m^2$	%	$kgCO_2e/m^2$	%	$kgCO_2e/m^2$	%
Barcelona	27	7	33	7	–6	–19%	0	–4%	–16	–51%	–5	–66%
Madrid	30	6	41	18	–11	–28%	–11	–64%	–22	–60%	–10	–68%
Paris	10	7	12	10	–3	–23%	–2	–24%	–3	–23%	–2	–24%
Total	**22**	**7**	**27**	**12**	**–5**	**–18%**	**–5**	**–41%**	**–12**	**–48%**	**–5**	**–50%**
Spain	28	7	37	13	–9	–24%	–6	–49%	–19	–56%	–8	–67%
France	10	7	12	10	–3	–23%	–2	–24%	–3	–23%	–2	–24%
Total	**22**	**7**	**27**	**12**	**–5**	**–18%**	**–5**	**–41%**	**–12**	**–48%**	**–5**	**–50%**

In **like-for-like terms compared to 2019**, the **intensity of Scopes 1 and 2 in 2020 stands at 5 kgCO_2e/m², a reduction of –50%**, mainly due to the contracting of electricity with a certificate of Guarantee of Origin (GoO) from renewable sources, putting it among the lowest in the sector. In **Spain**, the reduction was –67%, most notably at the Av. Diagonal 197, Park Cugat and Illacuna buildings in Barcelona, and the Príncipe de Vergara, Estébanez Calderón and Ramírez de Arellano 15 buildings in Madrid. In **Paris**, the reduction was –24%, highlighting the 6 Hanovre, Cézanne St. Honoré and 90 Champs Elysées buildings.

The Group is also aware of the high potential for improvement in energy performance and water consumption arising from the conductive management of the installations. In 2020, a single standard system was integrated to measure consumption in real time in the majority of the buildings managed by Colonial. Further progress was also made on the implementation of standardised automation and building control systems at a large number of assets, which is expected to be completed in 2021.

LFL Intensity 2020 *vs.* 2019 - Scopes 1 & 2 (kgCO_2e/m²)



8.2.3 Water

I. WATER CONSUMPTION 2020

Fresh water is one of the scarcest resources on the planet, since less than 1% of the earth's water is suitable for human consumption. The rest is salt water, found in natural underground aquifers or in the form of ice at the poles. For this reason, the Colonial Group is working to have installations in place that will allow users of its buildings to responsibly consume this highly-valued resource, especially in Madrid and Barcelona, which are Mediterranean regions and hence more affected by water shortages. Thus, it should be noted that Colonial Group only consumes water from the local supply company in the areas where its buildings are located. The measures aimed at ensuring responsible water consumption in the Colonial Group buildings include installing efficient sanitary fittings (taps, toilets, urinals and showers), automatic leak detectors, rain water storage tanks, grey water recovery in some buildings and the management of the installations carried out by maintenance companies and users.

Water Abolute

			Variance		LFL Variance	
m^3	2020	2019	m^3	%	m^3	%
Barcelona	66,233	67,286	–1,054	–2%	–10,165	–18%
Madrid	82,797	89,771	–6,974	–8%	–38,471	–50%
Paris	121,711	150,243	–28,532	–19%	–28,532	–19%
Total	**270,740**	**307,300**	**–36,560**	**–12%**	**–77,168**	**–27%**
Spain	149,029	157,057	–8,028	–5%	–48,636	–37%
France	121,711	150,243	–28,532	–19%	–28,532	–19%
Total	**270,740**	**307,300**	**–36,560**	**–12%**	**–77,168**	**–27%**

Water Intensity

			Variance		LFL Variance	
l/m^2	2020	2019	l/m^2	%	l/m^2	%
Barcelona	305	381	–76	–20%	–49	–13%
Madrid	253	421	–168	–40%	–204	–52%
Paris	451	534	–82	–15%	–82	–15%
Total	**332**	**457**	**–125**	**–27%**	**–116**	**–26%**
Spain	274	403	–129	–32%	–139	–36%
France	451	534	–82	–15%	–82	–15%
Total	**332**	**457**	**–125**	**–27%**	**–116**	**–26%**

In 2020, **the water consumption of the Colonial Group was 270,740m³**, 149,029 m³ in Spain and 121,711 m³ in France, **marking a drop of 12% in absolute terms**. In **France**, the decline of 19% was due to the effects of the pandemic. In Spain, the reduction (–5%) was lower as the effects of the pandemic on the buildings in Madrid and Barcelona were offset by the increase in the monitoring scope and the biodiversity initiatives implemented, which require hydro resources that previously did not exist.

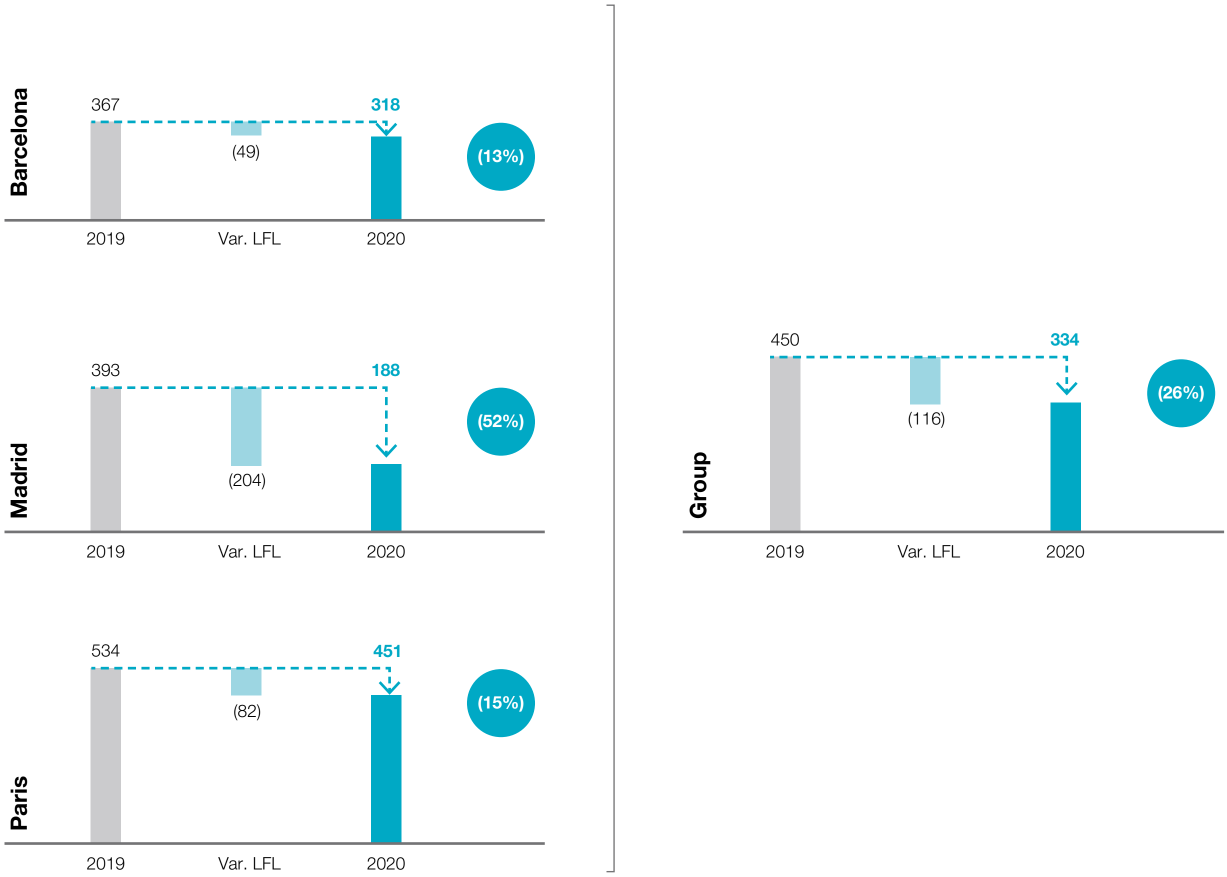
The intensity of water consumption in 2020 was 332 litres/m², 274 litres/m² in Spain and 451 litres/m² in France, **which indicates an overall reduction of –27% in absolute terms**, for the reasons stated above.

II. LIKE-FOR-LIKE REDUCTIONS IN WATER CONSUMPTION

Colonial is aware that water is an increasingly valuable resource, due to its scarcity and the decreasing reserves of water for human consumption. Therefore, the Group is working to ensure that the users of its assets have the option to responsibly consume water, by obtaining its entire supply from local supply companies in each of the locations. As described in the section on energy, this variable is also included in the standardised system for monitoring consumption in real time in all the buildings managed by Colonial, expected to be completed in 2021.

In like-for-like terms, comparing 2020 with 2019, the intensity of the Colonial Group's water consumption decreased by –26% due mainly to the measures to improve efficiency in water consumption referred to above and to some extent due to a decrease in consumption during the pandemic.

LFL Intensity 2020 *vs.* 2019 - litres/m²



III. CONSUMPTION OF RECYCLED AND REUSED WATER

The Colonial Group recycles and reuses water in two ways:

1. **Reusing grey water** from washbasin taps for flushing toilets and urinals.

2. **Collection of rainwater** to water green areas and clean terraces.

The table below shows the main water recycling and reuse initiatives in our portfolio.

The volume of water reused in 2020 was lower compared to 2019 due to lower building occupancy, as a result of the effects of the COVID-19 pandemic, and therefore less greywater generation.

Property	Total volume of recycled and reused water (m^3)	% of total consumption	Comments
Diagonal, 409	77	16%	Greywater from washbasin taps reused for toilet flushing. There is a specific meter.
Sant Cugat Nord	78	0%	Rainwater collected for the watering of green spaces. A meter is available for irrigation water with a separate rainwater and mains water meter.
Martínez Villergas	1,189	56%	Rainwater collected for the watering of green spaces. There is a specific meter for rainwater consumption.
Travessera	0	0%	Grey water from washbasin taps for flushing toilets and urinals. There is a specific meter.
Amigó	0	0%	Grey water from washbasin taps for flushing toilets and urinals. There is a specific meter.
Castellana, 43	–	–	The installed system for the reuse of grey water intended for flushing toilets with water from washbasin taps and the rainwater collection system intended for watering the gardens are not currently in operation.
Washington Plaza	195	1%	Rainwater is collected and used for watering the planter wall. The total capacity is $18m^3$.
#Cloud	127	2%	Rainwater is collected and used to water green spaces and clean terraces.

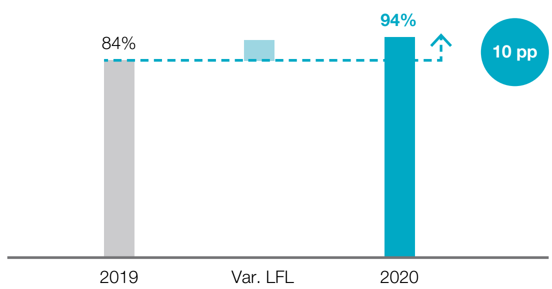
8.2.4 Waste and the circular economy

In line with its Environmental Policy and to ensure both the sustainable management of waste generated by its activities and the implementation of a sustainable circular economy, in 2018 three environmental monitoring procedures were developed: (1) new construction, refurbishments or large reforms, (2) small reforms to improve specific building specifications ("smaller corrective actions") and (3) maintenance work in existing buildings.

According to the data obtained, more than 99% of waste has been recovered. Excluding recovered land, recycling is the most widely used disposal method (more than 74% of waste), followed by reuse (more than 22%), meeting the 2020 target of 80% waste recovery. Furthermore, the amount of waste going to landfill was less than 1%, which also meets the target (20% by 2020).

In like-for-like terms, in 2020 the percentage of waste recycled or reused by the Colonial Group increased by 10 pp compared to 2019.

% LFL Waste recycled/recovered



It should be noted that the figure for SFL increased in 2020 from 80% in 2019 to 88% (mainly due to recycling or incineration with energy value).

I. WASTE GENERATION IN 2020

The main types of waste monitored during the year are as follows:

Sustainable waste management

Sustainability Indicators	Type of waste(1)	DSW generated kg	DSW generated %	DSW reused kg	DSW reused %
Environmental monitoring Monitoring of sustainable waste management	**Non-hazardous waste**				
	Construction and Demolition	18,651,122	7.48%	17,123,381	91.81%
	Wood	191,215	0.08%	188,891	98.78%
	Metal	357,632	0.14%	308,194	86.18%
	Concrete	35,499,171	14.25%	35,077,249	98.81%
	Glass	116,669	0.05%	113,755	97.50%
	Paper/cardboard	133,101	0.05%	132,836	99.80%
	Organic/compost	1,969	0.00%	1,969	100.00%
	Plastic	12,996	0.01%	11,331	87.19%
	Textile	14,710	0.01%	14,710	100.00%
	Trimmings/Gardening	560	0.00%	488	87.14%
	Other non-hazardous waste	607,266	0.24%	441,522	72.71%
	TOTAL NH DSW	**55,586,413**	**22.31%**	**53,414,325**	**96.09%**
	Hazardous waste				
	WEEE	7,883	0.00%	7,463	94.67%
	Luminaires	6,454	0.00%	5,475	84.83%
	Refrigerants	30	0.00%	10	33.33%
	Contaminated metal and plastic containers	1,107	0.00%	179	16.17%
	Batteries	1,146	0.00%	645	56.28%
	Fuel and oils	58	0.00%	58	100.00%
	Other hazardous waste	1,664	0.00%	536	32.21%
	Non-reusable hazardous waste	586	0.00%	0	0.00%
	Total hazardous waste	**18,929**	**0.01%**	**14,367**	**75.90%**
	Soil				
	Uncontaminated soil	193,574,554	77.68%	193,523,862	99.97%
	Contaminated soil	0	0.00%	0	0.00%
	Total Soil	**193,574,554**	**77.68%**	**193,523,862**	**99.97%**
	TOTAL DSW	**249,179,896**	**100.00%**	**246,952,554**	**99.11%**

(1) Waste generated in new construction works, reforms, smaller corrective reforms and maintenance, and in communal areas. Waste generated by tenants is not included as the company has no control over this. except for buildings in France where they are managed jointly.
The waste list may be modified if any other representative waste is reported.
Only very unusual and unrepresentative waste will be included in the "other" category.

In 2020 there has been a significant increase in waste generation compared to 2019. This is due to more major refurbishment and new construction work being carried out in 2020. The waste corresponding to the "Land" category represents 77.8% of the total, and corresponds to the Méndez Álvaro 31, Méndez Álvaro 61, Plaza Europa 34 and Velázquez 80 projects. In addition to the increase in these works, it is worth highlighting a process of continuous improvement and awareness-raising among contractors in terms of reporting and justification of the information.

Waste by method of disposal. EPRA Waste-Abs & Waste-Lfl

Sustainability Indicators	Type of waste	Total DSW 2020 kg	Total DSW 2020 % of total
Waste - Abs GRI 306-2	**Hazardous waste**		
	Reuse	427	2.28%
	Recycling	14,981	80.06%
	Compost	0	0.00%
	Recovery (including energy)	99	0.53%
	Soil-soil improvement, landfills and drainage	0	0.00%
	On-site storage	1,975	10.56%
	Non-reusable hazardous waste	575	3.07%
	Incineration (not used)	43	0.23%
	Injection into wells (not reused)	0	0.00%
	Landfill (not reused)	52	0.28%
	Other disposal method	560	2.99%
	Total DSW generated	**18,712**	**100.00%**
	Non-hazardous waste		
	Reuse	12,496,200	5.02%
	Recycling	41,422,106	16.63%
	Compost	2,042	0.00%
	Recovery (including energy)	1,602,860	0.64%
	Soil-soil improvement, landfills and drainage	193,428,754	77.63%
	On-site storage	24,411	0.01%
	Non-reusable hazardous waste	5,182	0.00%
	Incineration (not used)	18,435	0.01%
	Injection into wells (not reused)	0	0.00%
	Landfill (not reused)	128,468	0.05%
	Other disposal method	32,728	0.01%
	Total DSW generated	**249,161,184**	**100.00%**

Waste by method of disposal. EPRA Waste-Abs & Waste-Lfl

Sustainability Indicators	Type of waste	Total DSW 2020 kg	Total DSW 2020 % of total
Waste - LfL GRI 306-2	**Hazardous waste**		
	Reuse	164	1.13%
	Recycling	11,251	77.82%
	Compost	0	0.00%
	Recovery (including energy)	91	0.63%
	Soil-soil improvement, landfills and drainage	0	0.00%
	On-site storage	1,753	12.13%
	Non-reusable hazardous waste	566	3.91%
	Incineration (not used)	23	0.16%
	Injection into wells (not reused)	0	0.00%
	Landfill (not reused)	50	0.35%
	Other disposal method	560	3.87%
	Total DSW generated	**14,457**	**100.00%**
	Non-hazardous waste		
	Reuse	5,604	0.26%
	Recycling	888,017	40.77%
	Compost	1,710	0.08%
	Recovery (including energy)	1,144,824	52.56%
	Soil-soil improvement, landfills and drainage	5,640	0.26%
	On-site storage	143	0.01%
	Non-reusable hazardous waste	4,965	0.23%
	Incineration (not used)	18,390	0.84%
	Injection into wells (not reused)	0	0.00%
	Landfill (not reused)	80,655	3.70%
	Other disposal method	28,138	1.29%
	Total DSW generated	**2,178,085**	**100.00%**

II. SUSTAINABLE WASTE MANAGEMENT

The Colonial Group recognises the importance of ensuring the sustainable management of the waste generated by its activities. Work has been carried out in this way with the aim of improving both the storage and the management and sustainable treatment of the waste generated.

In parallel and aligned with the Environmental Policy, work is being carried out jointly with construction companies and others involved to ensure this objective is met.

In regard to sustainable waste management, the amounts of hazardous and non-hazardous waste generated are monitored, in addition to their management, requesting those involved to provide supporting documentation that justifies both the kilos of each different type of waste collected by the authorised managers (delivery notes for collection and delivery at the processing centre) as well as the type of processing received in each case (recycling, reuse or recovery certificates) from the different processing plants.

In regard to waste generated in communal areas of the buildings and part of that produced by maintenance activities, a procedure is in place to ensure that non-hazardous waste is weighed correctly, with scales and recording tables available to ensure correct periodic reporting. In the buildings managed directly by the Group, the waste generated each day from its operations is separated and monitored, such as paper/cardboard, plastic, glass, organic waste, batteries and fluorescent lightbulbs.

Regular visits are also carried out to ensure that hazardous waste is properly stored. Hazardous waste is managed by the building maintenance team through an authorised waste manager, who is responsible for weighing it.

This allows for sustainable waste management monitoring the amounts generated and sustainable management of new construction works, reforms, smaller correction actions and waste deriving from both maintenance activities and in communal areas of the buildings. For environmental compliance, 80% of the non-hazardous and hazardous waste generated must be managed by recycling plants for its revaluation.

However, according to prevailing regulations and best environmental practices, hazardous waste that cannot be reused must be managed in a manner that is respectful to the environment.

III. INITIATIVES TO BOOST THE CIRCULAR ECONOMY

Aware of the new demands with regards to the best economic, environmental and social practices, the Colonial Group seeks to adapt its processes with the aim of improving its performance in these areas. For this reason, a circular economy model has recently been implemented to develop a more sustainable production system. This strategy aims to reduce the inflow of primary materials and the production of waste, closing the economic and ecological flows of resources.

The principles to achieve a circular economy are the following:

1. **Reduce the amount of waste**

Since the Group is aware that the best way to reduce waste is to not generate it, the sustainable procurement of materials and equipment is promoted, such as reusable containers or materials, for which control indicators have been established.

Along these lines, the Group monitors and controls the amount of waste generated in its buildings and promotes and controls the responsible procurement of materials with a high percentage content of pre- and post-consumer recycled material and recyclable material. This is one of the requirements for compliance with the target of 70% of the CEP corresponding to sustainable procurement in new construction works, reforms, smaller correction actions and waste deriving from both maintenance activities and in communal areas of the buildings.

2. **Reuse items that cannot be recycled**

Reuse items so they can be used again and reduce purchases of new material, give the discarded product a function, either with the same or a different use.
In France, SFL also carries out the following measures:

- Reuse of existing construction materials on-site.
- Reuse of materials left over from reforms through digital market platforms (when on-site reuse is not possible).
- Recovery of demolition waste.
- Use of natural or alternative materials with lower carbon content.

Two remodelling projects undertaken by SFL stand out: 83 Marceau and Biome.

The Biome project was recognised as a low carbon building renovation. The potential reuse of materials from the existing building were considered in the reform. More than 400m² of the façade will be cleaned and reused and marble will be reused for terrazzo in the new bathroom facilities. More than 60% of the concrete will come from lower carbon alternatives (4,000m³) and half of the false floor tiles will also be reused, i.e., more than 6,400m². These two initiatives will prevent emissions of almost 2,500 tCO_2e.

In the 83 Marceau building, over 7.4 tonnes of materials were recovered in 2019 and offered through a digital market platform. A second life was given to plant pots, doors, stair steps, tiles and lights. The end of the useful life of demolition materials is also being considered. 99.9% of the waste produced by cleaning the 83 Marceau asset (i.e., around 9,840 tonnes) and 99.5% of the waste from the Biome asset was recovered as either material or energy.

3. **Recycling**

The Group helps waste enter the recycling chain correctly. All its buildings are equipped with containers for recyclable waste (cardboard and paper, plastics, glass, organic, even hazardous waste such as batteries and fluorescent lights) to sustainably manage waste that can be reused.

These initiatives have led to a considerable improvement in the monitoring of the waste generated, as well as its management on the portfolio, which explains the significant increase in the amount of waste managed compared to previous years.

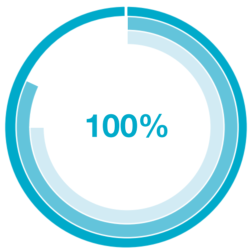
However, the Colonial Group is aware that it must continue working to improve in this area to contribute, as far as possible, to the transition to a model based on the circular economy.

To boost the circular economy, the Colonial Group has expanded the number of buildings included in its reporting system and the control of its environmental monitoring procedure, encouraging the sustainable procurement of materials, in addition to the sustainable management of the waste generated to ensure it is reused to the greatest possible extent.

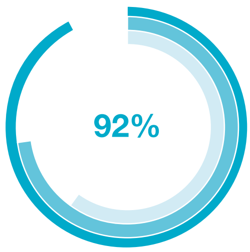
The 2018-2020 reporting and compliance indicators for new construction projects, refurbishments or large reforms (which are more representative than smaller projects or maintenance works) are shown below:

Responsible sourcing

Report



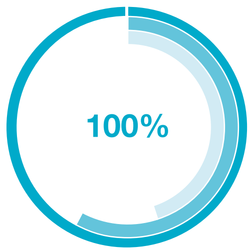
Fulfilment > 70%



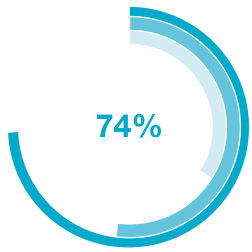
Year	Report	Fulfilment
2018	75.00%	60.00%
2019	82.00%	73.00%
2020 actual	**100.00%**	**92.42%**

Hazardous waste management

Report



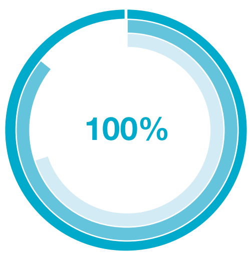
Fulfilment > 80%



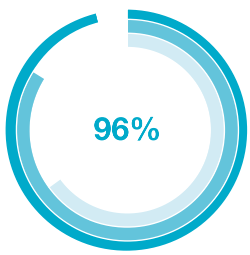
Year	Report	Fulfilment
2018	45.00%	34.00%
2019	58.00%	52.00%
2020 actual	**100.00%**	**74.47%**

Non-hazardous waste management

Report



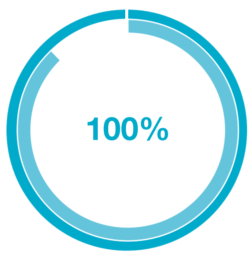
Fulfilment > 80%



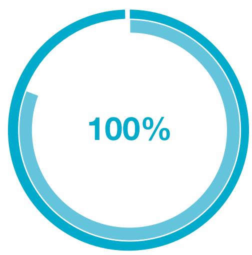
Year	Report	Fulfilment
2018	70.00%	65.00%
2019	88.00%	84.00%
2020 actual	**100.00%**	**96.31%**

Land management

Report



Fulfilment > 80%



Year	Report	Fulfilment
2018	00.00%	00.00%
2019	88.00%	81.00%
2020 actual	**100.00%**	**99.97%**

IV. THE WITTYWOOD PROJECT

The WittyWood project is a flagship undertaking in the area of sustainability. Work began on this building in 2020, and it will be a new construction located in the 22@ district in Barcelona and the first office building made of wood in Spain.

Its energy performance will be supported by the highest level of energy efficiency certifications and the Group also aims to obtain platinum LEED and gold WELL certificates for the building. This will make it a flagship of sustainability and architectural health in the offices sector.

The WittyWood project has risen to the challenge of using low-carbon building materials and driving this paradigm change throughout the construction process, applying an innovative solution that involves replacing the traditional reinforced concrete structure with a wooden one.
The use of wood will allow for energy savings and reduce the building's environmental impact. Compared to a conventional building, the life cycle analysis carried out shows:

- 20% less carbon emissions due to the use of construction materials.
- 24% reduction in the atmospheric acidification process (SO_2 emissions).
- 11% reduction in the consumption of non-renewable energy.

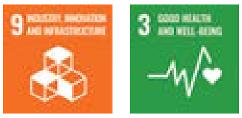
At an operational level and in terms of consumption, the energy demand of the building will be kept to a minimum thanks to the high specifications of its façade and its low heating/cooling requirements will be covered using the Districlima system that it will be connected to (this collective production system obtains energy from the combustion of urban waste in the thermal plant located in Parc del Forum in Barcelona, giving rise to savings of 55% compared to another benchmark building). The building will also benefit from on-site resources such as photovoltaic installations o n the roof that are able to supply 64% of its energy consumption, and a rain water collection system that will feed into toilet cisterns, in addition to the irrigation system.

The building will also be equipped with sustainable mobility solutions: electric vehicle charging points, bicycle parking spaces and showers that will encourage the use of alternative means of transport.

In addition to these sustainability features, the project stands out for its focus on the health and well-being of its occupants. This focus will lead to the building obtaining the WELL certification, and the following characteristics are highlighted:

- Optimisation of ventilation flows, which will operate in accordance with interior CO2 concentration parameters.
- Installation of high-performance filters in the ventilation system to prevent the entry of pollutants from outside.
- Use of low emission materials in interior finishings to ensure an optimal internal air quality, preventing contaminants such as formaldehydes or volatile organic compounds (VOCs).
- Acoustic finishings in work areas to provide the most comfortable noise levels to maximise productivity.
- Lighting designed based on strict health and comfort criteria with the best control conditions and energy efficiency.
- Inclusion of exterior spaces designed for the use of the building's occupants and to foster well-being: rest areas, gardens and shade to allow occupants to withdraw from the urban environment and enjoy contact with a natural environment.

8.3. Certifications

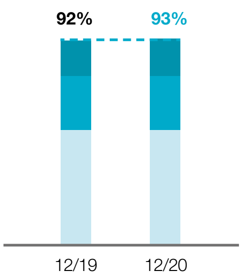


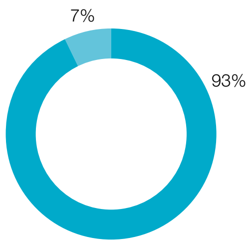
The Colonial Group is firmly committed to obtaining sustainable certification for the assets in its portfolio. Over the past few years, the Group has worked to achieve certification for the buildings in its portfolio and has steadily increased the ratings obtained in these awards.

Today, 93%(1)(2) of the Colonial Group's office portfolio is LEED or BREEAM certified, an increase of 100 points compared to the previous year.

In particular, €1,900 million of assets have LEED ratings, and €9,400 million of assets have BREEAM ratings.

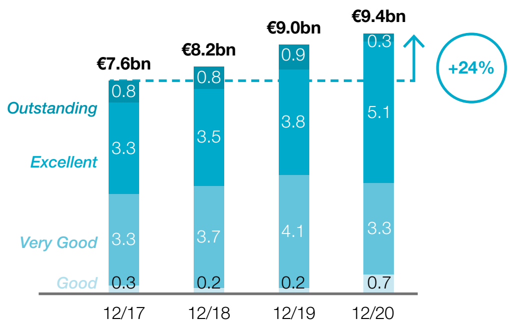
Portfolio with LEED / Breeam(3) - Value

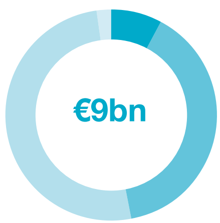




- Energy certifications
- Rest

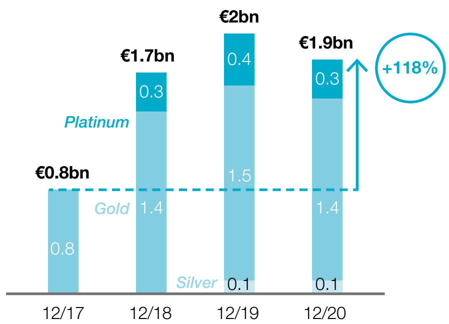
BREEAM Certifications - Value

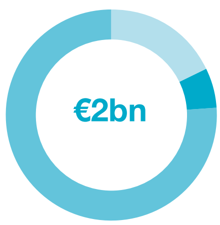




- Good
- Very Good
- Excellent

LEED Certifications - Value





- Platinum
- Silver
- Gold

(1) Percentage in terms of appraisal value 12/20
(2) In terms of rental income, the operating portfolio for buildings with LEED and/or BREEAM certification accounts for 92% of rental revenue.
(3) Office Portfolio in operation.

In addition, the strategic sustainability plan implements energy efficiency initiatives, committing to continuous improvement on an asset-by-asset basis.

The high quality of Colonial's portfolio is reflected in the high level of asset certification. In 2019, BREEAM/GRESB recognised the Colonial Group as the leader, number one in Europe, in responsible investment through the "Award for Responsible Real Estate Investment" in the large portfolios category.

I. BREEAM, LEED & HQE CERTIFICATIONS

BREEAM

At year-end 2020, Colonial Group had assets of €9,387 million with BREEAM certification. Further, in its Paris portfolio the Group has recommended the application of BREEAM-aligned design criteria in all reforms undertaken. At year-end 2020, SFL had 17 assets in operation that were BREEAM certified.

For all certified buildings, Colonial has analysed the measures required for each building to improve the ratings obtained in future certification renewals.

LEED

€1,852 million of buildings on the Group's portfolio are LEED certified. At the end of 2020, 3 assets had obtained the Platinum level, 13 had the Gold level and 3 the Silver level.

HQE

The Haute Qualité Environnementale certification is a hallmark in the French real estate sector. This certification evaluates buildings based on their energy, environmental and health performance as well the health and comfort of their users. 20% of the Group's assets in France hold this certification.

II. ENVIRONMENTAL MANAGEMENT CERTIFICATIONS, ENERGY EFFICIENCY AND ENERGY RATINGS

In France, all the Group's buildings hold energy certificates and in Spain all buildings must have an energy rating in accordance with the Royal Decree 235/2013. In this sense, **all assets in operation in the Colonial Group's office property portfolio** hold energy efficiency certification.

Energy efficiency certification

Portfolio of offices in operation	
Barcelona	100%
Madrid	100%
Paris	100%
Group	**100%**

Furthermore, as part of its commitment to the environment, the society and its clients, the Colonial Group has implemented a system to enable environmental factors and energy consumption to be managed while at the same time ensuring the ongoing monitoring of the company's energy aspects and the factors that directly or indirectly affect environmental management.

The system therefore includes activities related to maintaining the correct technical operation of the building to guarantee the satisfaction of clients who rent the various office spaces, as well as guaranteeing the comfort of the company's workers at its corporate headquarters.

The references used for the implementation of the integrated management system for environmental and energy management are the international standards ISO 50001 and ISO 14001, since they offer an adequate framework with which to develop its integrated environmental policy and to structure both energy as well as environmental aspects (including the analysis of the energy and environmental planning process, energy review, environmental review, environmental and legal energy aspects, objectives, goals and action plans, risks and opportunities).

The environmental management system (EMS) is integrated into the energy management system (EMS) in the Avinguda Diagonal buildings, 532 in Barcelona as well as in the Paseo de la Castellana, 52 building in Madrid, and each year renews its certification through the mandatory external audit performed by a certification body of renowned prestige and accredited by the *Entidad Nacional de Acreditación* (ENAC).

III. BREAKDOWN OF CERTIFICATIONS BASED ON THE VALUE OF THE BUILDINGS

Following the EPRA Best Practices, the following table shows the percentage of the total value of the portfolio and the level of certification achieved:

	No. certified buildings		Certified buildings value		% certified value	
EPRA Cert-Tot	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**
BREEAM						
≥ Excellent	17	24	3,845	4,656	36%	44%
Very Good	20	12	3,965	3,188	37%	30%
Good	3	3	175	168	2%	2%
Total BREEAM	**40**	**39**	**7,985**	**8,013**	**74%**	**75%**
LEED						
Platinum	4	2	370	254	3%	2%
Gold & Silver	13	5	797	223	7%	2%
Bronze	0	0	0	0	0%	0%
Total LEED	**17**	**7**	**1,167**	**478**	**11%**	**4%**
BREEAM & LEED (Double Certification)						
≥ BREEAM Very Good & LEED GOLD	5	5	844	846	8%	8%
BREEAM Good & ≥LEED Silver	0	7	0	528	0%	5%
TOTAL	**62**	**58**	**9,996**	**9,865**	**92%**	**93%**

IV. BBC-EFFINERGIE RÉNOVATION

The objective of the BBC-effinergie® label is to identify new buildings or new parts of buildings that have very low energy requirements that contribute to achieving the 2050 targets: to reduce GHG emissions fourfold. In 2020, this certification was renewed for the Biome and 83 Marceau assets, reflecting the Group's commitment to the Paris Agreement.

V. BBCA-RÉNOVATION

SFL has made BBCA 2020 classification and is ranked among the 10 best project owners in 2020.

SFL has received the BBCA Rénovation label for its Biome project (a low carbon building).

VI. WELLNESS

The Colonial Group's Well-Being Policy aims to maximise the well-being and health of users by recognising that the relationship between buildings and their occupants, as the well-being of users is directly related to factors such as natural light, green spaces and areas for socialising, among others.

The Colonial Group aims to implement measures that allow future users to certify their office spaces with the WELL seal because they are located in a setting that already meets the requirements for this certification or allows them to be easily implemented.

For example, the Francisca Delgado asset, which is due to be completed in the second half of 2020, will be certified as an International WELL Building.

Furthermore, health and well-being are an integral part of a wider vision of sustainability and are therefore part of the requirements for the sustainable certifications held by buildings in the portfolio such as BREEAM and LEED.

VII. SAFETY AND HYGIENE CERTIFICATIONS

The Global Safe Site certification awarded by Bureau Veritas recognises compliance with the new hygiene and safety measures deriving from the COVID-19 pandemic, assessing whether disinfection and cleaning protocols are followed, in addition to the implementation of the relevant security measures for processes, people and installations in accordance with the procedures established by the government in relation to SARS-CoV-2. In 2020, all the buildings managed by the Colonial Group in Spain were Global Safe Site certified. This certification is renewed on a six-monthly basis.
In France, SFL obtained the RESTART certification from Bureau Veritas which recognises sanitary conditions and continuity of service.

VIII. SUSTAINABLE CERTIFICATIONS BY BUILDING

The environmental certifications for the Group's properties are detailed below.

Environmental certifications of Group properties

	Building name	HQE	BREEAM In-use PART 1	BREEAM In-use PART 2	ISO 50001	ISO 14001	LEED BD + C	BREEAM New Construction
BARCELONA								
1	Paseo de los Tilos, 2-6						Gold	
2	Av. Diagonal, 682		Very Good	Outstanding				
3	Av. Diagonal, 609-615		Very Good	Excellent				
4	Travessera de Gràcia, 11		Very Good	Outstanding			Gold	
5	Amigó 11-17		Very Good	Outstanding			Gold	
6	Av. Diagonal, 530		Very Good	Excellent	✓	✓		
7	Av. Diagonal, 409		Very Good	Excellent			Gold	
8	Via Augusta, 21-23		Very Good	Excellent				
9	Sant Cugat Nord		Excellent	Excellent				
10	Torre Marenostrum							
11	Av. Diagonal, 220-240, Glòries		Very Good	Excellent				
12	Illacuna		Very Good	Outstanding				
13	Torre BCN		Very Good	Excellent				
14	Parc Glòries						Platinum	
15	Travessera de Gràcia, 47-49							
16	Plaza Europa, 34							
17	Gal·la Placídia							
18	Av. Diagonal, 197		Good				Gold	
19	Park Cugat		Good				Silver	
20	Av. Diagonal, 525							
21	WittyWood (Llacuna, 42)							
22	Parc Glòries II (Sancho de Ávila, 110-130)							
MADRID								
1	P.º de Recoletos, 37-41		Very Good	Excellent				
2	Génova, 17		Very Good	Excellent				
3	P.º de la Castellana, 52		Very Good	Excellent	✓	✓		
4	P.º de la Castellana, 43		Very Good				Gold	

Environmental certifications of Group properties

	Building name	HQE	BREEAM In-use PART 1	BREEAM In-use PART 2	ISO 50001	ISO 14001	LEED BD + C	BREEAM New Construction
5	Miguel Ángel, 11		Very Good	Excellent				
6	José Abascal, 56		Very Good	Excellent				
7	Santa Engracia, 120		Good	Very Good				
8	Poeta Joan Maragall, 53		Good	Excellent				
9	Estébanez Calderón, 3-5						Platinum	
10	López de Hoyos, 35		Very Good	Excellent				
11	Príncipe de Vergara, 112-114						Gold	
12	Francisco Silvela, 42		Very Good	Outstanding				
13	Ortega y Gasset, 100							
14	Ramírez de Arellano, 37		Good					
15	Martínez Villergas, 49		Excellent	Excellent				
16	Alfonso XII, 62		Very Good	Outstanding				
17	José Abascal, 45		Very Good					
18	Serrano,73		Good					
19	Santa Hortensia, 26-28							
20	P.º de la Castellana, 163							
21	Arturo Soria, 336		Very Good					
22	Campus Méndez Álvaro							
23	Ramírez de Arellano, 15						Gold	
24	Manuel de Falla, 7		Good				Gold	
25	Sagasta, 27							
26	Sagasta, 31-33		Good				Silver	
27	Almagro, 9		Good				Gold	
28	Miguel Ángel, 23							
29	Velázquez-Padilla, 17							
30	Don Ramón de la Cruz, 82		Good				Platinum	
31	P.º de Recoletos, 27							
32	Virto - Francisca Delgado, 11		Good				Gold	
33	Cedro-Anabel Segura, 14						Gold	
34	Puerto de Somport, 8							
35	Puerto de Somport, 10-18							
36	Ribera de Loira, 28						Gold	

Environmental certifications of Group properties

Building name		HQE	BREEAM In-use PART 1	BREEAM In-use PART 2	ISO 50001	ISO 14001	LEED BD + C	BREEAM New Construction
37	Tucumán							
38	Egeo		Good					
39	Josefa Valcárcel, 40 Bis						Platinum	
40	Josefa Valcárcel, 24							
41	J.I. Luca de Tena, 7							
42	Alcalá, 506							
PARIS								
1	6 Hanovre		Very Good	Very Good				
2	Ozone	✓	Very Good					
3	83 Marceau	Exceptional						
4	103 Grenelle	✓	Very Good	Excellent				
5	104-110 Haussmann		Very Good					
6	112 Wagram	✓	Excellent	Excellent				
7	131 Wagram		Very Good					
8	176 Charles de Gaulle		Very Good	Excellent				
9	Edouard VII		Very Good	Excellent				
10	Galerie des Champs-Élysées		Very Good	Very Good				
11	Louvre Saint-Honoré		Very Good	Very Good				
12	Le Vaisseau							
13	Cézanne Saint-Honoré		Excellent	Excellent				
14	Rives de Seine		Very Good	Excellent				
15	Washington Plaza		Excellent	Very Good				
16	Condorcet		Very Good	Very Good				
17	90 Champs-Élysées		Very Good	Very Good				Good
18	#Cloud	Exceptional	Excellent				Gold	Excellent
19	Percier		Very Good	Very Good				
20	Emile Zola	Exceptional						

8.4. Management of the sustainable value chain

8.4.1 Supply chain

I. Responsible management of the supply chain

The Colonial Group is aware that its social responsibility goes beyond its business activities, and it must demand an exemplary attitude from the suppliers it works with. For this reason, the company extends the commitments and basic principles of its Code of Ethics to suppliers and ensures that these are applied in each phase of its activity. Specifically, the organisation strives to ensure that both its employees and suppliers respect the conventions set by the International Labour Organization (ILO) regarding:

- Freedom of association and collective bargaining.
- Elimination of any type of discrimination related to access to employment and occupation.
- Eradicating the use of forced and/or compulsory labour.
- Effective elimination of child labour.

Likewise, the Colonial Group encourages the responsible and sustainable nature of its purchases, by including ESG criteria when selecting suppliers, such as suppliers' adherence to the company's Corporate Social Responsibility Policy. In this respect, within the framework of the ESG Strategic Plan, the Colonial Group has developed an ESG Criteria Policy for Supplier Selection and is working on implementing a global questionnaire that incorporates greater requirements in this area. It should be noted that from 2020 onwards the distance between the offices of the contractor and main subcontractors and Colonial's offices will be an important factor for the purpose of reducing the Scope 3 carbon footprint, in addition to companies' own or external resources in the area of ESG.

Finally, to avoid any illegal employment situation and fulfil its documentation gathering duties, as in previous years, SFL outsourced this process by using a collaboration platform (E-attestation). This platform manages all administrative documents deposited by suppliers, checks that they are complete and, if necessary, issues reminders. In Spain, the SGS Portal is used to monitor these factors.

At the organisational level, technical proposals are formulated that can encourage responsible behaviour, particularly in the following areas:

- Optimisation of energy and liquid consumption.
- Use of ecological cleaning products.
- Reduction of packaging and the volume of waste.
- Enhanced occupant comfort.
- Increased level of building operation certifications (BREEAM In-Use).

Likewise, the Colonial Group has adopted special measures with construction service providers during building remodelling, refurbishment and improvement works with a twofold objective: to guarantee the good progress of the works and the safety of the people who participate in these processes. The health and safety procedure therefore includes:

- Training/information on the environment.
- Identification of personnel by means of badges.
- Risk prevention.
- Onsite first aid teams.
- Incident file.
- Instructions on personal protective equipment and rest breaks in accordance with the regulations.
- During the pandemic, an annex on Risk Assessment was added to the procedure, in addition to an annex on the Self-protection Plan in relation to COVID-19.

II. SUPPLIERS

Suppliers of the Group are classified into two categories based on the type of services and goods provided:

- Maintenance service providers.
- Other types of consultants.
- Construction companies for the remodelling, refurbishment and improvement of buildings.

Colonial is committed to using local suppliers in order to help generate value creation in the communities where they operate. During 2020 in Spain, 93% of the 1,064 suppliers of Colonial were local. The total volume of purchases from Colonial that came from this group of suppliers were 96%. All suppliers in France are local. Additionally, in line with this commitment to add value to the community, 87% of all suppliers were located in Île-de-France, the region where all the portfolio's buildings in France are located.

In 2020, the average period for payment to suppliers was 33 days. This is below the legal maximum of 60 days laid down in Law 31/2014 of 3 December, which establishes measures to tackle late payment in commercial transactions.

III. SUPPLIER APPROVAL QUESTIONNAIRE

In line with the ESG Criteria Policy, in 2019 the Colonial Group approved a supplier approval survey with ESG criteria. In 2020, the survey was sent to the usual suppliers in various sectors, such as construction companies, maintenance companies, manufacturers, service companies and various types of consultants (architecture, engineering, control bodies etc.). The survey, which has been added to the selection process for all company suppliers, is part of a system for scoring ESG issues with suppliers. The aim is to achieve compliance with the Policy of ESG Criteria for the selection of suppliers, ensuring that the companies making up the supply chain share these values and apply them during each phase of activities relating to Colonial, and also seeks to maximise the positive impact on the entire value chain. Therefore, the questionnaire includes environmental, social and governance aspects:

- Evaluation criteria for the selection of suppliers from an environmental perspective and to establish their position in areas such as the environment, climate change, energy, water, biodiversity, pollution, waste, responsible purchasing and supply, etc.

- Evaluation criteria for the selection of suppliers from a social perspective, assessing their commitment in labour aspects with respect to employees, health and safety, diversity, work-life balance, human rights, subcontracting, etc.

- Evaluation criteria for the selection of suppliers from a governance perspective, addressing key aspects such as ethics, prevention of corruption, risk management and CSR, etc.

After sending this questionnaire out to suppliers, it was observed that of 73% of surveys sent out were received and assessed using ESG criteria, with an average score of 68 out of 100 points. Only 10% of the companies surveyed obtained less than 50 points.

A specific clause is expected to be included in all work and service contracts in 2021 to ensure ESG performance, including the possibility that Colonial may carry out audits to check the information submitted. Formulas will also be studied to strengthen the audit strategies of these suppliers and help them to make positive changes to address any weaknesses found.

Risks affecting human rights in the supply chain are considered to be low or very low, as most suppliers are Spanish, and also purchase top brand equipment and construction materials and installations from companies of renowned prestige, as evidenced in the questionnaires on supplier compliance with ESG criteria and environmental monitoring of works and maintenance. Further, in relation to the employment rights of their employees established by the International Labour Organization (ILO), no risks were detected through the surveys carried out or through any of Colonial's other communication channels.

In addition, both Colonial and SFL extend their ethical, sustainable and social commitment to their whole supply chain, with the aim that all their operations are carried out based on the social responsibility criteria (ESG) set by the Group. These principles also extend to their subsidiaries.

For this reason, Colonial applies the following points throughout its supply chain:

- Inclusion of ESG criteria for Colonial supplier selection.
- Efficient use of resources to guarantee maximum sustainability in its operations.
- Suppliers' adherence to Colonial's Corporate Social Responsibility Policy (ESG Policy).
- Creation of value in the local communities where Colonial operates, by contracting local suppliers as far as possible.

  In this regard, SFL is committed to encouraging local employment in agreements with contractors for new projects, where as part of the contract the contractor agrees to carry out an action to integrate unemployed persons from the local community into the workforce.
- Health and safety in all operations, with special focus on preventive measures.
- Compliance with the Colonial Code of Ethics in all phases of the collaboration.
- Average supplier payment period of 33 days.
- SFL establishes a maximum of two levels of vertical subcontracting to avoid abusive practices.
- Compliance with the conventions established by the International Labour Organization (ILO), such as:
  - Freedom of association and collective bargaining.
  - Elimination of all labour discrimination.
  - Eradicating the use of forced and/or compulsory labour.

In the event of non-compliance with any of these points, the collaboration agreement may be unilaterally cancelled by Colonial.

IV. SUSTAINABLE PROCUREMENT OF MATERIALS

The consumption of materials and supplies is one of the most significant indicators for the Group. It has therefore worked on improving in this area since 2018 and more intensively throughout 2020.

Additionally, thanks to the implementation of the Integrated Environmental Management Policy, since 2018 exhaustive work has been carried out to monitor the material supply data, in collaboration with the organisation's different business partners: (1) new construction, refurbishments and large reforms, (2) small reforms and (3) maintenance work in existing buildings.

As a result of these efforts, purchase requirements have been established to ensure that materials and products have environmental certificates, such as Type III, DAP or ECV environmental labels, FSC and/or PEFC certified woods, local supply (<800km from the distribution point), high recycled and recyclable content and/or low level of emissions in Volatile Organic Compounds.

In 2019, a "List of approved manufacturers" was drawn up and implemented in order to promote the selection of materials, products and equipment in compliance with environmental criteria.

Today, the product list includes at least 1,338 materials, products and equipment that meet the environmental requirements defined in Colonial's environmental policy, as well as another 262 that do not meet those requirements. Many of the materials that meet the requirements are also classified as the "Colonial Model", which means that they are commonly used in the works carried out in Colonial assets.

The list of approved manufacturers has proven to be effective and has greatly facilitated compliance with responsible procurement of the various works and services for project designers, and especially for contractors and maintenance personnel.

This list is updated periodically, with the aim of increasing the choice of materials, goods and equipment that meet the established requirements, as well as continuously adding new categories to the evaluation.

The main indicators relating to the consumption of materials in 2020 are shown below.

Supply of materials

	Total		Responsible sourcing		Recycled material		Recyclable material		Renewable material		Regional material	
Type of material	kg	% total	kg	% of each mat.	kg	% of each mat.	kg	% of each mat.	kg	% of each mat.	kg	% of each mat.
Stone and ceramic	577,472	0.97%	513,314	88.89%	8,416	1.46%	403,872	69.94%	0	0.00%	565,621	97.95%
Concrete and mortar	54,676,651	92.17%	54,657,815	99.97%	1,351,361	2.47%	30,459,277	55.71%	0	0.00%	54,671,357	99.99%
Glass	45,621	0.08%	43,028	94.32%	2,845	6.24%	34,867	76.43%	0	0.00%	45,260	99.21%
Plastics and rubbers	394	0.00%	333	84.52%	88	22.34%	141	35.79%	0	0.00%	351	89.09%
Metal	3,043,396	5.13%	2,943,633	96.72%	2,275,059	74.75%	2,951,959	97.00%	0	0.00%	2,926,018	96.14%
Wood	373,169	0.63%	371,943	99.67%	147,269	39.46%	273,546	73.30%	373,169	100.00%	314,716	84.34%
Plaster	185,132	0.31%	182,935	98.81%	10,472	5.66%	132,151	71.38%	0	0.00%	180,245	97.36%
Insulation / waterproofing	210,660	0.35%	182,078	86.43%	81,644	38.76%	143,869	68.29%	0	0.00%	209,050	99.24%
Paints and varnishes	34,298	0.06%	31,914	93.05%	0	0.00%	0	0.00%	0	0.00%	31,504	91.85%
Sanitary facilities	15,642	0.03%	13,533	86.52%	0	0.00%	0	0.00%	0	0.00%	15,528	99.27%
Facilities-air conditioning/ventilation	63,331	0.11%	62,365	98.47%	137	0.22%	147	0.23%	0	0.00%	51,561	81.42%
Adhesives and sealants	41,829	0.07%	24,894	59.51%	76	0.18%	0	0.00%	0	0.00%	41,337	98.82%
Cleaning products	9,668	0.02%	5,879	60.81%	0	0.00%	8	0.08%	0	0.00%	9,535	98.62%
Other(1)	42,778	0.07%	32,971	77.07%	5,216	12.19%	2,480	5.80%	555	1.3%	42,317	98.92%
Total	**59,320,041**	**100.00%**	**59,066,635**	**99.57%**	**3,882,583**	**6.55%**	**34,402,317**	**57.99%**	**373,724**	**0.63%**	**59,104,400**	**99.64%**

(1) Includes materials for new construction and large reforms, small reforms and maintenance of communal areas. Does not include materials procured by tenants as the company has no control over this. In the case of France, information on materials supplied is not included as the works and refurbishments for which this information is collected and which have been carried out in 2019 have not yet been completed.
The materials list may be modified if any other representative material is reported.
Only very minor and unrepresentative materials will be included in the "other" category.

From these data, it is worth highlighting the effort Colonial makes to purchase materials in the region where they are going to be used, with **99.6% of the total materials used meeting this criterion, which allows for a considerable reduction in the carbon footprint linked to their transport and distribution**.

In regard to responsible sourcing, Colonial strives to ensure that most of the materials **purchased come from these sources through the Guide to Approved Products, Materials and Equipment. 99.6% of materials complied with this guide in 2020**. Wood is one of the most significant materials since Colonial makes an exhaustive follow-up on its origin. This is to ensure that most of the wood purchased is certified as sustainable or good practice. In 2020, 99.7% of all wood purchased was certified.

Additionally, in line with this guide, it should be noted that 92% of the concrete and mortar used in the various works carried out in Spain in 2020 came from low carbon alternatives, complying with ANEFHOP "Concrete Expert" and/or ISO 14001 certification standards in the manufacturing process, in addition to other requirements in the area of recycled and recyclable material.

8.4.2 Analysis of the property life cycle and comprehensive asset management

I. WE INTEGRATE OUR SUSTAINABILITY POLICY IN EACH PHASE OF THE LIFE CYCLE

As part of its sustainability strategy and to optimise the eco-efficiency of the entire new value chain, Colonial applies a comprehensive Life Cycle Analysis (LCA) for all its refurbishment projects and in the development of new assets.

For all acquisitions of buildings and developments, and large refurbishments, the Colonial Group performs a comprehensive analysis of each phase of the asset's life cycle (acquisition, work and refurbishment, renovation and remodelling, building management and repositioning or sale of the property), in addition to its current status.

For each of these phases, the LCA encompasses the different processes in the value chain to assess the environmental impacts, and the role of the owner in the community and future benefit for clients.

Colonial is currently considered as the owner and internal manager of a portfolio with 93% of BREEAM/LEED certifications in its buildings and that its objectives include obtaining environmental certification for all of its properties in the short to medium term.

Percentage of wood certified by standard

	Quantity	Percentages
Certification system/standard	**kg**	**%**
FSC (Forest Stewardship Council)	366,007.58	98.08%
PEFC (Program for the Endorsement of Forest Certification schemes)	17,619.78	4.72%
SFI (Sustainable Forestry Initiative)	0.00	0.00%
CSA (Canadian Standards Association)	0.00	0.00%
Other (specify)	0.00	0.00%
Total certified wood	**372,045.51**	**99.70%**
Total wood used	**373,169.08**	**0.00%**

It is also important to highlight that the Colonial Group involves design teams, suppliers, contractors, maintenance providers and technical managers in the building's life cycle strategies. Their involvement in the strategic sustainability plan is key to ensuring a sustainable and integrated value chain.

The comprehensive LCA also allows to Colonial to put into practice a broader version of its decarbonisation strategy, thus obtaining a holistic policy to reduce its carbon footprint which implies the development of projects from their design to their sale. Decisions taken based on the LCA give rise to operating advantages and benefits in the area of sustainability in the short and long term.

The main phases of the LCA are as follows:

PHASE I: Land and building acquisitions

Integration of the sustainability policy in the acquisition analysis as an important factor in decision-making.

PHASE II.1: Comprehensive works and refurbishments

Design and construction with the clear objective of obtaining the highest standards in efficiency and sustainability in each process, not only of the building but also of the environment in which it is located and how its construction affects it.

PHASE II.2: Renovations/remodelling

Remodelling approach to replace and improve the efficiency of building installations to reduce consumption and improve the client experience.

PHASE III: Management of buildings in operation

Monitoring all control points and sensors to be able to manage incidents quickly and with the least consumption of resources, in addition to optimising consumption and management processes and identifying opportunities for improvement.

PHASE IV: Sale or demolition of the property for positioning

As an alternative to the life cycle, Colonial will roll out a repositioning plan if new opportunities to create value are identified, or otherwise demolition will be scheduled.

For property management companies the sale phase is considered to be the final phase of the life cycle, once all the value created by the property has been captured.

The following table shows the life cycle analysis used by Colonial:

I. Land and building acquisitions	II.1 Comprehensive works and refurbishments	II. 2 Renovations/ remodelling	III. Management of buildings in operation	IV. Sale of the property
‣ Evaluation of environmental legal requirements. ‣ Visit to the property or plot. ‣ Identification of potential environmental liabilities. ‣ Contamination testing. ‣ Energy certification.	‣ Study of the building's orientation. ‣ High-performance enclosure (façade). ‣ Sustainable procurement of materials. ‣ Low-impact construction solutions. ‣ Efficient installations. ‣ Sustainable certifications. ‣ Demolition and waste management - circular economy.	‣ Replacement of installations. ‣ Energy efficiency and renewable energy measures. ‣ Targets for decarbonisation of buildings in line with the above eco-efficiency measures. ‣ Minimising water consumption and use of recycled/ reused water. ‣ Efficiency certifications. ‣ Design according to clients and users.	‣ Management and control systems. ‣ Monitoring and control of energy, water and carbon footprint consumption. ‣ Optimisation of performance indicators.	‣ Analysis of the asset's potential value creation. ‣ Analysis of the asset's repositioning. ‣ Market positioning in competitive sales.

II. CASE STUDIES: AVENIDA DE BRUSELAS 38 AND MIGUEL ÁNGEL 23 IN MADRID AND 9 PERCIER IN PARIS

The life cycle analysis of an asset is essential to be able to implement improvements at each stage of the value chain in order to reduce its environmental impact.

The following shows the application of this analysis in two buildings in Madrid, Avenida de Bruselas 38 and the new project Miguel Ángel 23, as well as in the 9 Av. Percier building in Paris.

Case Study Spain: Avenida de Bruselas 38

In late 2017 and early 2018, Colonial acquired the office building located at Avenida de Bruselas 38, among other assets, through the purchase and merger with Axiare Socimi SA. This is an exempt office building with a GLA of over 14,000 m² and an efficient floor design thanks to its large size and the location of its entrance areas.

After the building was acquired, empty and in the project planning phase, the project was reframed to optimise energy efficiency and reduce its environmental impact. The design and layout of the project led to LEED Gold certification.

After the completion of the project, 100% of the property was rented as corporate headquarters for an IBEX 35 technology company with a long-term contract and a higher rent than expected. The client's reasons for choosing our project as their headquarters were due to three main factors: the building's energy certification, the efficiency of the floor plan and the flagging of Avenida de Bruselas 38.

At the end of 2020, the sale of the asset was signed, crystallising a capital gain of 1.8x times the total cost of the project (Total cost = Acquisition price + capex invested).

The table below shows the different phases of the LCA of the asset with its main actions:

I. Building acquistions	**II. Overall refurbishment**	**III. Management of real estate in operation**	**IV. Sale of the property**
			
‣ Evaluation of environmental legal requirements. ‣ Contamination testing. ‣ Energy certification.	‣ High-performance enclosure (façade). ‣ Sustainable procurement of materials. ‣ Low-impact construction solutions. ‣ Efficient installations. ‣ Sustainable certifications.	‣ Management and control systems. ‣ Optimal spaces for efficient work. ‣ Optimise performance indicators. ‣ Monitoring and control of energy, water and carbon footprint consumption.	‣ Sales, technical and financial due diligence. ‣ Carbon footprint impact of disinvestment. ‣ Creating value for shareholders.

Case Study France: 9 Avenue Percier

In 2015, through its subsidiary SFL, Colonial acquired the building located at 9 Avenue Percier, in the Paris CBD. The 6,700m² building has an efficient floor area of close to 900 m². When it was acquired, it had no energy certification. In terms of leasing, it is a multi-tenant building, which upon purchase was largely unoccupied.

In this project, the technical team designed a refurbishment project for the interior of the building in different phases and the occupied floors remained operational throughout the process. The design included sustainable materials and obtained the BREEAM Very Good certification.

Upon completion of the final phase of the works in 2018, the building was leased at market price to top-level clients, mostly multinationals.

In 2020, Colonial, as part of its recurring assessment of the value created by its assets, found this building to be non-strategic, given that its investment cycle had matured.

In January 2021, the asset was sold at a double-digit premium over its valuation, at over €20,000/m².

The following table shows the full life cycle analysis of this asset on the Colonial Group's portfolio:

I. Building acquistions

- Evaluation of environmental legal requirements.
- Equity impact in Paris.
- Visit to the property.
- Contamination testing.
- Energy certification.

II. Overall refurbishment

- Renovation of common spaces to improve efficiency.
- Accessibility improvements.
- Low-impact construction solutions.
- Efficient installations.
- Sustainable certifications.

III. Management of real estate in operation

- Management and control systems.
- Optimal spaces far efficient work.
- Optimise performance indicators.
- Monitoring and control of energy, water and carbon footprint consumption.

IV. Sale of the property

- Sales, technical and financial due diligence.
- Impact of divestment on carbon footprint.
- Orderly sales process with a subscription of more than 50 potential buyers.

Case Study Spain: Miguel Ángel 23

Colonial acquired the Miguel Ángel, 23 asset at the start of 2018 following the purchase and subsequent merger with Axiare Socimi SA.

The LCA identified levers to optimize the level of sustainability in the building, consequently maximizing value creation.

The complete rehabilitation developed by Colonial opts for the recovery of materials, resulting in a reduction in pollution.

In regard to sustainability, goals were set to reduce the building's CO_2 emissions to close to zero, making this project the first Net Zero office building in Madrid. To achieve this, the entire development has been based on life-cycle cost-optimal cost studies, according to the methodology established in the European Directive on Energy Efficiency in Buildings. A number of alternatives have been identified for the building enclosure and air conditioning systems throughout its useful life, achieving a building with almost zero energy consumption and with the maximum energy rating, with the aim of obtaining the BREEAM "Very Good" rating.

The façade will be innovative, replacing the traditional all-glass curtain wall with a mixed aluminium-wood solution, with exterior latticework with wooden slats, underscoring the company's commitment to using materials with a lower embodied CO_2. Low emission triple glazing will be used for the windows on the façades, which means that the estimated operating and maintenance costs, and specifically the cost of electric energy consumption, are similar to those of well-insulated buildings which have do not have glass façades.

The building will also have a large photo voltaic installation, a solar thermal energy system on the roof, in addition to a turbine system to produce wind energy (new for a building of these characteristics), which will mean that a large portion of the energy consumed by the building comes from renewable sources. It will also be equipped with sustainable

mobility solutions: electric vehicle charging points, bicycle parking spaces and showers and changing rooms to encourage the use of alternative means of transport.

On the other hand, the project stands out for its focus on the health and well-being of its occupants. This is due to the optimisation of ventilation flows, high-performance filters, low volatile organic compound (VOC) material specification, optimal acoustics in the work areas, lighting designed on the basis of strict health, comfort and energy efficiency criteria and outdoor green spaces on the roof for the benefit of its occupants, etc.

The table below shows the different phases of the LCA of Miguel Ángel 23:

I. Building acquisitions	**II. Overall refurbishment**	**III. Management of real estate in operation**
		
‣ Positioning of the building in the market. ‣ Analysis of future economic and sustainability value creation. ‣ Technical and environmental due diligence.	‣ Low carbon building materials. ‣ Photovoltaic and rooftop solar thermal installation. ‣ Wind turbine system for wind energy production. ‣ Optimisation of ventilation and installation of high-performance filters. ‣ Acoustic finishes in work areas with optimal hearing comfort. ‣ Discernible lighting with ideal energy efficiency and control conditions.	‣ Multi-purpose spaces designed for the new work methodologies and needs of each company. ‣ Areas of work that inspire to offer the best of each person. ‣ Open spaces that enocourage meetings and networking. ‣ Monitoring and control of energy, water and carbon footprint consumption.

III. INTEGRATED MANAGEMENT

Colonial's environmental policy establishes the following commitments:

- Responsible procurement of materials.
- Sustainable waste management.
- Reduction of its carbon footprint through these two activities.

The environmental monitoring procedure mentioned above is explained as follows:

A1
New construction works large refurbishments and large reforms (CEP(1) < €500,000)

A2
Minor renovations in existing buildings (CEP(1) < €500,000)

A3
Maintenance work: general services gardening and cleaning

Control tool:
Environmental reporting and monitoring tables

Responsible sourcing
+
Sustainable management of RSW
+
Energy efficiency improvements
+
BREEAM Certification Enhancements
+
Updating of inventories
+
Carbon footprint control and reduction

A1
Managers
Design Team Main Contractor Project Manager

A2
Managers
Facility Manager Contractor

A3
Managers
General services, gardening and cleaning maintainers

ENVIRONMENTAL CONSULTANT

(1) CEP= Contract execution price.

In order to manage, oversee and report on environmental issues according to the procedures described, the Group regularly monitors the following aspects:

- Advice to contractors and maintenance providers in the use of sustainable products and in the sustainable management of waste.
- Updates of the list of approved products.
- Recommendations for improving eco-efficiency and for BREEAM In-Use.
- The quarterly data/documentation reports of the MA monitoring tables are verified.
- MA control visits are carried out on new construction works, refurbishments and large reforms (1).
- Regular MA visits are made to existing buildings to oversee smaller reforms (2) and maintenance work (3).
- All Colonial's MA is collected and reported for the CSR report and sustainability indices.
- Inventories of facilities are updated in coordination with the actions carried out.

To approve compliance with responsible supply, the environmental requirements must be justified for the materials, products and equipment corresponding to at least 70% of the CEP of the works (70% of the weight for maintenance).

Likewise, regarding the sustainable management of waste, the Contractor must justify that at least 80% of the waste generated, including reusable hazardous and non-hazardous waste, will be processed for reuse and therefore a maximum of 20% will be sent to landfill.

These objectives are achieved through the environmental monitoring procedure established according to the scale of the works:

A 1: New construction works, large refurbishments and large reforms with a CEP > €500,000.

The Contractor must justify the environmental requirements for the responsible procurement of materials and sustainable waste management.

A 2: Small works with a CEP < €500,000.

The Contractor or business must justify the environmental requirements for the responsible procurement of materials and sustainable waste management.

A 3: Any work relating to the ongoing maintenance of general services, gardening and cleaning.

The maintenance company for general services, gardening and cleaning must justify the environmental requirements for the responsible procurement of materials and sustainable waste management.

Those responsible for the actions must register and control all environmental aspects on a quarterly basis as indicated in the "Guide to Approved Products, Materials and Equipment", which establishes the requirements for the final review of compliance with requirements by the Environmental Consultant.

CO_2 emissions are also considered from the transport of supplies and waste to and from the building, those arising from refrigerant gas leaks, trips made by the maintenance services personnel and the consumption in the head offices of the maintenance companies.

At the same time, in 2019 and 2020, various workshops were held to raise awareness among the different agents involved, such as project designers, PMs, FMs, contractors and maintenance personnel. Designers and contractors were also informed of the environmental criteria that must be met, with reviews made of their compliance and recommendations made on eco-efficiency.

In 2020, the Colonial Group continued to work on environmental monitoring, eco-efficiency consulting and the extensive update of its inventories in works of all amount and scale carried out on buildings in its portfolio, in addition to all new full refurbishment projects.

8.5. Innovation and PropTech

Within the Group, there are various working groups that hold monthly and quarterly meetings focused on the innovation and digitisation of the real estate spaces in Colonial's portfolio.

From the point of view of the real estate business, there are several trends at the technological level that allow for improvements in the efficiency of buildings at an environmental level as well as in terms of costs.

As a result of this work, the Group is also aware of the high potential for the improvement of energy performance and water consumption arising from conductive management of the facilities. To this end, a global plan has been drawn up to standardise building automation and control systems, "Building Management Systems" (BMS), and tools for the real time monitoring of consumption and calculation of the carbon footprint, including Scopes 1, 2 and 3.

Within the Colonial Group's plan for the sustainable improvement in asset maintenance, in addition to improvement and efficiency in costs, the following initiatives have been carried out:

I. PROPTECH PROJECT

In 2019, an ambitious project, called "PropTech", was launched. Most of the project was completed in 2020 and it is expected to be rolled out to the remaining properties in 2021.

It includes the integration of the BMS ("Building Management Systems") in order to control all the facilities that represent significant energy consumption in buildings, as well as installing energy and water meters to calculate the general consumption of each building in real time, and those that are specific to each facility. In addition, it will enable general consumption data to be digitised (historical consumption will be included to be able to compare with previous data) and submetering for new data.

Likewise, it includes installing an EMS (Energy Management System) per building to monitor and tele-manage (IoT) the consumption per facility and the performance of production machines in real time. The main objective is to detect inefficiencies generated by deviations in the operation of facilities or inadequate patterns of behaviour by building maintenance operators and users.

II. PROPNET PROJECT

Within the framework of continuing to innovate and provide proactive value to client management and understanding the needs of the clients and users of our buildings, Colonial has launched the PROPNET platform.

PropNet is an internal initiative by Colonial together with its service providers where it focuses its entire portfolio management strategy on the client.

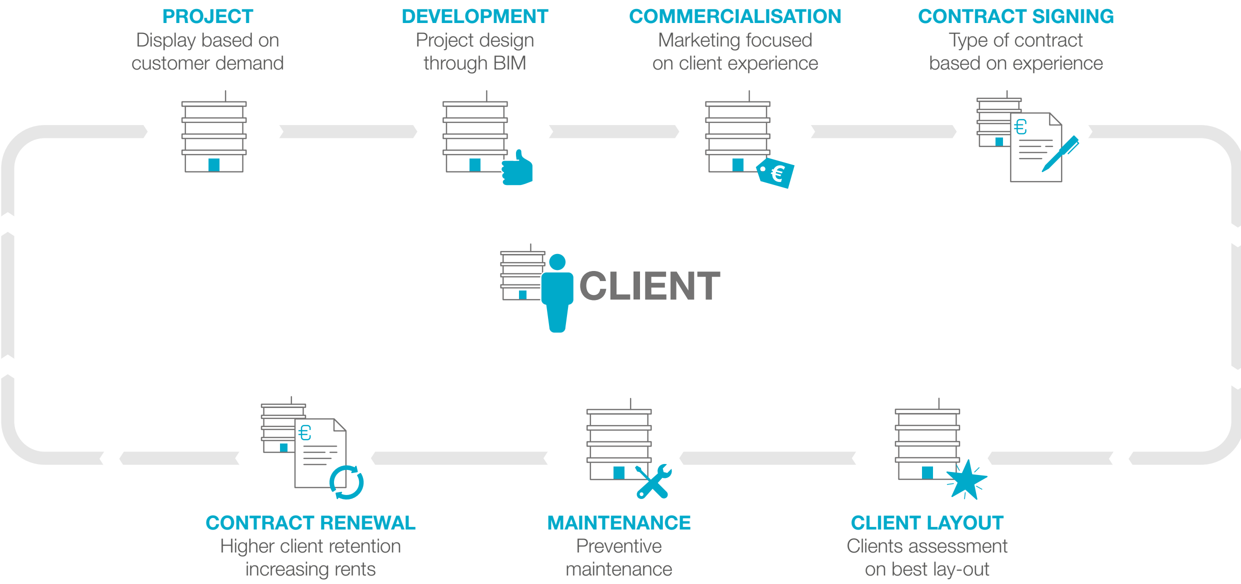
Through gathering and centralising data on a single platform, this tool enables Colonial to:

- Better understand and measure client needs.
- Take better decisions in the value chain.

With PropNet, Colonial can, through Artificial Intelligence, foresee customer's needs according to behavioural patterns, since this platform makes it possible to measure the user/customer comfort in the space they occupy and control all facilities that affect customer comfort.

The implementation of this platform enables us to obtain a competitive advantage over our competitors since it allows us to know our clients better, based on their current experience and thus be able to satisfy their needs more efficiently and quickly.

Likewise, PropNet focuses on the sustainability of Colonial's buildings. This tool also enables us to measure the building's carbon footprint, control the use of resources to reduce and optimise energy consumption, and also design the most efficient future spaces and assets possible, thus improving the client's own ESG rating.


PROJECT
Display based on customer demand
DEVELOPMENT
Project design through BIM
COMMERCIALISATION
Marketing focused on client experience
CONTRACT SIGNING
Type of contract based on experience
CLIENT
CONTRACT RENEWAL
Higher client retention increasing rents
MAINTENANCE
Preventive maintenance
CLIENT LAYOUT
Clients assessment on best lay-out


PropNet
by Colonial
CASTELLANA 52
23ºC
21%
27%
8%

The platform will be rolled out gradually. At present it has been installed and connected in 23 buildings in the Madrid portfolio and 10 in the Barcelona portfolio. All new Colonial projects will be directly connected to PropNet.

III. CARBON FOOTPRINT APP

In parallel to developing the PropNet project, a digital tool for controlling greenhouse gas emissions began to be developed in 2019, with the aim of quantifying the environmental impact in real time not only of the company's direct emissions but also of its indirect emissions and its contribution to climate change. This tool is scheduled for completion in 2021.

With this development, the limits of the carbon footprint calculation can be increased, including a developed Scope 3. This will make it possible to have extensive information to make decisions in line with the company's environmental policy and to make greater efforts to reduce the organisation's direct and indirect environmental impacts.

This tool has been developed so that the carbon footprint can be calculated in accordance with the "GHG Protocol" international carbon footprint calculation standards and UNE EN-ISO 14064.

8.6. Approach to dealing with climate change

The Group is aware that it must work to understand the effects of climate change on its portfolio in order to anticipate these effects and develop resilience plans adapted to each building's characteristics. In this respect, as part of the climate change axis of the Sustainability Master Plan, a Climate Change Policy has been developed, which includes the Group's priorities and commitments in this area.

In addition to this Climate Change Policy, Colonial has drawn up a series of reports on mitigation and adaptation measures to address climate change and their associated action plans. These have provided a detailed description of the risks and opportunities related to climate change associated with each building in its portfolio.

Likewise, the Group's climate change risks and opportunities are considered in Colonial's corporate risk matrix. For more details on how the Colonial Group applies the TCFD recommendations, see "7.4 Our strategy for managing climate change risks and opportunities (TCFD)".

I. REPORTS ON MITIGATION AND ADAPTATION MEASURES TO ADDRESS CLIMATE CHANGE

One of the actions programmed in the Sustainability Master Plan in 2019 was the analysis of the ability of its assets to adapt to climate change and the related risks in order to anticipate the possible multiplication of exceptional climate events and the possible opportunities identified by evaluating resilience to climate change in buildings in the property portfolio. In these reports, the identified opportunities and risks are classified as regulatory, physical and financial based on their potential impact on the company.

The different categories of physical risks associated with climate change analysed for each building and for which the main impacts have been assessed, as listed below:

- Rise in temperature.
- Torrential rain.
- Drought.
- More frequent episodes of strong winds and hail storms.
- Greater concentration of GHG in the air.

For each building, its vulnerability to a climate impact is taken as one of the references, alongside risk, for the decisions on the basis of which the corresponding action plan is drawn up. Vulnerability is assessed (likelihood of being affected by a climate event) using two components:

- Sensitivity.
- Ability to adapt.

In parallel to the vulnerability assessment, the risk for buildings of each of the aforementioned events is also studied. In this case, the components used in the risk assessment are:

- Severity.
- Likelihood.

Framework for the analysis of risks and opportunities in relation to climate change

Risk/opportunity identified — Classification — Financial impact — Associated management cost — Estimated action time

II. ACTION PLANS FOR THE ADAPTATION AND MITIGATION OF THE IMPACTS OF CLIMATE CHANGE IN THE REPORTS ON MITIGATION AND ADAPTATION MEASURES TO ADDRESS CLIMATE CHANGE

From these reports, specific actions were derived for each building according to the measures to adapt to the new scenarios and to the mitigation measures to reduce the future effects of climate change.

In order to implement these measures, the Group has developed specific Action Plans for each building to achieve increased resilience to the effects of climate change (including actions on the building enclosure, energy efficiency initiatives and plumbing adaptations, among others), as well as creating value through the management of opportunities in this regard.

Consequently, climate change adaptation and mitigation measures are planned in a coordinated and gradual way depending on the vulnerability of the building and its environment, paying particular attention to the synergies between them. For each of these measures, monitoring metrics and targets have been defined, and the financial cost of the required investment has been established.

8.7. Biodiversity

I. BIODIVERSITY POLICY AND GOOD PRACTICES MANUAL

Actions aimed at protecting and improving biodiversity are included in the Sustainability Master Plan. The Colonial Group strives not only to minimise its negative impact on biodiversity, but also to promote it as much as possible.

The Biodiversity Policy includes the framework for action, priorities and commitments of the Group in this regard. Through this Policy, the Group states its commitment to:

- Preserve existing habitats on the sites of its buildings (urban and peri-urban environments).
- Create new habitats and mitigate the risk of species reduction.
- Reduce the heat island effect.
- Reduce the consumption of water for irrigation by selecting local plant species with very low water requirements.

As a supplement to the Policy, a Manual of Good Practices in Biodiversity has been drawn up. This is a design and maintenance guide on biodiversity for project designers, constructors and maintenance personnel in new construction, reform works as well as in smaller corrective reforms. The Manual includes concrete measures to minimise the negative impact on biodiversity, protecting it and favouring new habitats.

In line with the Sustainability Master Plan and the set of actions scheduled for 2020, one of the Group's priorities is to continue working to achieve an increase in the percentage of green areas in buildings by focusing on designing vertical gardens and roof gardens in addition to promoting new habitats for native flora and fauna.

Vertical garden - Sant Cugat Nord

II. IMPLEMENTATION OF BIODIVERSITY MEASURES

Colonial is aware that occupying the land and the materials used in construction have a negative impact on biodiversity. Therefore, it has implemented strategies and set objectives to reduce this impact and extend its environmental commitment.

As envisaged in the Sustainability Master Plan and as required by BREEAM re-certifications, in 2019, reports were issued to foment biodiversity which set out a series

Insectarium at Martinez Villergas

of measures, adapted to the particular situation of each of the 57 buildings (35 in Madrid and 22 in Barcelona) in which they were implemented.

After these reports were completed, the work to be carried out was awarded and the necessary steps were taken to implement the measures in 2019-2020, in order to fully complete all works in multi-user buildings in 2021 in coordination with project designers, constructors and building managers.

The Group has made significant efforts in this area with more than seven types of measures implemented. These include: (1) the installation of gardening features such as: sustainable drainage and irrigation systems, (2) planting species in flower beds, outdoor areas and indoor patios, (3) indoor and outdoor plant pots, (4) roof gardens, (5) vertical gardens, (6) creating habitats for native flora, (7) promoting native fauna by installing nesting boxes for birds, insect hotels and other measures adapted to the particularities of the 57 buildings following the visits made by environmental and ecology consultants.

Additionally, in 2020 Risk Management Reports for the specific biodiversity risks of each building were published, reflecting both the risks faced and the biodiversity support initiatives rolled out (including native flora and fauna), in addition to what it provides to users of the buildings, the local community and the cities in which they are located.

Colonial's responsibility as leader in the office market segment in Paris, Madrid and Barcelona goes beyond this, and therefore the Group is working to harness the potential of combining the capacity of many sites across each of the two cities to create synergies that will have a deeper impact on their biodiversity, making Colonial a champion of biodiversity in the urban environment.

Therefore, complementary measures have been drawn up for buildings located close to one another which aim to have an exponential impact on flora and fauna (mainly birdlife) and establish relationships with the city's natural spaces and those of its surroundings. The ecological corridors running through the cities defined by the regional organisations have also been analysed to design ecology-based support measures for these essential infrastructures.

Through this strategy, Colonial buildings are expected to become support hubs for wildlife and act as distribution points for city biodiversity. The birds will therefore carry the propagules of the plants in the buildings to enrich the natural spaces around the cities with species that have a high ecological value.

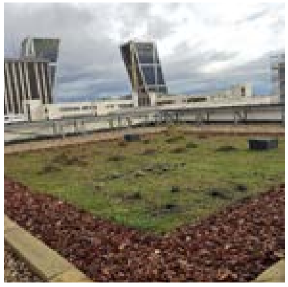
III. EXAMPLES OF KEY ACTIONS TO PROTECT BIODIVERSITY

For many years Colonial has implemented measures to protect biodiversity in all its assets.

Since 2018, the Group has worked on initiatives to protect birds in some of its buildings that are on their migration paths or located in nesting areas.

These biodiversity measures are included in the Sustainability Master Plan and as listed below.



1. Sant Cugat Nord (Barcelona)

This complex has been equipped with a broad selection of the different measures described above. The following were carried out in 2020: 2 insect hotels, 3 nesting boxes, 20 m² of vertical garden and 33 m² of outdoor and indoor pot plants, in addition to sustainable drainage systems, thus resulting in maximum usage of rainwater for green areas.

2. Travessera de Gràcia, 11 (Barcelona)

In 2020, the roof garden of the building was improved and upgraded by the building owner, for the private use of the tenant, to plant the species recommended in the ecological report. This initiative reflects Colonial's increasing commitment with some of its tenants on issues of biodiversity.

3. Poeta Joan Maragall, 53 (Madrid)

Various roof gardens were installed in this building, covering an area of 160 m², and including plants for pollinators and frugivores. This initiative also reduces the heat island effect in the city and improves the energy demand of the building.

The actions carried out on this building are an example of Colonial's joint undertaking with the city, as it is connected with other representative green spaces (Parque de la Ventilla, Parque Agustín Rodríguez Sahagún, connected to the latter, and the green areas of the Cuarto Depósito del Canal de Isabel II), and even with other company buildings which have been the subject of similar measures (at Estébanez Calderón, 3-5, and in 2021 Castellana 163).

4. BIOME Building (Paris)

The Colonial Group has a clear commitment to fighting climate changes and proof of this are the two certifications obtained by the BIOME building in Paris:

The building was awarded the BiodiverCity Excellence certification, highlighting the significant efforts made in replanting on the site.

The asset has also renewed its BBCA certificate (Low Carbon Building), being one of the first in France to obtain this label, as a result of the efforts made to reduce its greenhouse effect gas emissions.

The work carried out to redesign the Emile Zola 112/114 building, known as Biome, stands out. The term "Biome" refers to a natural community of flora and fauna that occupies a large habitat. This building is being renovated by following the biophilic design architectural trend, which seeks to reconnect humans with nature. In this case, the planted area has almost doubled (close to 1700 m^2 in the long term) and 60 varieties of trees will be planted. It has been demonstrated that incorporating elements of nature in buildings improves the health and well-being of their users. The building has become a benchmark both in the Group's own portfolio and at the sector level in general.

5. Edouard VII and 9 Percier (Paris)

In the Edouard VII and 9 Percier buildings, the outdoor spaces have been redesigned to improve the green areas and provide a better experience for tenants and users.
In the Edouard VII building, six trees were planted in 2018, in addition to 35 species in an area of 25 m^2. Work has also begun on the construction of two vertical gardens with an area of 34 m^2 and 32 m^2 respectively in the interior patios of the Cezanne Saint-Honoré building.

It is important to highlight that 9% of SFL's equivalent surface area contains vegetation. Lastly, in the last ten years SFL has not increased the constructed area, having reduced the artificial use of land. This is because SFL applies new uses and services in areas that have already been built.

8.8. Contributing to the revitalisation of urban areas

Colonial's projects also contribute to urban revitalisation, promoting the transformation of areas in Madrid and Barcelona, which were previously dominated by industrial use, repositioning them as dynamic office centres, where residential areas and significant commercial activity are also located. Two examples of Colonial's contribution to the change of use of cities are the Méndez Álvaro Campus in Madrid and 22@ in Barcelona.

Méndez Álvaro Campus

The Méndez Álvaro Campus is a commitment to the regeneration and renewal of the urban fabric in a former industrial area of Madrid, once occupied by large industrial warehouses. This Colonial project will offer a combination of uses (housing, offices and commercial) that will facilitate low-impact mobility, walking or cycling, both for the users of the complex and for the neighbours and businesses in the area. Once completed, the project will have around 169,500 m² of floor space, with more than 7,000 office users, around 1,600 residential residents, around 190 commercial users and a further 1,300 for other public uses. It will also respond to the growing concern for the environment and ecology, creating an ecosystem with low carbon footprint buildings, nearly-zero energy consumption, high digitalisation and extensive green areas. It will have two public areas and landscaped interior areas (with a surface area of 6,400 m²), the design of which includes green roofs, plant walls and planters, both in the residential and office areas. The plant species to be introduced have been selected with the support of ecologists, so that they are non-invasive, with a predominance of autochthonous species, with low water requirements, aromatic for pollinating species and with fruit for birds. Nest boxes and hotels for insects have also been taken into account. In this way, BREEAM and LEED requirements will be met. In addition, rainwater harvesting will be carried out in the residential area by installing a cistern in the basement.

22@

Barcelona's 22@ neighbourhood is located in the most industrial areas of Poblenou, where innovation, creativity, design and technology are the driving force that has replaced the old factories. A new city model that drives Barcelona towards a balanced and sustainable renewal. Colonial has contributed to this urban development by positioning an iconic building in the most prime area of 22@, a building destined to become an imminent emblem of the city, designed by Batlle & Roig and with more than 24,000 m² distributed over 17 floors. The building stands out for its 1,800 m² open-plan floors and for being located in the heart of the city's newest and most modern business district. This property has the highest LEED sustainability certification (Platinum) and the highest energy rating.

09
Team of professionals

9.1. People

For the Colonial Group, the **excellence and professionalism** of its staff are key pillars to ensure the viability of its **business strategy**. This chapter reflects the Group's efforts to enhance the skills, motivation and health of its staff.

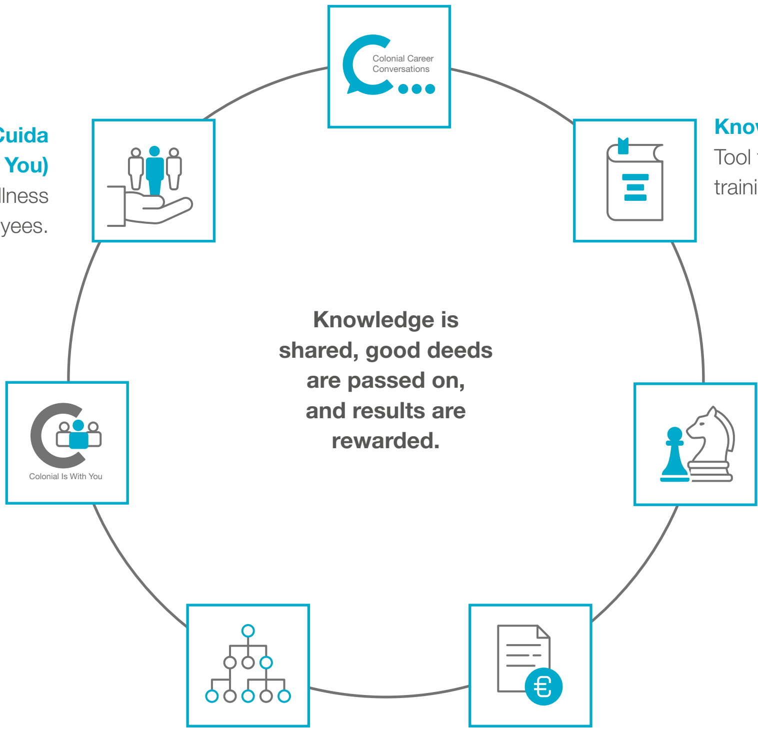
9.1.1 Human Resources Strategic Plan

With the aim of promoting the creation of sustainable value through the social pillar of the ESG Strategic Plan, in 2020 Colonial continued to implement the **Human Resources Strategic Plan "Building our human capabilities for Great Performance 2018-2020"**. The Plan addresses social aspects, and aims to arouse a spirit of contribution, impact and added value in the exercise of all the functions carried out on a daily basis by Colonial employees.

The Strategic Plan is composed of five fields of interest seeking to produce excellent results, and therefore a continuous contribution of value to the corporation and its business. The key to this is the employees' well-being and their contribution as a critical component in the creation of the corporate culture. Colonial supports and encourages diversity, equal opportunities and inclusion, as set out in its Equality Plan.

Components of the Group's Human Resources Strategic Plan

Colonial Career Conversations
Tool to discuss the contribution that all collaborators make to Colonial's strategy.



Colonial Te Cuida (Colonial Cares For You)
A tool to promote the wellness and health of all its employees.

Knowledge & Learning
Tool to define the individual training plan for each employee.

Colonial Cuenta Contigo (Colonial Is With You)
A transparent, two-way communication channel between Colonial and all its employees, promoting transversality.

Annual Challenges
Incentive system.

Organisation
Review of the organisational model to ensure its speed and capacity to provide an excellent response.

R€T
Tool to define the employee's remuneration, ensuring their motivation.

MAIN INITIATIVES OF THE HUMAN RESOURCES STRATEGIC PLAN IN 2020

The year 2020 shows Colonial's ability to adapt to new environments. The challenges posed during the year were adapted to the circumstances of the pandemic, to a team working remotely and to a culture committed to the welfare of its clients and its employees.

Firstly, the main projects during the year were able to transition from an on-site employment model to remote working for the entire workforce. In addition, all the employees' health and wellbeing were considered, and all kinds of measures were taken to adapt spaces, carry out monthly COVID-19 control tests, provide psychological support and, as the cornerstone, there was a considerable focus on internal communication and the creation of new channels, including social networks, to keep the team informed and united.

We were also able to update our performance assessment tool "Colonial Career Conversations" to a digital format for the entire workforce.

The Equality Plan was another strategic project which consumed a large amount of our attention and interest. In the last four months of the year, Colonial's first Equality Committee was created, composed of eight members, and subsequently Colonial's first equality plan was published in the first quarter of 2021.

Finally, some well-deserved value must be placed on our continuous willingness to measure the progress of our tools and actions in order to understand the commitment and confidence of our employees. To this end, the second Great Place to Work (GPTW) climate survey was launched. This survey is carried out every two years and in 2020 participation was 92% (up four points compared to 2018). An assessment was also carried out on the progress of the various action plans created from the needs detected in 2018. As a result, Colonial has been certified as a Great Place to Work and positioned as one of the 50 best companies to work for, where employees trust the people that they work for, they enjoy being with them, and they are proud of what they do. The predominant feeling among employees is pride in belonging, and they also consider Colonial to physically be a safe place to work, where everyone is treated equal, regardless of their race. In addition, the honesty and ethics used to run the business are also highly rated, as well as the welcome received when an employee joins the company.

Regarding our remunerative competence, Colonial arranged for a survey to be carried out by external consultants to appraise each and every position at the company, and subsequently this has been the guarantor mechanism of our analysis of positions of equal value in terms of gender. Thanks to the R€T project, Colonial has an agile, dynamic role mapping system, allowing it to study the market and manage its remuneration policy with competitive, comprehensible criteria, in keeping with new regulations concerning gender equality.

In terms of improving our organisational and transversal capacity, the business area was reorganised, increasing our capacity to serve our clients and provide them with more attention and efficiency, the cornerstone of our strategy and culture.

9.1.2 Colonial's Team

The Colonial Group has a strong commitment to its employees and considers it key to guarantee their wellbeing by offering them a positive workplace, helping to achieve the company's smooth running and sustained growth.

The Group bases the management of its employees on respect, ongoing communication, flexibility, training, equal opportunities, diversity and non-discrimination due to gender, age or disability, and to this end the company published its first Equality Plan in March 2021.

At year-end 2020, the Colonial Group had 229[1] employees, 141 women (62%) and 88 men (38%).

68% (156 employees) were working in Spain, and 32% (73 employees) in France.

2020 was a year of keeping employment stable and reducing costs with no effect on people. 31 people were hired. Likewise, the average length of service of the workforce is 9 years, the same as the previous year.

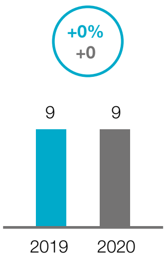
Number of employees

	2020					2019			Change	
	Total	Men	Women	% Men	% Women	Total	Men	Women	Men	Women
Colonial Management Committee[1]	**8**	**4**	**4**	**50%**	**50%**	**8**	**4**	**4**	**0%**	**0%**
Job category										
CEO, general and area managers	22	13	9	59%	41%	21	13	8	0%	13%
Technical graduates and middle managers	89	41	48	46%	54%	101	47	54	–13%	–11%
Administrative	118	34	84	29%	71%	112	32	80	6%	5%
Total Group	**229**	**88**	**141**	**38%**	**62%**	**234**	**92**	**142**	**–4%**	**–1%**
Age										
Under 30	44	13	31	30%	70%	44	15	29	–13%	7%
30-50	125	51	74	41%	59%	129	54	75	–6%	–1%
Over 50	60	24	36	40%	60%	61	23	38	4%	–5%
Total	**229**	**88**	**141**	**38%**	**62%**	**234**	**92**	**142**	**–4%**	**–1%**

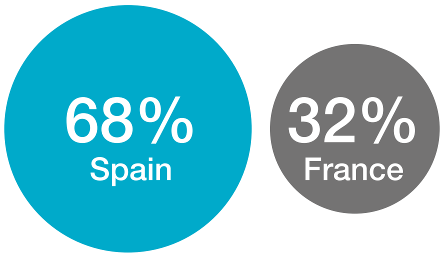
(1) Includes 53 Utopicus employees.

STABLE AND QUALITY EMPLOYMENT

Average seniority



Colonial Group employees



9.0% turnover rate[1]

99% permanent contracts

0 accidents

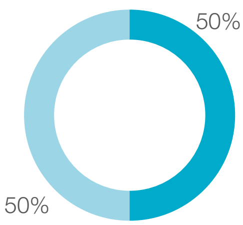
9 years average seniority

88 men

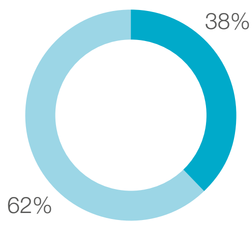
141 women

229 employees

Colonial Management Committee



Colonial Group



• Men • Women

(1) The turnover rate only takes into account the stabilised core business, and therefore does not include the Utopicus subsidiary.

Due to the context of the pandemic, fewer new employees were hired with respect to previous years. Even so, it should be noted that the Colonial Group's commitment to diversity and gender equality in new hires remains intact. Of all the new hires in 2020, 71% were female, and women currently make up 62% of the total workforce.

SDG 8: DECENT WORK AND ECONOMIC GROWTH

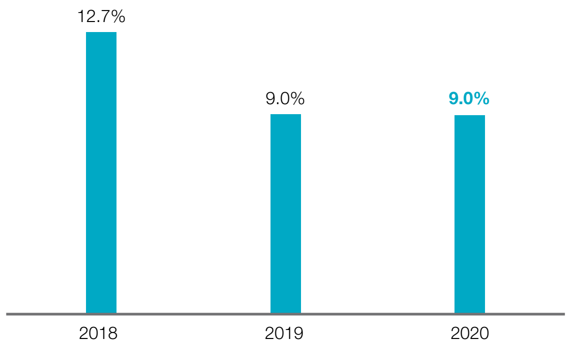
	Trend in indicators		
	2019	**2020**	**Var.**
Colonial's activity contributes to the economic growth of the communities in which it operates through the creation of quality employment, its value chain and its services, which facilitate the operations of many more companies.	98% permanent contracts	99% permanent contracts	+1%
Strategies / Lines of action ▸ Human Resources Policy ▸ Business growth objectives and strategy	Average seniority of 9 years	Average seniority of 9 years	+0%

Below is the information on new recruits:

New recruits	**Total**	**Percentage of new recruits**
Gender		
Women	22	15.6%
Men	9	10.2%
Age		
Under 30	18	40.9%
30-50	11	8.8%
Over 50	2	3.3%
Country		
Spain	25	16.0%
France	6	8.2%
Total	**31**	**13.5%**

In relation to employee departures, 16 departures were registered, representing a turnover rate of 9%, not including Utopicus, which does not form part of the stabilised core business.

Turnover rate[1]



(1) The turnover rate only takes into account the stabilised core business, and therefore does not include the Utopicus subsidiary.

Turnover	Total	Turnover rate
Gender		
Women	12	11.6%
Men	4	5.4%
Age		
Under 30	4	20.4%
30-50	6	6.1%
Over 50	6	10.0%
Country		
Spain	8	7.8%
France	8	10.8%
Total	**16**	**9.0%**

It should be noted that 99% of the Group's workforce has a permanent employment contract, and temporary contracts are only arranged occasionally in certain circumstances, which gives stability to the employment created by the business.

Contract type in the Group

	2020		2019		Variance	
Contract type	**Permanent contract**	**Temporary contract**	**Permanent contract**	**Temporary contract**	**Permanent contract**	**Temporary contract**
Job category						
CEO, general and area managers	22	0	21	0	5%	0%
Technical graduates and middle managers	89	0	98	3	–9%	–100%
Administrative and other	115	3	110	2	5%	50%
Age						
Under 30	41	3	41	3	0%	0%
30-50	125	0	129	0	–3%	0%
Over 50	60	0	59	2	2%	–100%
Gender						
Women	140	1	138	4	1%	–75%
Men	86	2	91	1	–5%	100%
Country						
Spain	153	3	157	2	–3%	50%
France	73	0	72	3	1%	–100%
Total	**226**	**3**	**229**	**5**	**–1%**	**–40%**

Note: This data corresponds to 31 December 2020 and 2019, respectively.

Regarding working hours, 97% of the workforce is full-time, and in 2020 only 6 employees were working part-time.

Type of workday in the Group

	2020		2019		Variance	
Type of workday	**Full time**	**Part time**	**Full time**	**Part time**	**Full time**	**Part time**
Job category						
CEO, general and area managers	22	0	21	0	5%	0%
Technical graduates and middle managers	88	1	99	2	–11%	–50%
Administrative and other	113	5	107	5	6%	0%
Age						
Under 30	43	1	44	0	–2%	100%
30-50	123	2	124	5	–1%	–60%
Over 50	57	3	59	2	–3%	50%
Gender						
Women	137	4	136	6	1%	–33%
Men	86	2	91	1	–5%	100%
Country						
Spain	154	2	158	1	–3%	100%
France	69	4	69	6	0%	–33%
Total	**223**	**6**	**227**	**7**	**–2%**	**–14%**

Note: This data corresponds to 31 December 2020 and 2019, respectively.

Average contracts in 2020

	Permanent contract	Temporary contract	Full time	Part time
Job category				
CEO, general and area managers	22	0.0	22.0	0
Technical graduates and middle managers	96.2	0.6	95.8	1
Administrative and other	110.6	2.1	108.7	4
Age				
Under 30	45.8	2.7	48.5	0.0
30-50	122.2	0.0	118.8	3.4
Over 50	60.8	0.0	59.2	1.6
Gender				
Women	140.1	2.0	137.1	5.0
Men	88.7	0.7	89.4	0.0
Total	**228.8**	**2.7**	**226.5**	**5.0**

Note: This is the first year the contracts average has been reported.

9.2. Development of human capital

9.2.1 Knowledge Management

At Colonial Group we believe that knowledge, research and innovation are key requisites for strategy management within the framework of excellence. Learning and unlearning enable us to adapt to markets which evolve and move towards new models. This is also the best vehicle to guarantee a culture and values focusing on excellence. As a result of the circumstances experienced due to COVID-19, we have given rapid and immediate priority to the safety of all employees and, in addition to the many measures taken, a course focusing on COVID-19 has been set up with the main objective of making employees aware of preventive measures and ways of taking action, with a focus at all times on the health of each and every one of them. Within this process, we have addressed physical and mental health through a number of programmes and psychological support from psychology firms providing individual, personalised assistance.

I. TRAINING PLAN

The Colonial Group's Training Plan is based on:

1. A look inside with the "Colonial Career Conversations": A performance assessment tool through which the manager and the reporter converse on areas which facilitate professional growth and create value for the company.
2. A look outside to explore market trends in the acquisition of new skills and competences.
3. Sharing by each individual for people to learn from others

"Learning requires skills. Unlearning requires attitude."

This focuses on:

Specific training, focused on the individual, the role, the team or the project.

Specific training focuses on developing the employee's professional skills to perform their job. The objective is to create and guarantee conditions of access to continuous training for all company employees and anticipate changes in the sector.

In 2020, this kind of training was provided in all areas of the company.

General training, focused on obtaining the group skills which make up the DNA of our knowledge.

Three training schemes were rolled out in 2020 for the entire workforce: two schemes as part of the Training in Health and Safety at Work (Prevention of Occupational Risks and COVID-19), and also Compliance training: Prevention of Criminal Risks and Prevention of Money Laundering and the Financing of Terrorism.

There is also a Linguistic Training scheme, in continuity of previous years. Colonial continues to support and encourage the linguistic development of all employees. This is why the entire workforce can receive training in English and French, funded 100% by Colonial. The learning intensity can also be varied, with weekly sessions of at least two hours up to four hours, in both English and French.

In addition, those considered "High Potential" or "High Performers" will have access to individual language classes based on our previous co-payment method: 80% funded by Colonial and 20% to be funded by the employee if they do not comply with 85% attendance, or do not achieve the objective established for the course.

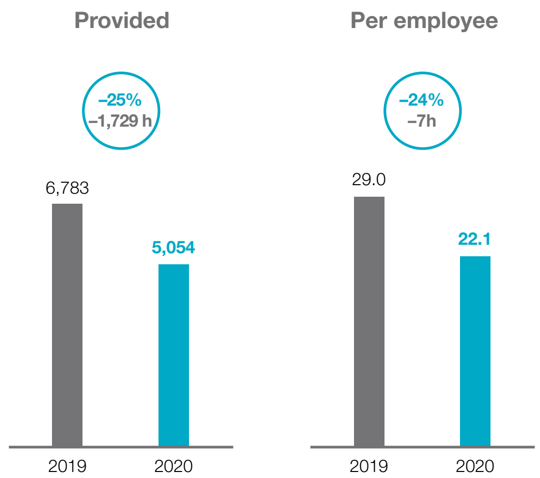
II. TOTAL PARTICIPATION IN TRAINING IN 2020

As a result of the drive and focus on the professional development of the Group's employees, €335,633 were invested in training activities in 2020. However, in the wake of the COVID-19 situation, the investment earmarked for training was reduced. Despite this, in 2020, training was provided to 93% of the Group's employees. The investment earmarked for training in 2020 accounts for 1.1% and 2.4% of the payroll in Spain and France, respectively.

Investment in training covers a number of different topics and skills, both specific, for the employee's role, and also cross-sectional.

In relation to the total number of training hours, in 2020, 3,785 hours were taught in Spain and 1,269 hours in France, which means the Group has provided a total amount of 5,054 training hours. This averages out as 22.1 hours training per employee. This data demonstrates Colonial's commitment to the training and professional development of its workforce, even in the context of a pandemic, as well as the continuity of the Group's successful Strategic Human Resources Plan.

Hours of training



The table below shows a breakdown of training hours by country, gender and job category.

Total participation in training hours in 2020

	2020			2019			Change		
	Spain	France	Group	Spain	France	Group	Spain	France	Group
Job category									
General and area managers	208	232	440	1,830	251	2,081	–89%	–8%	–79%
Technical graduates and middle managers	532	711	1,243	374	1,016	1,390	42%	–30%	–11%
Administrative	2,354	326	2,680	2,495	308	2,803	–6%	6%	–4%
Utopicus Professionals	691	0	691	509	0	509	36%	0%	36%
Total	**3,785**	**1,269**	**5,054**	**5,208**	**1,575**	**6,783**	**–27%**	**–19%**	**–25%**
Gender									
Men	1,696	519	2,215	2,752	666	3,418	–38%	–22%	–35%
Women	2,089	750	2,839	2,456	909	3,365	–15%	–17%	–16%
Total	**3,785**	**1,269**	**5,054**	**5,208**	**1,574**	**6,783**	**–27%**	**–19%**	**–25%**

Below are the training hours by topic, country and gender in 2020 and 2019.

2020

	Spain			France			Group		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Personal development	142	278	420	154	202	356	296	480	776
Marketing	0	0	0	0	0	0	0	0	0
Technology	104	0	104	133	70	203	237	70	307
Finance	5	0	5	14	28	42	19	28	47
Office skills	0	30	30	28	91	119	28	121	149
Project management	72	60	132	0	0	0	72	60	132
Auditing	17	0	17	7	28	35	24	28	52
Occupational health and safety	233	436	669	63	56	119	296	492	788
Compliance	41	71	112	0	0	0	41	71	112
Languages	1,082	1,214	2,296	120	275	395	1,202	1,489	2,691
Total	**1,696**	**2,889**	**3,785**	**519**	**750**	**1,269**	**2,215**	**2,839**	**5,054**

2019

	Spain			France			Group		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Computer tools	111	187	298	77	119	196	188	306	494
Skills	52	108	160	74	203	277	126	311	437
Cybersecurity	18	33	51	0	0	0	18	33	51
Languages	1,805	1,984	3,789	192	180	372	1,997	2,164	4,161
Technology	96	0	96	0	0	0	96	0	96
Treasury and secretary's office	8	80	88	0	0	0	8	80	88
Marketing	0	8	8	0	0	0	0	8	8
Tax	24	0	24	28	81	109	52	81	133
Human Resources	0	24	24	38	56	94	38	80	118
Other training	638	33	671	258	270	528	896	302	1,199
Total	**2,752**	**2,456**	**5,208**	**666**	**909**	**1,575**	**3,418**	**3,365**	**6,783**

Number of employees trained by the Group

	2020			2019			Change		
	Spain	France	Total	Spain	France	Total	Spain	France	Total
Gender									
Men	58	22	80	64	25	89	–9%	–12%	–10%
Women	98	36	134	97	41	138	1%	–12%	–3%
Total	**156**	**58**	**214**	**161**	**66**	**227**	**–3%**	**–12%**	**–6%**
% Employees trained	**100%**	**79%**	**93%**	**100%**	**88%**	**97%**	**0 pp**	**–9 pp**	**–4 pp**

SDG 4: QUALITY EDUCATION

	Trend in indicators		
	2019	2020	Trend
In order to empower its employees, Colonial invests heavily in the development of its human capital through training and assessment plans. Ensuring that each employee has professional growth objectives is vital to a motivated and ambitious team.	6,783 hours of training	5,054 hours of training	–25%
	29 training hours per employee	22.1 training hours per employee	–24%
Strategies / Lines of action Training Plan	97% of employees trained	93% of employees trained	–4 pp

In addition to technical training or training in languages, Colonial also has initiatives in place to develop corporate values in order to motivate teams and ensure the best experience for clients. In this regard, part of the training plan focuses on fostering employees' in-depth knowledge of the Group's products and services.

III. COLONIAL CUENTA CONTIGO (COLONIAL COUNTS ON YOU)

As part of “Colonial Count on You”, several activities were carried out in 2020 to develop a sense of pride and belonging, and to provide constant qualitative information on business progress. In order to keep employees connected and informed, “Live and Direct” sessions were arranged on a weekly basis. The initiative began in April 2020, in order to reach out to each and every employee during this phase, creating digital environments of proximity, closeness and trust. The priority was to demonstrate high levels of transparency as an essential value to enhance credibility in a colder, more distant digital environment.

Connection, information, participation and the creation of meeting points have been the pillars of each of our courses of action: humanising the business during a totally digital period.

Despite COVID-19, the “Colonial Count on You” channel allowed employees to enjoy the traditional Christmas celebration in a year in which thanking all employees for their efforts was more necessary than ever. It was for this reason that we arranged an original and emotional virtual celebration with a number of activities: talks to share the vision of the company in 2021, exchanges of opinions on the past year (from both a personal and professional perspective), the co-creation of a tune, with lyrics created by several groups of employees and a surprising and emotional videoclip made by all of us. This music experience brought us together to work as a team again, to enjoy transversality and laugh together at the imagination of all those involved. “Juntos Sumamos” (Together We are One) is a song by everyone where we express how we have felt: it is a song of joy, of hope, of the will to go on building, and our desire to be the best in our sector.

On the day the event was presented, all employees were sent a personalised gourmet box to make a virtual toast together.

IV. COLONIAL: GREAT PLACE TO WORK

Every two years, Colonial carries out a climate survey. This year, using the Great Place to Work® methodology, we obtained a result which led to the company being certified as a Great Place to Work (GPTW), as a place where people trust the people they work with, enjoy their company, and are proud of what they do. We also conducted an assessment of the progress on the various action plans created from the needs detected in 2018.

In addition to the certification obtained, Colonial was ranked among the 50 best companies to work for. GPTW audited our people management practices and policies, and the result of the audit placed us among these 50 best companies.

The rate of participation in the survey was 92% (four points above the result obtained in 2018). Among other aspects, the predominant feeling among employees is pride and belonging. They also consider Colonial to physically be a safe place to work, where everyone is treated equally, regardless of their race. In addition, the honesty and ethics used to run the business are also highly rated, as well as the welcome extended to new arrivals at the company.

The most appreciated dimensions were:

Pride in belonging

The PRIDE dimension measures the pride of Colonial employees in their own work, the work by the team they form part of, and the company's work.

The employees are proud of what has been achieved through their work, and they enjoy going to the office to work and socialise. They consider Colonial to be an excellent place to work, and they are also proud of the excellent service provided to clients.

Credibility

The CREDIBILITY dimension measures the extent to which employees perceive their superiors as credible and worthy of trust, in an assessment of their perceptions of communication practices, and the competence and integrity of managers and directors.

In this regard, Colonial employees highlight their superiors' clear vision of where the business is going, and their knowledge to manage it competently. In terms of people development, they note the trust inherent to delegation, and the assistance received.

Camaraderie

The CAMARADERIE dimension measures the feeling of comradeship of the employees in the workplace, in an assessment of the quality of the relationships, friendliness and collaboration at work.

In line with the above, employees feel they are themselves at work and in their relations with co-workers, whom they can rely on at any time. They also highlight how the company makes everyone "feel at home".

9.2.2 Professional development

I. PROFESSIONAL ASSESSMENTS

Whereas 2020 was the time to create, 2021 is the year to take action and meet the target defined a year ago: “conduct a digital assessment of 100% of employees in 2021”. In 2020 assessments were carried out on the performance of 45% of the workforce.

“Colonial Career Conversations” is an agile tool based on the method of conversational coaching. It aims to empower each individual with the management of and responsibility for their personal and professional growth and development in a constructive way. In 2020 “CCC” was enhanced and also digitalised.

Within this process, some mention should also be made of the training for the entire workforce in the technique of conversation, focusing on aspects such as giving and receiving feedback, and the establishment of smart goals.

II. SUCCESSION PLAN

In order to ensure a future sustainable vision of key Group positions, Colonial has drawn up a Succession Plan for executive positions and other essential roles. The Plan forms part of the Colonial Crisis Contingency Plan and required some preliminary work to manage and identify the company’s key talent. A special tool was used for this - the P.P.P. “Performance & Potential Picture”.

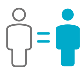
9.2.3 Compensation and remuneration “R€T”

In order to ensure fair pay, and in accordance with the new regulations on gender equality, the organisation has a remuneration map and a remuneration policy, which is constantly reviewed, with the assistance of external consultants, to ensure the coherence and appropriateness of our remuneration practices and those of the market, in due consideration of:

- Each employee: contribution, added value and impact on the results.
- Principle of equal pay for men and women.
- Market salary data, from national surveys or the industry itself.

Furthermore, the Colonial Group’s **remuneration policy** is based on the following three pillars:

The appropriateness of remuneration for each role. Tools are used to assess the contribution (3C), alongside market surveys for the purposes of objectivity.



Equal opportunities. The remuneration policy is based on the recommendation of external experts who are continuously advising the Group on market practices.

Competitiveness with respect to the market. Colonial looks outward and intends its offer of employment, development, compensation, professional and personal growth to represent a challenge and be competitive in the market.

The Group's remuneration system is composed of:

- Fixed salary.
- Variable salary.
- Social benefits and training.

The fixed part of the salary is analysed every year to ensure it is in line with the pillars of the Remuneration Policy and the market. In addition, it is one of the topics included in the Colonial Career Conversations.

Colonial is firmly committed to complying with the Group's ESG Strategic Plan. Consequently, the milestones to be achieved each year form part of employees' personal objectives. The Chairman, CEO and the Management Committee have a portion of their variable annual remuneration linked to the achievement and implementation of the objectives of the ESG Strategic Plan.

In order to evaluate pay equality in Colonial Spain, the salary gap is analysed in depth. The table below shows the pay gap for each of the professional categories.

For more information on the pay gap, see the Equality Plan of Colonial Spain at this link.

In consideration of the current legal minimum wage, the ratio of the salary in the standard initial category in Spain with respect to the Spanish minimum wage is 1.89 for women and 1.83 for men. In France, the ratio of the salary in the standard initial category with respect to the French minimum wage is 1.84 for women and 2.35 for men.

Colonial Spain	2020			2019			Trend		
Job category	Manag.(1)	Superiors	Admin.	Manag.(1)	Superiors	Admin.	Manag.(1)	Superiors	Admin.
Pay gap	–6%	25%	16%	–3%	22%	11%	–3 pp	+3 pp	+5 pp

Management: General and area management.
Superiors: Technical graduates and middle managers.
Admin.: Administrative and other.
(1) Executive Directors excluded.

The third form of compensation is social benefits. These are available to the workforce regardless of their type of contract (permanent, temporary or part-time). Here the Colonial Group offers some general benefits and specific benefit plans for each business area and country. In 2020 these benefits were maintained and distributed as follows:

Common social benefits at Colonial Spain and SFL - Thousands of Euros

	2020	2019	Var.
Health insurance	297	276	8%
Life and accident insurance	164	177	–7%
Restaurant tickets	179	206	–13%
Total	**640**	**659**	**–2%**

Specific social benefits at Colonial Spain - Thousands of Euros

	2020	2019	Var.
Parking Places	1.4	6	–77%
Christmas hamper, Christmas dinner, layette gift, company events and others	15	158	–91%
Total	**16.4**	**164**	**–90%**

Specific social benefits at SFL - Thousands of Euros

	2020	2019	Var.
Pension plan - PERCO[1]	205	222	–8%

1) PERCO stands for “Plan d’épargne pour la retraite collectif”, a business savings system used in France.

Of particular note is the retirement savings plan in place for SFL employees in France. In 2020, uniform contributions to the PERCO plan continued, and the maximum amount rose from €4,500 to €4,860 per year. This is in addition to other benefits such as a time savings account to monetise unused holiday time and transfer it to the PERECO plan (PER d’entreprise Collectif, which replaces the PERCO plan), universal service vouchers wholly funded by the company and its works council, and a contribution by the employer to sustenance expenditure (restaurant vouchers and/or in-company restaurants).

9.2.4 Employee representatives

The Colonial Group is committed to compliance with the provisions of the agreements of the International Labour Organization (ILO), including respect for freedom of association and the right to collective bargaining.

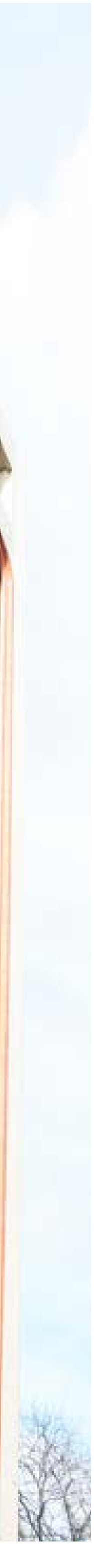
In both Spain and France there is an employee representation body, pursuant to current legislation, available to collaborate in those circumstances in which the needs and concerns of employees at each company may so require.

Colonial's Works Council is composed of 6 members, of which 5 represent the Barcelona offices, and 1 represents the Madrid offices. In 2020, meetings were considerably increased in order to improve proximity throughout the entire pandemic, with fortnightly meetings initially, and monthly meetings since September. The main topics discussed, in addition to the ordinary operation of the Company and the Committee, were related to COVID-19, Control of shifts, reorganisations, Equality Plan, Incentive Plan, development of the team and Team Building. In Spain, employees are covered by provincial collective agreements in the construction sector, and collective agreements in the marketing sector in Madrid and Barcelona.

Regarding SFL's representative body, the Unified Employee Delegation, this has a total of eight members representing the company's various departments. The delegation aims to address employees' employment priorities, such as the establishment of an optimum work environment for COVID-19, the formulation of proposals for changes in this regard, and formal communication for them to be included in the collective agreement. The collective agreement applicable to Colonial employees in France is IDCC 152.

% of employees covered by collective agreement	2020	2019
Spain	98%	98%
France	100%	100%
Group	**99%**	**99%**

9.3. Diversity, equality and equal opportunities



Colonial's relations with its employees, and their relations with each other, are based on mutual respect, equal treatment and equal opportunities.

In keeping with its Code of Ethics and Sustainable Development Goals (SDGs), the Colonial Group rejects any kind of discrimination in relation to the personal, physical or social issues pertaining to its employees. It also supports equal treatment for men and women in terms of access to employment, training, promotion and working conditions. Colonial is working on approving a Policy against all types of discrimination, and on formalising measures to manage diversity in 2021.

In 2020, the Colonial Group continued to work on implementing various measures through its Equality Plan to ensure equal treatment in all phases of employment relations.

The Colonial Group has defined the following commitments as part of the ESG Strategic Plan:

- Strive to obtain, as far as possible, the same number of female and male candidates in selection processes.
- Promote greater staff diversity (gender, age, origins etc.) in across all professional categories.
- Facilitate, as far as possible, the hiring of people with disabilities; and work with organisations which help this group to gain access to the employment market.
- Ensure equal access to training opportunities for women and men.
- Equal paternity and maternity rights in order to protect the interests of newborns and children.

SDG 5: GENDER EQUALITY / SDG 10: REDUCTION OF INEQUALITIES

	Trend in indicators		
	2019	2020	Var.
In line with its Code of Ethics, the Colonial Group rejects any kind of discrimination in relation to personal, physical or social issues pertaining to its employees. It also promotes equal treatment for men and women in terms of access to employment, training, promotion and working conditions.	61% women in the Group	62% women in the Group	+1 pp
Strategies / Lines of action - Encourage greater staff diversity (gender, age, origins etc.) in across all professional categories. - Ensure equal access to training opportunities for women and men and ensure that pay differences are based on performance, contribution, knowledge and impact on the organisation. - Equal paternity and maternity rights in order to protect the interests of newborns and children.	23% women on the Board	27% women on the Board	+4 pp

- Define the training actions required to facilitate the return to work of employees who have taken leave in relation to the birth of a baby.
- Ensure that pay differences are based on performance, contribution, knowledge and impact on the organisation.

These commitments led to specific actions in 2020:

I. EQUALITY PLAN

In November 2019 Colonial signed its Commitment to the Equality Plan. The first step to develop the Plan was the creation of the Equality Committee, and throughout 2020 it negotiated and devised the Equality Plan, which was published on 5 March 2021, with more than 25 measures to be taken over the next four years. The main actions are:

1. **Create a guide to selection principles**, in order to establish an internal process for the selection and hiring of future employees, meeting the equality criteria to balance out gender ratios in positions and categories.
2. **Create an internal promotion policy** to prioritise internal promotion over external recruitment as long as the employee meets the requirements for the position. Ensure the implementation of development and training policies to enhance internal promotion, as well as horizontal interdepartmental moves.
3. **Work-life balance**.
    - Review of working hours to promote a work-life balance for both sexes.
    - Greater flexibility with entry and exit times.
    - Extension of leaves of absence that the Workers' Statute and the Collective Construction Agreement offer to employees, along with other incentives.
4. **Professional Training**. Ensure that annual training plans guarantee equal access regardless of gender and work-life balance measures. The annual training plan must include training needs in line with Colonial's strategy, ensuring that training opportunities guarantee gender equality and equal opportunities.
5. **Equality in the allocation of training**. Ensure the distribution of training investment is under the conditions of gender equality and equal opportunities.
6. **Professional Classification**. Redefine the professional classification to adapt it to the new organisational model and to ensure there are no gender differences.

In December 2017, SFL in France negotiated and drew up a professional equality agreement between men and women for the following three years, including a number of measures with objectives and progress indicators in three specific areas: hiring and access to employment, professional promotion through professional training and real wages.

II. WORK-LIFE BALANCE MEASURES

In 2020, 11 people in the organisation were given birth-related leave, 8 women and 3 men. In both Spain and France, 100% of the employees given this type of leave returned to work and are still at Colonial 12 months later.

The Colonial Group continues to work on implementing procedures and tools which create a work-life balance and allow employees to disconnect from work. In this regard, the organisation ensures compliance with the following requirements:

- Reasonable working hours allowing employees to balance their work and personal life. In addition, in 2020, with the pandemic, employees were also able to work from home.
- Promote co-responsibility in the area of family balance as a measure to equalise roles.
- No discrimination for being parents.
- Convey support and joy following announcements of future parenthood. Life is to be celebrated!
- A gift for the employee when the baby is born.
- Provide information to employees on their legal paternity/maternity rights and processes.

- Flexibility concerning the reality faced by each employee in their new parental situation.
- Flexibility regarding arrangements with paediatricians, medical emergencies and school meetings.
- Support their job development with no gender discrimination, in particular for women with children who want to grow in their role.
- Respect for the type of leave chosen by employees: maternity leave, paternity leave or shared leave.

Innovate measures, offering new parents the tools to develop and improve their parental role.

III. GENDER DIVERSITY

As already mentioned, the Colonial Group encourages gender diversity throughout the workforce, and in the initiatives carried out by the human resources department. In this respect, not only is the hiring and promotion of women encouraged, but so is their professional development.

In SFL in 2020, women who benefited from at least one training activity during the year represented more than 60% of the trainees, with an average duration of 21 hours (24 hours for men). Taking into account the workforce at 31 December 2020, the rate of access to vocational training was 73% for men and 83% for women.

In France, as part of annual wage negotiations, in 2020 a report was produced to discuss the pay gap between men and women. The parties noted the absence of any kind of discrimination based on gender and called for the need to respect the principle of equal pay when allocating individual raises. Between 2019 and 2020, women's base pay (excluding variables) increased on average by 3.3% with a permanent workforce, compared to 3% for men.

IV. AGE DIVERSITY

Colonial is committed to respecting the principle of non-discrimination regarding the age of its employees. In this regard, 26% of its staff is over 50 years old, and only 19% is under 30 years old.

V. DIVERSITY OF CAPABILITIES

1% of Colonial's workforce has diverse capabilities. In addition, it strives to collaborate with initiatives and organisations that promote a diversity of capabilities.

As part of its policy to support the professional integration of employees with disabilities, in 2020 SLF renewed its financial support for the use of activities of ADAPT (association for the social and professional integration of people with disabilities). This financial support is part of an annual grant, and an allocation of a portion of its training tax for the year in question.

SFL also requested the services of ANRH, a company included in the category of employment assistance services and establishments (ESAT). It also subscribed to the ARPEJEH association, which aims to promote the training, qualification and employment of people with disabilities, by supporting students between the ages of 15 and 30 in their training course and building their professional career.

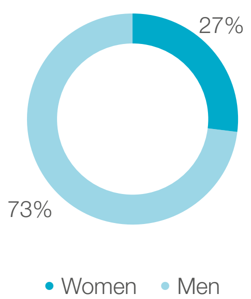
The table below shows a breakdown of the Colonial Group's gender diversity by different employment groups:

	2020				2019			
	Women		Men		Women		Men	
	No.	%	No.	%	No.	%	No.	%
Board of Directors	3	27%	8	73%	3	23%	10	77%
Colonial Management Committee(1)	4	50%	4	50%	4	50%	4	50%
Group Managers(2)	57	51%	54	49%	58	51%	56	49%
Rest of workforce(3)	84	71%	34	29%	80	71%	32	29%

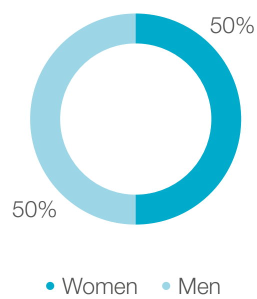
	2020		
	Under 30	30 to 50 years	Over 50
Board of Directors	0	1	10
Colonial Management Committee(1)	0	4	4
Group Managers(2)	18	65	28
Rest of workforce(3)	26	60	32

(1) Members of the Management Committee excluding the Chairman.
(2) Includes general and area managers and technical graduates and middle managers.
(3) Includes administrative and other.
Note: This is the first year diversity has been reported by age groups.

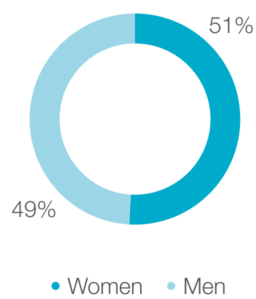
Board of Directors



Colonial Management Committee



Group Managers



9.4. Health, safety and welfare

9.4.1 Occupational health and safety

In order to provide a safe and stable environment for its employees, the Colonial Group applies current Health and Safety regulations, and has occupational risk prevention measures in place to prevent and minimise any incidents.

The External Prevention Service (SPA) conducts the assessment of occupational risks in all work positions, and other spaces in the offices, and plans and proposes corrective measures, if necessary, to prevent possible accidents. The assessment of occupational risks is carried out pursuant to current legislation, in consideration of the nature of the activity, the characteristics of the job roles and the employees in these positions. In this respect, priorities for the courses of action to be taken to reduce, eliminate and control the risks identified are established.

In the event of an accident or any potential danger posed to the health of employees, Human Resources are informed along with the SPA's contact person, internal reports are completed, and if a person involved in an accident requires medical attention, the accident insurance company is contacted. The accident is investigated and, if necessary, the risks assessed and planned in the preventive measures are reviewed to ensure that the factors which may lead to an accident cannot be repeated.

In 2020, the periodic health checks were carried out on all employees, and online training on the Prevention of Occupational Hazards and Covid-19 was also provided. Likewise, all new joiners at the company must complete a mandatory course on the Prevention of Occupational Hazards.

In the case of France, SFL has adopted, as part of its human resources policy, the Colonial Group's commitment to the health and safety of its employees. In this regard, following a global reflection on the optimisation of the quality of life at work in 2017, the company has set itself the objective to renew the Working Life Quality (QVT) survey at least every two years, in order to identify possible areas of improvement in this respect. However, due to the context of the pandemic, in 2020 the survey could not be carried out, and it is expected to be carried out again in 2021.

In France, in 2020 SFL followed an active policy in terms of protecting the health and safety of its employees, which in particular led to the following:

- Continuation of the training programme for First Aiders in the Workplace (SST).
- Renewal of training on extinguishing fires, in coordination with the company APAVE.
- Reuse of electrical authorisations for the employees concerned.

In Spain, Colonial has a Health and Safety Committee composed of four people (two representing the company's management, and another two representing employees), representing 100% of the organisation's staff. This Committee ensures the correct application of measures focusing on safety and the prevention of occupational hazards, thereby ensuring a healthy working environment.

Since the enactment of the state of alarm due to COVID-19, the number of meetings with the Health and Safety Committee have been increased to fortnightly rather than quarterly, for the proper coordination and execution of the measures recommended by the health authorities and subsequently implemented at our offices. The major issues discussed at these meetings were the physical and psychological wellbeing of our employees, to enable them to carry out their professional functions in the safest and most appropriate way.

MAIN ISSUES DISCUSSED:

- Information and recommendations on COVID-19 (via announcements, intranet, signage etc.).
- Planning of medical checks and online training on the prevention of occupational hazards and COVID-19.
- Psychological support for employees.
- Remote working.

- Guide for returning to work post-COVID-19.

- Presential work modality by shifts. Vulnerable staff can continue working remotely.

- Information on the purchase of PPE recommended by the health authorities.

- Use of screens to separate workstations.

- Serological tests and PCR tests for employees who request them.

- COVID-19 audit by Quirón Prevención.

In 2020, in order to manage employment activities within the context of the pandemic, Colonial drew up an internal protocol, which is regularly updated and shared with all employees as a guide on how to act in the event of suspecting COVID-19. We have placed an internal manager at their disposal, available 24 hours a day and 7 days a week, and any employee may contact the manager to explain their specific case. At that point, the action plan is activated whereby the doctor assigned to our external prevention service is informed, the employee receives advice, and within 24 hours may go to a lab to do a test. If a positive case is confirmed, any close contact in a professional setting is tracked, and the areas concerned are thoroughly cleaned. In these times of uncertainty, we want to transmit a sense of calmness, trust and safety to the entire team.

In addition, in order to ensure a secure process for returningp to work post-COVID-19, Colonial also requested an audit from Quirón Prevención to verify the security protocols at our offices. Our external prevention service has confirmed that all the preventive measures adopted and established to prevent and limit the spread of COVID-19 at our offices are high-level measures appropriate to the structure. The findings of the report highlight the dedication and hard work by the organisation with respect to the implementation and resources provided, and the high level of employee participation. At Colonial, people and our safety are our main concern.

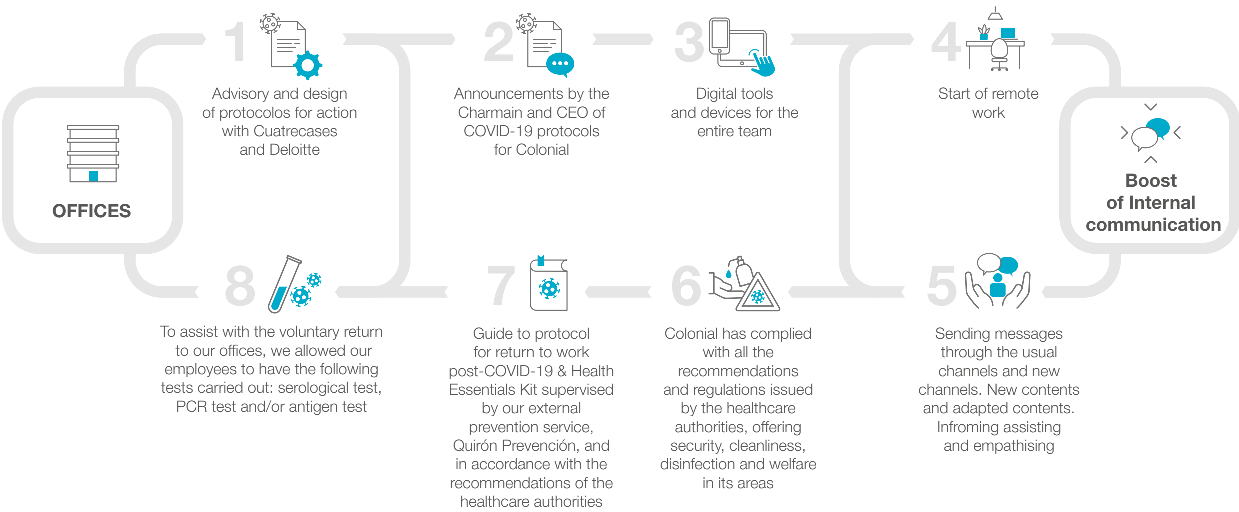
This year, health and wellbeing have become even more important due to the framework provoked by the global COVID-19 pandemic. Through various internal channels, more than ever before the Colonial Group has kept all its employees informed about the pandemic caused by COVID-19, reacting rapidly to this crisis which has affected us both professionally and personally. The group showed itself to be particularly sensitive and close to all employees who have suffered the physical and psychological consequences of this situation.

On the advice of major consultants, the first action protocols have been drawn up for our employees, clients and suppliers, in order to keep them informed and implement the company's protocols and contingency plans to combat the pandemic.

Thanks to the efforts of the IT department, the entire team has been provided with the computers and digital tools necessary to work remotely during this period.

An internal communication plan has been drawn up so that our employees are informed, supported and advised, thereby creating a new culture (now virtual).

Colonial has provided all employees with protocol guidelines for a return to work at our offices, overseen by our external prevention service, Quirón Prevención, and in accordance with the recommendations of the health authorities. This guide is updated as and when new developments arise. It aims to explain how the offices have been adapted in accordance with the recommendations of the health authorities (gel dispensers, PPE, health welcome pack, employee rotation by days), the recommended hygiene protocols and the areas that will remain closed, as well as the maximum capacity of the number of people in meeting rooms and offices.



Colonial has complied with all the recommendations and regulations issued by the health authorities, offering security, cleanliness, disinfection and welfare in its areas.

Under the motto “Let your eyes speak for you”, all employees have been provided with comfortable, safe, smart reusable fabric face masks to enable us to continue to protect our employees.

All employees have been provided with a hygienic, reusable face mask certified to UNE 0065/2020 Spain – CWA17553 Europe. We have paid close attention to detail, and each mask has a silk hanging band and a practical bag where it can be easily stored and washed.

During the generalisation phase of remote working due to the pandemic, SFL paid particular attention to the psychosocial risks associated with this organisation of work and produced and distributed internal guides for employees and their superiors. Likewise, the configuration and location of SFL’s offices also facilitated a gradual return to work for employees wishing to do so, thereby maintaining the collective link to the company and the working environment.

COVID-19 TESTING

To assist with the voluntary return to our offices, we have made the following tests available to our employees: serological test, PCR test and/or antigen test. This dynamic continued throughout 2020, enabling all employees to take the tests monthly. To assist with travel logistics and prevent crowding, a healthcare team went to our offices to carry out the tests and thereby obtain a health map of our employees. Employees’ immediate family members also have the opportunity to do a PCR and/or antigen tests each quarter.

SDG 3: HEALTH AND WELLBEING

	Trend in indicators		
	2019	**2020**	**Var.**
Colonial is committed to ensuring, beyond the safety of its employees, their health and well-being. With ambitious measures above and beyond those required by law, Colonial aims to create environments and facilities which result in a healthy lifestyle at work and outside of work for its employees.	0 incidents of non-compliance concerning health and safety	0 incidents of non-compliance concerning health and safety	0%
Strategies / Lines of action ▸ Training on the Prevention of Occupational Hazards. ▸ Medical checks. ▸ Wellbeing measures: flexible working hours, ergonomic spaces, Mindfulness workshops, etc.	3 accidents	0 accidents	–3 accidents
	0 professional illnesses	0 professional illnesses	0%

ACCIDENT RATE INDICATORS:

The Colonial Group, in its commitment to the safety of its employees, monitors the main indicators in this field. In 2020 there were no accidents at work.

Accident rate

	2020	2019
Work-related accidents	0	3
Commuting accidents	3	5
Frequency rate[1]	0	1.6
Frequency rate for accidents with serious consequences	0	0
Severity rate[2]	0	52.97

Note: The hours of absenteeism and the 2019 rate have been recalculated due to a change in the calculation criteria.
(1) (No. of work-related accidents with sick leave/total hours worked) × 200,000.
(2) (No. of days off following a work-related accident/total hours worked) × 200,000.

In the same period, no occupational illnesses were reported, a result which reinforces the approach to preventing psychosocial risks and improving the quality of life at work. Employees also undergo health checks every two years.

Finally, the absence rate increased to 13.1% in 2020, compared to 2.8% in 2019. The total number of hours of absence for the Group in 2020 was 9,909 hours.

Absenteeism - Colonial Spain

	2020	2019	Change
Number of hours of absence	9,909	8,763	1,146
Absence rate	2.5%	2.3%	0.1

Note: The hours of absenteeism and the 2019 rate have been recalculated due to a change in the calculation criteria.

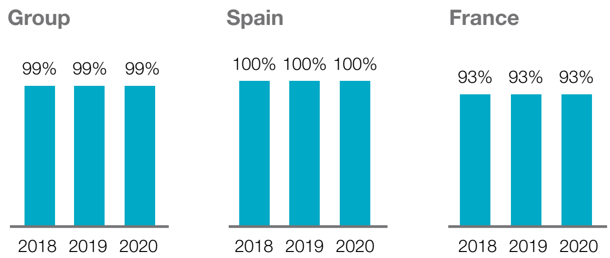
9.4.2 Health and safety of clients and users

In line with its commitment to ensure the wellbeing of its employees, the Group takes its commitment beyond its own staff, carrying out health and safety assessments on all its assets, with the aim of preventing risks before they can materialise. In 2020, 99% of the Group's assets were assessed on health and safety. This year, 100% of the assets in Spain and 93% of the assets in France received at least one of these assessments.

Along this same line, with the commitment to provide the best working conditions to both workers and clients, the Colonial Group goes beyond the legal requirements, promoting a series of initiatives to make its buildings healthier, thereby reducing the risk in relation to COVID-19, as well as the risk of infection and impact on people. Some of the main practices are as follows:

- Implementation of guides and procedures to manage and control health and hygiene risks.
- Global Safe Site certification by Bureau Veritas in relation to compliance safety and hygiene measures and assessment of the protocols established by the authorities for SARS-CoV-2. In 2020, this certification was obtained for all buildings in Spain managed through Colonial. In France, SFL obtained the RESTART certification from Bureau Veritas for 9 buildings in Paris.
- Risk assessments on the safety conditions in buildings.
- Manual for the coordination of economic activities, for the occupational health and safety of employees and other users of the buildings.
- Self-protection plans for buildings.
- Analysis of indoor air quality, based on the UNE 171330-2:2014 and UNE 100012:2005 standards in relation to indoor air quality, physical-chemical and microbiological aspects.
- Compliance with Royal Decree 352/2004 for the prevention and control of Legionnaire's Disease and studying the replacement of open cooling towers to prevent any risk of Legionnaire's Disease.

% of assets that are assessed for health and safety risks



0

Incidents of non-compliance concerning health and safety

- Disposal of materials and products containing asbestos.
- Establishment of lead exposure risk assessments before work is carried out.
- Removal of PCB transformers.
- Disposal of all equipment containing HCFC coolants, especially R22.
- Removal of fuel oil boilers.

In addition, since the outset of the pandemic caused by COVID-19, measures have been taken to protect people's safety, both Group employees and those using the buildings (clients and suppliers). The most stringent measures were adopted so the company could continue to provide a service at the buildings and continue its business activity. The main measures were as follows:

- Establishing protocols for preventive measures by enhancing cleaning services:
  - Lifts.
  - Reception desk and furniture in common areas.
  - Common washing facilities.
  - Common entrance doors and accesses, stair rails.
  - Access turnstiles.
  - Furniture in lounge areas and common terraces.
- Meetings with all business activity coordination teams (emergencies) of the users of each building, and request all users of the buildings (regular suppliers and clients) confirm to the company that they have their own protocols of action.
- Establishment of the protocol for corrective measures in the event of contagions in a building:
  - Notify the other users of the building of the floor where the contagion occurred.
  - Confirm that the company affected has sanitised its private area.
  - Step up the aforementioned cleaning services in common areas throughout the building.
  - Take the following HVAC measures:
    - Eliminate any indoor air return from air conditioning systems, so that 100% of the air is from outside. Set up ventilation systems with different flow rates to ensure optimum renewal of air, both in private areas and common areas of buildings.
    - Manage air conditioning units to prevent any contamination of air intake from the air extracted.
    - Implement additional verification measures to ensure that the clean air used maintains a continuous flow (firewall hatches, ventilation units etc.).
    - Study, if applicable, the extension of operating times for air conditioning units in buildings.
    - Study, if applicable, the change of filters in the air conditioning units as well as internal units in the areas affected.
- Limiting the capacity in lifts, common areas and restrooms, and encouraging the use of stairs.
- Establish different times for clients to enter and exit the building.
- Provide the buildings with information and recommendations in relation to COVID-19 (by means of announcements, the building's intranet, signage in all common areas, among others).
- Provide PPE to concierges and security guards at the buildings.

- Assemble screens for concierges and security guards at the buildings.
- Reach commercial agreements with clients in the sectors most affected by the health crisis.
- For the refurbishment projects and building works: establish the same protocols and request protocols for contractors, subcontractors, project managers, health and safety coordinators etc. and all companies involved in the works.

In 2020, at a global level, the company was provided with a Business Continuity Plan to identify the most critical processes and their maximum downtimes and to identify those responsible for the plan and the roles and functions of the different users. It also aims to identify possible alternative solutions for each of these processes in order to guarantee the service.

Finally, in addition to the same measures and action protocols described above, the following measures were specifically adopted for the Utopicus co-working centres:

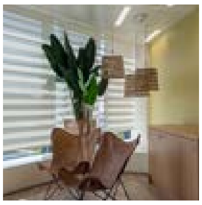
- The procedure was changed to a weekend-access system (with coded access cards) to enable any users who wished to do so to enter the co-working centre, with a communication platform to report accesses to the managers of each centre.
- Spaces, mostly common spaces, were adapted to ensure social distancing.
- The in-situ events organised by the company were removed, and virtual events were created instead.
- Increase the offer of flexible spaces and rates.
- Sanitisation of common areas (coffee points, kitchens and restrooms), disposing of any common-usage utensils and replacing them with biodegradable disposable materials.
- Provide temperature measurement thermometers in the spaces.
- Put screens at reception desks in centres.
- Limit the capacity of the number of people in common areas.
- Digitalisation of centres: cards or mobiles used for opening doors, booking rooms, or for virtual tours.

9.4.3 Wellbeing

The Colonial Group believes that the wellbeing of its employees is an essential aspect of ensuring the sustainability of the business and offering the best services to its clients. Therefore, as part of the “Colonial Cares about You” initiative, the Group has continued the actions taken in 2019 with the aim of improving the wellbeing of its employees.

I. ENCOURAGING A HEALTHY DIET

Colonial has provided all its employees and associates with organic fruit on a weekly basis, and fully equipped dining areas for them to eat in comfort. As a consequence of the exceptional situation experienced this year, the initiative was suspended, and the fruit was donated to the Ared Foundation.


II. FACILITATING WELLBEING SPACES

At Colonial we listen, we react, and we strive to create healthy habits in open spaces with natural light. Wellbeing at work is key to maintaining sustainable health.

III. ENCOURAGING PHYSICAL EXERCISE

Current healthcare conditions have not enabled the entire schedule of physical activity to be carried out, however, training and physical exercise were replaced by virtual activities. Through a collaborative app, which provides access to a number of gyms, virtual classes have been made available for all types of sports.

IV. “COLONIAL CARES ABOUT YOU” - OBJECTIVES 2020

Health was the main focus of attention on human resources in 2020, and the most important factor was the physical and mental care of people.

A number of different courses of action were implemented to support our employees during this difficult time with the programme “Accompanying your emotions”.

The programme has consisted in the following:

Psychological Therapy: all Colonial Group employees had access to a team of therapists to respond to their needs every day of the week from 08.30 h to 23.00 h. This service was provided by phone.

Health Survey: with the dual objective of gaining an insight into our employees’ emotional health and possible impacts on other levels, in relation to the lockdown confinement and COVID-19, a specific survey was created for the Group, which was well received by employees. This was followed by the training activities described below.

Training action – “Emotional Support”: the results of the survey were used to devise training activities composed of a number of impacts focusing on the most critical aspects of the findings. The activities were intended to provide a set of tools to facilitate the day-to-day management of the situation being experienced.

Happiness is a state of mind that helps to empower and develop capabilities and talents.

Colonial offers an annual programme of activities and actions through the “Colonial Te Cuida” (Colonial Cares about You) portal. The company aims to make much more use of this valuable tool which keeps employees up to date on the prevention of certain common ailments, along with nutritional advice and key examples to place much more emphasis on health, nutrition and wellbeing at work.

A number of initiatives emerged to boost productivity and quality of life:

- Mindfulness workshops
- Running club Runners Club
- Stress management seminars

However, the health crisis has prevented us from carrying out all the physical activities in our schedule.

In addition to the “Colonial Cares about You” programme, the company also offers the additional social benefit of medical insurance for all employees, which also covers an additional beneficiary. This is a “plus” medical insurance scheme, which also includes dental insurance. The policy permits visits to specialists not covered by the medical scheme, with refunds of up to 80%.

9.5. Human Rights

Colonial wants to base its development and growth on the basic principles of human rights, integrity and transparency, and therefore in 2019 it signed the United Nations Global Compact in support of the ten principles in relation to human rights, employment rights, the environment and the fight against corruption, and committing itself to integrate these principles into its strategy, culture and daily management of the company, as well as its area of influence.

Human rights

- **Principle 1.** Colonial must support and respect the protection of internationally recognised fundamental human rights within its sphere of influence.
- **Principle 2.** Colonial must ensure that its companies are not accomplices to the infringement of human rights.

Employment regulations

- **Principle 3.** Colonial must support freedom of association and effective recognition of the right to collective bargaining.
- **Principle 4.** Colonial must support the elimination of all kinds of forced labour or work carried out under duress.
- **Principle 5.** Colonial must support the eradication of child labour.
- **Principle 6.** Colonial must support the abolition of discriminatory practices in employment and occupation.

Environment

- **Principle 7.** Colonial must maintain a preventive approach to protect the environment.
- **Principle 8.** Colonial must encourage initiatives to foster greater environmental responsibility.
- **Principle 9.** Colonial must encourage the implementation and dissemination of environmentally friendly technologies.

Anti-corruption

- **Principle 10.** Colonial must work against corruption in all its forms, including extortion and bribery.

In its code of ethics applicable to the entire Group, Colonial is committed to maintaining a working environment free of any discrimination based on gender, race, sexual orientation, religious beliefs, political opinions, nationality, social origins, disability or any other personal, social or physical attributes of its employees.

Likewise, any display of violence, abuse of authority or any other type of harassment or abuse, whether physical, psychological or moral, is expressly prohibited, as well as any other conduct that could lead to an intimidating, offensive and hostile working environment for people. In this regard, Colonial has an “Internal protocol of action for dealing with situations of abuse or harassment in the workplace”, which is available to all employees on the intranet.

Similarly, the Group undertakes to respect the laws in force both nationally and internationally in all the countries in which it operates. In this way it ensures compliance with employment regulations and with the basic ITO conventions, permitting freedom of association and the right to collective bargaining, eliminating any discrimination in relation to employment and professions, and also eliminating any forced or compulsory labour and child labour. Colonial extends these commitments to its entire supply chain.


Colonial

10
Social contribution

Colonial's contribution to society is materialised through the entirety of the projects and actions that the Group carries out in response to the sustainable development of the cities in which it manages its portfolio, in accordance with a series of general lines of action that maintain and improve the quality of life and raise the level of wellbeing of its citizens, such as: local development, education, culture and heritage.

I. Support for culture: Piramidón Centre of Contemporary Art

As a result of Colonial's interest in and sensitivity for art, a collaborative relationship has emerged with the Piramidón Centre for Contemporary Art, which aims to unite artistic practice and business activity in order to give visibility to creativity. Colonial has established a stable partnership with Piramidón, which has continued through 2020. Every year, works of art are installed in the common areas of its buildings, bringing wellbeing and beauty to the users of the buildings. However, due to the context of COVID-19, it was not possible to install new works of art in 2020 as usual. The project is expected to return to normal in 2021.

Piramidón is a space created in 1990 with the aim of providing the necessary infrastructure for the development of artists' work and research. A hybrid space between a creative factory and an art gallery, Piramidón merges the world of artistic production with the world of dissemination, exhibition and the sale of works of art.

PIRAMIDÓN
CENTRE D'ART
CONTEMPORANI

II. Support for education: partnerships with universities

Colonial continues to support young talent through collaboration with universities and business schools: The University of Ramon Llull, IESE Business School (University of Navarra) and ESADE. These initiatives are yet another way of supporting the empowerment of young talent, in their search for challenges and new professional horizons, which also nourishes the real estate sector with new ideas and perspectives.

III. Support for architecture: Pavillon de l'Arsenal

SFL regularly supports Pavillon de l'Arsenal, an information, documentation and exhibition centre for architecture and urban planning. It is a non-profit organisation that promotes information and knowledge among specialists and the general public about the architectural heritage a nd urban landscape of the city of Paris and its metropolitan area. Its objectives are fully aligned with SFL's history, which has been deeply rooted in Parisian urban development since the late 19th century. SFL also organises tours of Pavillon de l'Arsenal for employees only.

IV. Support for architecture: Fondation Palladio

For seven years SFL, has been a sponsor of the Palladio Foundation, created in 2008, which brings together companies in the real estate sector to promote studies of urban planning and the strengthening of their communities. The different initiatives of the Palladio Foundation aim to promote processes of open dialogue for the necessary mutual complementarity and enrichment through the perspectives of economic actors, politicians, managers, experts, students and professionals in these fields.

SFL supports the commitment of the Palladio Foundation by creating the conditions for each actor in the real estate sector and in the city to be even better able to respond to major current and future challenges, whether economic, environmental or social.

V. Raising awareness of climate change

Since 2019, three buildings in the Colonial portfolio have incorporated large-format LED screens showing exclusive satellite images of nature around the world. This installation is a tribute to the global effort in the fight against climate change. It is an online window into a new future that redefines our relationship with the Earth.

The aim is to use the lobbies of the buildings, which large number of users cross every day, as platforms for awareness raising and outreach on climate change.

Currently, this initiative has been implemented in the Diagonal 615 and Torre Marenostrum buildings in Barcelona and in Ribera del Loira 34 in Madrid.

VI. Cultural activities in city spaces

In February 2020, Colonial supported the **Llum BCN** light festival, in which more than 50 artistic installations were displayed in Barcelona's 22@ neighbourhood, thus demonstrating the capacity of light to transform urban spaces and buildings, as well as the architecture to interact with the citizens. More than 200,000 people attended the 3-day festival. Colonial directly sponsored two installations, 'Datamonolith', by the 'Ouchhh' studio and 'Nyx', by the Dutch artist Gijs Van Bon, which provided a light show accessible to everyone, as they were located in open spaces and outdoors.

In October 2020, SFL supported the **City of Paris - White Night event,** a festival in 2020 that celebrated, with the appropriate health measures, its 19th edition "Nature in the City", which aims to provide the general public with free access to multidisciplinary art. SFL reaffirms its cultural commitment to Paris, including making its buildings available for the organisation of such events, while supporting artistic creation and its dissemination to the general public.

VII. PropTech Innovation Award 2019 Spanish Association of Offices (AEO) awarded in 2020

The PropNet Technology Platform received the Innovation 2019 award at the **Spanish Association of Offices (AEO) Awards of 2020**.

According to the panel, Colonial's technological platform constitutes an innovative, pertinent and significant operation due to the transformation of the asset management model. A technological implementation that places the client at the centre of the operation, making it possible to tackle the constant evolution in the use, functionality and operation of the building by generating flexible spaces based on technology, with a view to efficiency, health and comfort.

VIII. Commitment to local communities

Dialogue and consultation are at the core of SFL's strategy. An example of this commitment is the Biome restructuring project, where SFL involved the local community through meetings with district officials, neighbours and the Paris city council, in which the project and its developments were presented taking into account the needs of local residents. Local authorities are also systematically involved through elected district representatives.

Information and communication media have also been established so that local residents can follow the development of the project and the progress of the work site, such as a website or the creation of a physical space to present the project in each location.

This consultation format has allowed the project to evolve, as the programme has been revised with input from the local community to create housing (700m²), a workspace open to the

neighbourhood, a business centre equipped with an amphitheatre and meeting rooms that can be used by the main users of the neighbourhood as well as a landscaped botanical garden at the heart of the block. Environmental expectations have also been revised to make this operation one of the first BBCA-certified low-carbon construction and renovation operations in Paris.

SFL projects also seek to incentivise local employment and employability through agreements with contractors for new projects, where the contractor commits as part of the contract to carry out an action to integrate unemployed people from the local community.

IX. Associations

The Colonial Group has collaborated with various organisations and associations in order to learn about the main developments in the real estate sector and to understand the needs of the company's stakeholders. Examples include:

- The **European Public Real Estate Association (EPRA)** is the leading non-profit association for the promotion, development and representation of the European real estate industry, bringing together companies, investors and suppliers.
- The **GRESB** is an organisation specialised in assessing the sustainability performance of real estate and infrastructure portfolios and assets worldwide.
- The **Urban Land Institute (ULI)** is the oldest and largest network of real estate and land use experts in the world.

X. Donations

Considering the seriousness of the social situation caused by COVID-19, in a bid to give continuity to the contributory spirit of corporate social responsibility policies operated by the company, Colonial has implemented a programme of initiatives to help stop the pandemic and attenuate its consequences. The programme contains different lines of action, including funding for hospitals and research projects, the transfer of available space in Colonial buildings, the development of an aid programme for Colonial's SME clients as well as Utopicus' SME and self-employed clients, different aid and social volunteering initiatives and initiatives to help deal with any conflicts affecting Colonial Group employees. These initiatives have been in place since the beginning of the pandemic's impact in Spain and France and there is a monitoring committee for their continued implementation.

ONE MILLION EUROS IN AID TO HOSPITALS

Colonial finances health programmes to contain and cure the pandemic in hospitals in Barcelona, Madrid and Paris, and research projects carried out in centres in Spain and France. The initiative includes the financing of health institutions and their specific programmes, the direct purchase of health and related equipment, as well as any indirect contribution needed in the resolution of the pandemic. One million euros was allocated to the programme.

Specific projects have been launched to provide resources to the Research Foundation of the Hospital Universitario La Paz in Madrid and the Hospital Clínico in Barcelona.

This collaborative action is completed with the offer of spaces available for any activity related to the treatment of the pandemic in Colonial's office buildings in its Barcelona, Madrid and Paris locations. As far as possible, the buildings and car parks closest to the health centres have been provided.

AID FOR SMEs AND THE SELF-EMPLOYED

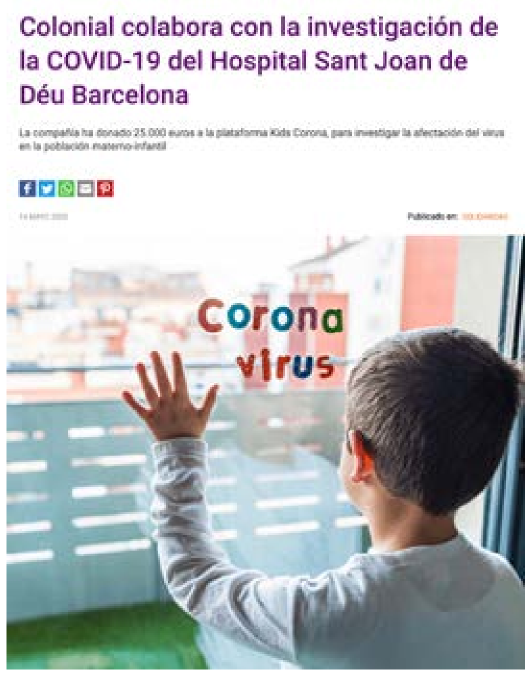
Since the beginning of this pandemic, Colonial has put in place measures including the provision of permanent services in its buildings to meet the needs of each of its customers. These measures include the study of systems for deferring or subsidising the payment of rents to all small companies that are in financial difficulties as a result of and in the framework of the prohibition of the development of their activities in the commerce or leisure sector.

With regard to the self-employed, start-ups and also SMEs, which are among the Utopicus client portfolio, Colonial's division of coworking and flexible work spaces, the Group has created a solidarity fund made up of a package of free services to help those who are in real need within the Utopicus community. The firm is offering its clients a free virtual office, remote technical support, continuous remote content programming and free online training that can be accessed through its webinars.

VOLUNTEER SCHEMES AND OTHER ASSISTANCE

In addition to all these actions and as part of the social responsibility activities that the company carries out on a regular basis, new volunteering activities and the promotion of social initiatives have been launched as part of this programme involving groups in its proximity (clients, suppliers, employees, etc.). Examples of such initiatives include the following:

- Support for the #yomecorono initiative carried out by the research teams of IrsiCaixa and the Germans Trias i Pujol University Hospital.
- The full transfer of the daily supply of fresh fruit received by Colonial employees to the Ared Foundation, which works to achieve the social and employment integration of people in situations of social exclusion, mainly women from prisons and social services.
- The purchase of 100 COVID-19 detection tests from a prestigious laboratory in Barcelona with the aim of donating them in their entirety to the campaign of the COMB (Col·legi de Metges de Barcelona).
- Colonial has made a contribution to the Sant Joan de Déu Hospital by collaborating in the KidsCorona programme, a platform for research into COVID-19 in the maternal-child population.



Colonial colabora con la investigación de la COVID-19 del Hospital Sant Joan de Déu Barcelona

La compañía ha donado 25.000 euros a la plataforma Kids Corona, para investigar la afectación del virus en la población materno-infantil

Colonial's financial contributions to social initiatives (local associations and foundations) are detailed below:

Institution	Item	Amount
Fundació ESADE	Invoice for Esade 2020 scholarship	€20,000
Fundació Princesa de Girona	2020 donation	€33,000
Universidad de Navarra - IESE	IESE agreement	€18,000
Sant Joan de Déu	2020 donation	€25,000
Hospital de La Paz research foundation	2020 donation	€100,000
Fundació Clínic per a la Recerca	2020 donation	€100,000
Food Bank	2020 donation	€35,775
Fundació Lluita contra l'Esclerosi	2020 donation	€1,000
URL - Universidad Ramon Llull	2020 donation	€9,000
		€341,775

XII. Sponsorships

Colonial's financial contributions in sponsorships are detailed below:

Institution	Description	Amount
Barcelona New Economy Week	PARTICIPATION IN EVENT BNEW 2020	€24,000
Proworkspaces, association of business centres and other workspaces		€1,800
Associació Barcelona Global	Sponsorship of BCN & PARTNERS project	€25,000
ESADE ALUMNI (Asoc. Antig. Alumnos ESADE)	Patrocini Club Immobiliari ESADE 20/21	€5,330
IBERIAN PROPERTY, MULTIMEDIA & DATA, S.L.	Patrocinio Iberian Reit Property 2020	€4,000
FINNOVATING LAB GROUP, S.L.	Sponsorship of 2020 Proptech Unconference	€5,000
Institut de Cultura	Sponsorship of Llum Bcn 22@ 2020	€25,000
		€90,130

11
Clients & users

11.1. Client Management

11.1.1 Portfolio of top quality and high solvency clients

Colonial's operational strategy with its more than 400 clients and more than 1,000 contracts aims not only to fulfil its contractual obligations, but also to cover the needs of its clients and support them so that they reach high levels of satisfaction with the spaces, as well as with the services and treatment received.

Colonial has achieved a high volume of renewals of its rental contracts, which is the result of the hard work and the long experience of the entire Colonial team. Proof of this is that 85% of our clients have more than 5 years' experience and 41% have been renting active space from our portfolio for more than 10 years. On a financial level, this high client retention capacity should be seen as conferring a high resilience and recurrence to the company's revenues, therefore resulting in a sustainable business in the long term.

This high resilience of the client portfolio was the basis for **the high collection rates[1] in the fourth quarter of 2020**, which stood at **99% for the offices portfolio (100% in Paris)**.

Due to the COVID-19 crisis, the Colonial Group's sales team has analysed and negotiated deferral systems or, exceptionally, rental payment bonuses with a special focus on companies in financial difficulties, as a result of and within the framework of the prohibition of their activities in the trade or leisure sector.

41% of the Colonial Group's clients have held talks with the sales team, with all the negotiations in the portfolio having been closed to date in relation to the first and second waves.

The impact of these agreements amounts to 4.5% of the "annual pass-through rental income" of the contract portfolio at 31/12/20.

It should be noted that contract extensions have been negotiated in return, thus improving the average maturity of the rental portfolio. The impact on the 2020 income statement of these agreements is €6 m.

As explained in this Report, Colonial's asset portfolio consists of grade A assets in the best locations in the Paris, Madrid and Barcelona markets.

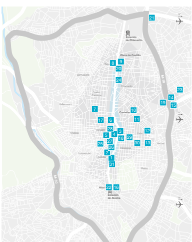
Our client portfolio is highly diversified across many sectors, which provides great robustness to revenues given the low client turnover. Likewise, across different sectors, noteworthy are those that require quality offices in the CBD (due to the nature of their businesses).

Attracting "AAA" clients with high solvency

BETTER LOCATION

Parls

Madrid



- Less time to travel to the office
- Reduced carbon footprint
- Urban living and attracting talent
- Corporate branding

BETTER PRODUCT

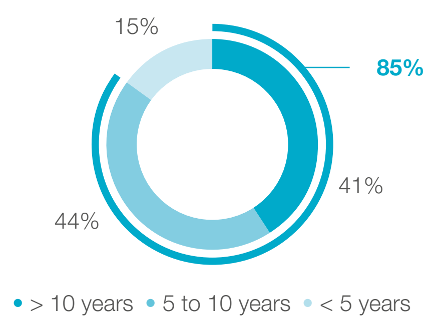
- Low-level buildings
- Efficient floor designs
- Flexible Product
- Maximum quality and energy efficiency standards

CLIENTS WITH HIGH LOYALTY

(1) Collection rates for the fourth quarter.

Ranking of the top 20 tenants (41% of Total Rents)

RK.	Client	City	% total rents	% accum.	Time in Years
1	NATIXIS IMMO EXPLOITATION	Paris	4%	4%	**17**
2	GRDF	Paris	4%	7%	**156**
3	INTERNATIONAL BUSINES MACHINES	Madrid	3%	10%	**9**
4	WEWORK PARIS I TENANT	Paris	3%	13%	**1**
5	EXANE	Paris	2%	15%	**5**
6	HENNES & MAURITZ / H & M	Paris	2%	18%	**11**
7	ZARA FRANCE	Paris	2%	20%	**11**
8	FRESHFIELDS BRUCKHAUS DERINGER	Paris	2%	22%	**17**
9	UTOPICUS INNOVACION CULTURAL	Barcelona / Madrid	2%	24%	**3**
10	PROPARCO	Paris	2%	26%	**6**
11	FACEBOOK FRANCE SARL	Paris	2%	28%	**5**
12	CUATRECASAS GONÇALVES PEREIRA	Madrid	2%	29%	**9**
13	KLEPIERRE MANAGEMENT	Paris	2%	31%	**7**
14	TV5 MONDE SA	Paris	1%	32%	**6**
15	COMUNIDAD DE MADRID	Madrid	1%	34%	**25**
16	M&L DISTRIB/RELAIS L'OCCITANE	Paris	1%	35%	**3**
17	CAIXABANK	Barcelona / Madrid	1%	37%	**22**
18	COMUTO	Paris	1%	38%	**5**
19	FINASTRA FRANCE	Paris	1%	39%	**8**
20	McKINSEY & COMPANY	Paris / Madrid	1%	41%	**6**
Average					**17**



11.1.2 Client satisfaction management

The Colonial Group places customer relations at the heart of its concerns and organisation. Knowing and understanding current and future needs is key to the performance of its assets and the programming of its activities and proposals. To this end, Colonial's basic policy in its customer strategy is to measure, improve and monitor the satisfaction of its clients and users. In its three operating markets, Paris, Madrid and Barcelona, Colonial carries out different satisfaction surveys on a regular basis. These are used to control and monitor how their clients' needs evolve and to evaluate how Colonial responds to them.

I. BARCELONA AND MADRID

In Barcelona and Madrid, the customer satisfaction survey is carried out involving more than 200 clients from different sectors and sizes to achieve a good representation of the whole. From the result of the 2019 customer satisfaction monitoring survey, 86% of Colonial's clients in Spain have stated that they are satisfied or very satisfied with the common services and facilities of the assets. Due to the pandemic, a Customer Satisfaction and Quality Survey could not be conducted in 2020.

In 2020, a series of actions were carried out within the framework of renewal and continuous improvement with the aim of responding to the concerns expressed in the latest Satisfaction and Quality Survey, as well as other suggestions and proposals from clients received through constant communication with them.

The vast majority of these concerns focus on services, either through the provision of services by suppliers or the adaptation of common spaces in buildings.

The most noteworthy actions in response to this type of request have been:

1. The opening of new changing rooms at J. Abascal, 56 and Ramón de la Cruz, 82 to promote healthy exercise among users.

2. The creation of an interior lounge in Torre B.C.N. included in the comprehensive renovation of its main lobby, in order to provide a space for relaxation.

3. The expansion of the installation of lanes, both in Barcelona and Madrid, for the parking of electric scooters and bicycles, such as those installed in the buildings Ribera del Loira 28, Egeo, Alfonso XII 62, Complejo Sant Cugat and Trav. de Gracia, 11.

4. The installation and expansion of a network of chargers for electric vehicles in Barcelona and Madrid, such as those installed at M. Ángel 11, Alfonso XII 62, Génova 17, Diagonal 197, Ciutat de Granada 150 and Diagonal 682.

5. The renovation of floors in the Cézanne Saint-Honoré complex in Paris, in order to provide greater comfort and a workspace that promotes organisational efficiency. This resulted in more than 75% of the surface area, including corridors and bathrooms, being exposed to direct sunlight.

6. The extension of green spaces in buildings has been promoted, including the Miguel Ángel 23 and Poeta Joan Maragall 53 buildings in Madrid, the Sant Cugat Nord and Travessera de Gracia 11 buildings in Barcelona and 83 Marceau and Biome buildings in Paris.

In addition, Utopicus, as an expert in the user experience of the Group's flexible spaces, conducts a regular satisfaction survey among its users and clients. The Utopicus management team considers the satisfaction of its clients to be fundamental to the proper design of its space and client management strategy.

This survey is carried out on a quarterly basis, which makes it possible to continuously monitor the level of satisfaction and at the same time check the degree of acceptance of the new measures that are being implemented.

The latest survey took into account the responses of 221 users and clients in the different centres in Madrid and Barcelona. All the centres received a score of more than 8 out of 10 in terms of satisfaction with the Utopicus community and the assessment of the space also received a B+. In addition, all the centres had a score of more than 8.4 out of 10, in terms of how safe and comfortable they have felt with the preventive measures implemented due to COVID-19.

With regard to incidents reported by clients, all are recorded on a platform. Either because the client registers them through the platform or reports them through another contact channels.

II. Paris

Within the framework of customer satisfaction monitoring, every two years the Colonial Group carries out a satisfaction survey of its clients in Paris to measure their level of satisfaction and expectations in terms of working methods, services and the environment.

The last one was held in 2019 and 750 property users participated. The user profile of the Paris buildings is between 30 and 40 years old, is an executive, lives in central Paris, takes between 20 and 40 minutes to get to work by public transport and gives their well-being a score of 7.6 out of 10 (when the average score for executives in the Paris metropolitan area is 6.8 out of 10 according to our Paris Workplace survey). They work in open space offices, consider integrated services essential and would opt for better waste management if they had to apply an environmental approach.

More than 94% of respondents are satisfied with their facilities, exceeding the target of 80%.

On the other hand, it should be noted that during 2020 in the Colonial Group, no complaints or claims were received for the services provided in the asset portfolio, and of the 579 incidents that arose in facilities during 2020, more than 97% have been dealt with and resolved in the same year through the procedures established for this purpose, as part of the normal maintenance and operation of assets.

11.1.3 Service management & communication

In recent years, the Colonial Group has opted to implement tools that enable it to communicate more directly with its clients, as well as to involve them in the management of the buildings, particularly in ESG issues.

I. PERSONALISED SERVICE - PROPERTY MANAGER AND SPACE MANAGERS

The proximity and immediacy of responses are critical in resolving issues that may arise in the daily operation and management of the property. For this reason, the Colonial Group provides its clients in Spain and France with a manager in each property, with the following assignments:

- **Customer service**: As a direct interlocutor between the client and the Colonial Group.
- **Control of the commercial activities**: Analysing the profitability and economic viability of the property.
- **Sustainability and Environment:** Managers should take measures to reduce energy consumption and report regularly on progress achieved. Property managers are trained in sustainability issues, specifically in relation to the requirements of BREEAM certification.
- **Maintenance and upkeep of buildings**: Keeping customers informed of any significant action or work carried out on their properties.

The coworking spaces that the Colonial Group makes available to its clients through Utopicus have a specific team assigned to them, made up of a Space Manager and a Community Front, to ensure more personalised service.

II. ACTIONS TO ENGAGE USERS AND CLIENTS WITH THE SPACES

The Colonial Group has a policy of regular communication with its clients and users to involve them in the management of its buildings and thus improve their experience. To this end, the following actions have been established through three channels:

- **Communication in focus groups**: In order to promote a closer relationship with clients, both in Spain and in France, the following are promoted:
  - Tenant operation committees (Paris):

    A meeting with the “main users” is held at least once a year.

    The meetings address questions of use, accessibility, investment or environmental issues (certifications, energy and water consumption, waste management, etc.).
  - Events (Paris):

    Events are held twice a year to bring our clients together in a different environment to forge long-term relationships. We try to hold them in our properties to show the progress of our projects and the know-how of our teams.
  - Special activities (Paris):

    Events for users of our buildings in Paris, which are increasingly popular. Specific activities for each client, and competitions between companies in sports complexes, outdoor “pétanque” competitions and ecological product tasting events, among others.
  - “Coffee with the Manager” (Spain):

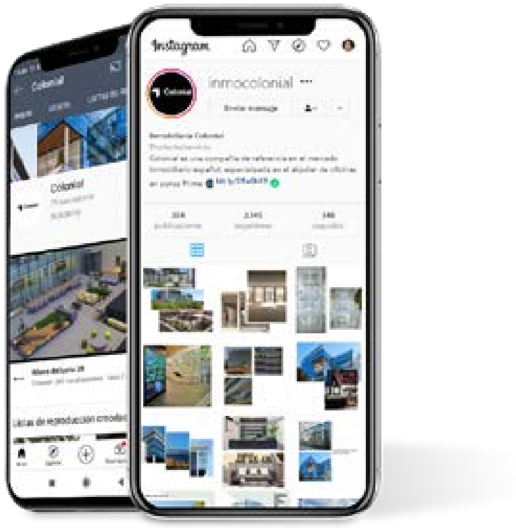
    Consists of casual meetings where clients communicate suggestions, comments and expectations. This programme has been running since 2012. However, due to COVID-19, the programme could not be carried out in 2020.
- **Online communication**: Colonial’s clients can communicate with Colonial and the managers of its spaces by means of the following tools:
  - Client Intranet: allows them to consult and manage different matters telematically related to the use of the building, its services and facilities.

@inmocolonial

@ColonialOficina

Inmobiliaria Colonial

Colonial



- Colonial Blog and social media: created in 2013, its content brings us closer to our clients and presents the latest trends in the real estate sector and the field of sustainability and well-being.

- Newsletter: This initiative aims to report news related to the building, the promotion of cultural activities and advice, etc. It also promotes ecological initiatives specifically undertaken at the asset.

- **Written communication**: Users and clients are provided with different publications and brochures to facilitate and update their experiences using the Colonial Group's spaces:

  - Biannual newspaper at Washington Plaza: this comes out twice a year with information on new features in the premises.

  - Welcome brochures: they are addressed to the occupants of its buildings, both in Spain and in France, to help find all the information related to the building and its operations.

11.1.4 Client Management and Sustainable Mobility

I. COMMITMENT TO SUSTAINABLE MANAGEMENT WITH TENANTS

The aim of the Colonial Group is to maintain a proactive service that is in constant communication with clients to improve their satisfaction levels and intensify long-term relationships. By the doing this, it assures the quality, technical safety and environmental values of its properties.

To this end, and in line with the Group's Health and Well-being Policy, the following goals are set:

- To encourage innovation and be at the forefront in the range of services available in communal areas (by fitting out spaces such as rest areas or installing equipment such as water dispensers for the tenants' use).

- To involve tenants in strategies to improve the environmental performance of the properties.

- To encourage the inclusion of the environment and social dimensions in the satisfaction surveys, as well as the design of surveys on specific elements that may concern its clients (e.g., environment, accessibility and services, etc).

The objectives of the Well-being Policy are aligned with the improvement measures related to sustainable certifications, Eco-efficiency objectives and the requirements of the Group's environmental monitoring procedure.

Through these objectives, the Group implements measures to achieve healthy, safe and comfortable environments with optimal indoor conditions.

Recognising that clean air is critical to health, Volatile Organic Compounds (VOCs) emitted by finishing materials and cleaning products that pollute indoor air are limited and CO_2 levels are controlled in both primary air coming from outside as well as that generated inside office spaces.

The consumption of clean water is another of the fundamental requirements for optimal health. Therefore the Group controls the quality of the water with the necessary analyses and treatments, as well as the accessibility of the water sources, by installing dispensers connected to the supply network in the common areas of the buildings.

With regard to occupants' health, the Colonial Group avoids carcinogenic, toxic or side effect-causing cleaning products.

In order to ensure people's physical and psychological well-being, the Group's office spaces are open plan and diaphanous spaces that allow for maximum flexibility in the implementation works, facilitating the integration of the different needs of the occupants.

In terms of spaces, the elimination of architectural barriers is also overseen, and in buildings where space permits, common rest areas have been created for all occupants (inside, they include seating and vending machines and outside, they are protected from the wind and rain).

The numerous biodiversity measures implemented in the buildings also contribute to increasing the physical and psychological well-being of the users, since plant species contribute to oxygenating the environment and maintaining the humidity level, thus reducing the accumulated dust in the air and creating a pleasant atmosphere.

The interior environment must be a space that promotes the comfort, productivity and well-being of the occupants, which is why the Group ensures adequate natural and artificial lighting, as the buildings have high percentages of glazing in their façades, allowing natural light to enter as well as accessibility to exterior views. Most of its facilities have LED lighting which is suitable for visual comfort. In addition, daylight sensors are installed in the renovations, which automatically regulate the artificial lighting to avoid excessive illumination.

The BMS that are being implemented uniformly in the portfolio's buildings ensure that the air conditioning elements are working in accordance with the indoor comfort strategies. They monitor and control the indoor conditions, making sure they are in line with the objectives of the Colonial Group's Well-being Policy.

In 2020, the Works Action Plan (WAP) was implemented for works that could affect clients and users of the buildings. The purpose of the WAP is to study the works carried out by Colonial, identifying the effects that they may cause to the users (tenants, user companies and visitors, etc.) and adopting the necessary preventive, protective and corrective measures to eliminate or at least minimise these effects. These measures are complementary to those included in the Health and Safety Plan, the ultimate aim being to ensure the comfort and well-being of all users during the works.

II. Manual of good practices in environmental management

As part of these services, the User's Manual for Good Practices in Environmental Management has been prepared, where specific guidelines on the building are provided. The aim of this is to ensure tenants manage their implementation activities and the maintenance of their offices in a manner consistent with the sustainability criteria of the Colonial Group's Environmental Policy.

It is a proactive, bidirectional and transparent document between the different clients and the Colonial Group and is published on the Group's website where it is accessible for consultation and dissemination.

In the case of SFL, an environmental annex is included in all the office rental contracts signed since 2016, which includes a guide for the occupants of the buildings, with all the necessary information on both accessibility and technical management, including energy, water and waste. Additionally, a meeting is held at least once a year with the main users where issues of use, accessibility, investment or environmental impacts are addressed.

III. Sustainable mobility.

As indicated above, sustainable mobility is one of the key aspects of Smart Cities and the quality of life of urban citizens. This trend is corroborated by the surveys conducted among Colonial Group employees:

- in Spain by means of Commuting surveys among all Colonial employees nationwide on daily commuting and business travel, and

- in France, through SFL's Paris Workplace survey in 2019.

In 2020, due to COVID-19, no such surveys were conducted.

However, the main conclusion of these studies is that the location of the workplace is one of the main factors for employees' well-being, as this determines the travel time between home and the workplace. In this regard, offering employees a workspace located in the best areas of major capital cities that are accessible by the widest range of public transport services and with a diversified range of services at their fingertips is critical to ensuring employee satisfaction. In addition, such a location strategy not only ensures the employees' quality of life, but also promotes sustainable mobility and therefore supports Colonial's goal of decreasing the impact on Scope 3 of its carbon footprint.

EMPLOYEE COMMUTING 2019 SURVEY RESULTS

- 47% of the kilometres travelled to work are by public transport. A substantial increase from 27% in 2018

- 7% of the kilometres travelled to work were via zero-emission means of transport (on foot or by bicycle). In 2019, 3% of employees opted for such means, more than twice as many as in 2018.

PARIS WORKPLACE 2019 SURVEY RESULTS

- 83% of respondents are satisfied or very satisfied with the proximity to public transport.

- 100% of those active in France are within 10 minutes of a particular metro or tram station, which is reflected in 77% of respondents using the metro, tram or train and 14% using sustainable means of mobility. Finally, only 9% of employees use cars, motorbikes, scooters or even taxis. Notably, as a result of SFL's asset location strategy, the average home-to-work transport time for clients of its buildings is 20 to 40 minutes according to the latest satisfaction survey, which is much shorter than the average observed in Paris.

The results of both surveys reflect the convenient location and accessibility of the properties. However, Grupo Colonial continues to work proactively in the installation of services that favour the use of more environmentally-friendly transport, such as electric cars, bicycles or scooters. An example in this respect would be the two major refurbishments in France of the 83 Marceau and Biome buildings, which reduced private parking spaces by 65% and 60% respectively, and expanded sustainable mobility spaces by 120 and 284 spaces respectively, thus contributing to the reduction of greenhouse gas emissions.

Additionally, the possible deployment in Spain of mobility surveys by tenants of portfolio buildings similar to that carried out by SFL is being studied, which have been producing useful results for years to plan activities and strategy.

With the aim of encouraging sustainable mobility for both Colonial's own employees and the users of its assets, the following initiatives were carried out in 2020, many of them linked to new trends in urban transport.

In the last three years, it is important to point out that numerous electric charging stations for vehicles have been installed in most of the buildings in the property portfolio, as the Group has set a short-term objective for multi-user buildings to have electrical pre-installation to meet the demand for up to 20% of the parking spaces in these buildings. By 2020, there were 176 units installed in the buildings in Madrid and Barcelona.

Likewise, the existing number of bicycle racks in the buildings' car parks has continued to increase, with 381 units currently installed in the buildings in Madrid and Barcelona. In 2020, 12 bike racks and 52 electric bike racks were installed in various buildings, including a few boxes for folding bicycles.

The Group plans to provide more parking spaces for conventional and folding bicycles as well as electric scooters.

IV. Technological innovation to improve our clients' sustainability

Within the framework of innovation in the management of clients and their needs, Colonial has launched the PropNet platform. This is a Colonial initiative that, by collecting and centralising data in a single platform, allows us to better understand and measure client needs, and also to improve decisions made in the value chain.

With PropNet, Colonial can measure, control and add artificial intelligence to its customer management. It can measure the client's comfort, to control all the installations that affect their comfort and to anticipate their needs according to behavioural patterns.

PropNet focuses on the sustainability of Colonial's buildings. This tool can measure the building's carbon footprint, control the use of resources to reduce and optimise energy consumption, and also design the most efficient future spaces and assets possible, boosting the client's own ESG rating.

V. Sustainability as a key factor in clients' decisions.

Colonial considers that it must be aware of the sustainability needs of its client portfolio and thus anticipate the demands of its clients and users. To this end, Colonial carried out a Europe-wide survey in 2019 within the framework of the European Office Think Tank, to understand how much importance office clients attach to the sustainability of their space (due to the impact of COVID-19, it has not been possible to carry out new studies of this type).

From the results of the survey, we can highlight the following points that will allow us to define and frame Colonial's sustainability strategy for Client management:

- Sustainability of spaces is important to all companies surveyed and more than half expect it to become ever more important
- There has been a big shift in the importance of sustainability as a factor in deciding whether to move offices
- There is a correlation between the size of the organisation and the importance given to sustainability issues
- Half of the respondents have a sustainability strategy whose responsibility falls on the Board
- Recycling and waste management are the main actions taken by those surveyed
- For respondents, the next sustainable action to consider is temperature management and electricity use
- Most tenants in both France and Spain requested a high-level proactivity in terms of sustainability

11.2. Clients & Users - Coworking in Colonial

11.2.1 Leadership position

Within the office market, one of the main trends in adapting to client and user demand has been the creation of offices with a flexible space offer or coworking spaces.

Having analysed this new trend, at the end of 2017, Colonial acquired Utopicus, a startup founded in 2010, and a pioneer of the co-working sector in Spain. Since then, Colonial has focused on expansion and has launched a number of initiatives to make Utopicus one of the largest operators in the sector, managing 12 centres across an approximate surface area of 31,551 m² at 31 December 2020.

11.2.2 Hybrid product – Colonial / Utopicus

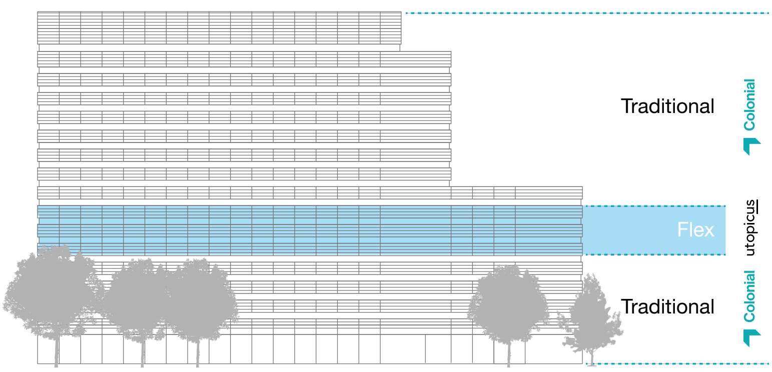
Based on the experience of operating Utopicus (Spain's leading co-working brand), the Group has developed a product that best suits these new needs by offering a "hybrid" product/property. This model consists of combining the concept of a traditional office with a flexible office in the same building. With this product, traditional office clients gain flexibility. In the same building, they can have additional space for their teams, meetings and events, as well as benefit from all the digital content and courses offered by Utopicus. For their part, clients and users of flexible spaces benefit from being in a more professional environment and benefiting from the HUB effect of companies in the same sector.

The centres have the highest safety and hygiene protocols recognised by Bureau Veritas Global Safe Site and AENOR certification for COVID-19 best practices.

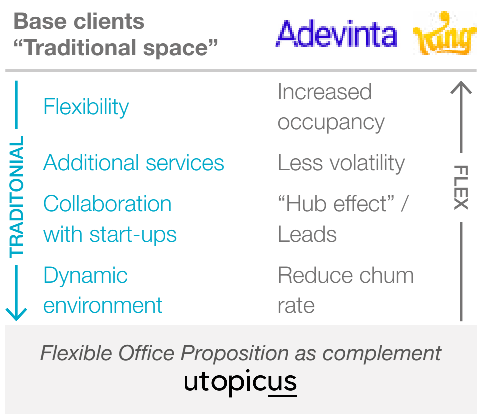
At the company level, the hybrid product allows for reduced long-term liabilities and enables Utopicus to access the best city centre locations in the Colonial buildings. In addition, the hybrid product allows for incorporating Colonial's in-house design, sales and costing teams.

In this sense, during 2018, the first pilot hybrid building was launched taking advantage of the delivery of the new

The case for Parc Glòries Barcelona



Benefits of hybrid products



office project developed by Colonial called “The Window”. The property combines a 4,000 m² Utopicus centre with traditional office space. The result has been a success, increasing the occupancy of the building with higher-than-expected rents and positioning The Window as a benchmark for companies in the Fintech sector in the city of Madrid.

In 2020, Utopicus opened three new centres in hybrid model buildings of the Colonial Group, two of which are located in the city of Madrid, in the Francisco Silvela 42 and Castellana 163 buildings, and one in the city of Barcelona, in the Torre Marenostrum building, located opposite the sea in the Barceloneta neighbourhood.

12
Governance

One of the essential pillars for the sustainability of the Colonial Group is its commitment, both to its investors as well as to the different stakeholders, to carry out its activities ethically, transparently and in line with regulatory requirements in order to ensure compliance with the best practices for Corporate Governance. In this respect, the Colonial Group's priorities are as follows:

- To continue developing instruments to follow and monitor compliance with legal requirements.
- To enhance the visibility and transparency of the practices carried out by the management team.
- To continue to maintain best corporate governance practices.
- Promote the principles of the Colonial Group's Code of Ethics among the various stakeholders.

In this context, Colonial complies with current Spanish corporate governance regulations. Information relating to this topic is included in section G, *"Degree of compliance with corporate governance recommendations"* of the Company's annual corporate governance report for 2020, which has been filed with the Comisión Nacional del Mercado de Valores (CNMV) and is also available on Colonial's website link.

In this regard, following the amendment of the Good Governance Code for listed companies, carried out by the CNMV in June 2020, Colonial has reported that at 31 December 2020, of the total of 64 recommendations of the Good Governance Code for listed companies, the Company complied with 57 recommendations, partially complied with two, did not comply with two, and three were not applicable. Specifically, in 2020, the company did not comply with recommendations 17 and 48, regarding the number of Independent Directors representing at least half of the total number of Directors, as well as the Company having separate appointments and remuneration committees. Furthermore, the Company partially complied with the following recommendations: (i) recommendation 15 that the number of female Directors should account for at least 40% of Board Members by the end of 2022 and thereafter, and previous to that date should not be less than 30%; and (ii) recommendation 59 that the payment of variable components of remuneration should be subject to sufficient verification that performance or other pre-established conditions have been effectively met.

Finally, in 2020 the following recommendations were not applicable to the Company: (i) recommendation 2 on business relationships between a listed company and the society that controls it; (ii) recommendation 11 on the general policy on attendance fees at the General Shareholders' Meeting; and (iii) recommendation 19 on the appointment of Proprietary Directors whose shareholding is less than 3% of the share capital.

Colonial continues to receive recognition in the area of Corporate Governance, such as the "Gold" rating in the *"EPRA Best Practices – Sustainability Reporting"*, MSCI's A rating where it makes special mention that the company's governance policies meet the best market standards and the low-risk rating from Sustainalytics where it specifically mentions that Colonial adequately reports under GRI standards on governance. Likewise, the Company continues to be in constant process of evolution with the aim of establishing itself as a reference in the field. In this regard, in 2020 improvements in corporate governance continued to be made, including, among others, the following:

- Creation of a Sustainability Committee. A delegated committee of the Board of Directors was created to promote the company's environmental and sustainable development policies and practices.
- Increase in the number of women on Colonial's Board of Directors.
- Increase in the number of women chairing board committees.
- Amendment of the Bylaws and the Regulations of the General Shareholders' Meeting to anticipate shareholders' attendance at the General Meeting by virtual means.

Chairs in board committees

	2019		2020	
	Men	Women	Men	Women
Executive Committee	1	0	1	0
Audit Committee	1	0	0	1
Remuneration Committee	1	0	0	1
Sustainability Committee	n. a.	n. a.	0	1
Total Chairpersons	**3**	**0**	**1**	**3**

- Adaptation of the Regulations of the Board of Directors in order to bring them into line with the new recommendations of the Code of Good Governance for listed companies.
- Approval and publication of a new policy for the communication of economic-financial, non-financial and corporate information with shareholders, institutional investors and proxy advisors, following the recommendations of the Comisión Nacional del Mercado de Valores (CNMV), included in the Good Governance Code for listed companies in its June 2020 edition.
- Modification of the selection and diversity policy of Inmobiliaria Colonial, SOCIMI, S.A., which adds the objective of ensuring that before the end of 2022 the number of female Directors shall represent at least 40% of the total number of members of the Board of Directors.
- Training in criminal risk prevention and money laundering prevention for employees.

To achieve its corporate governance objectives, the Group has a structure that is appropriate to its role as a company, thereby contributing to peace, justice and the development of strong institutions as promoted by SDG 16.

SDG 16: PEACE, JUSTICE AND STRONG INSTITUTIONS

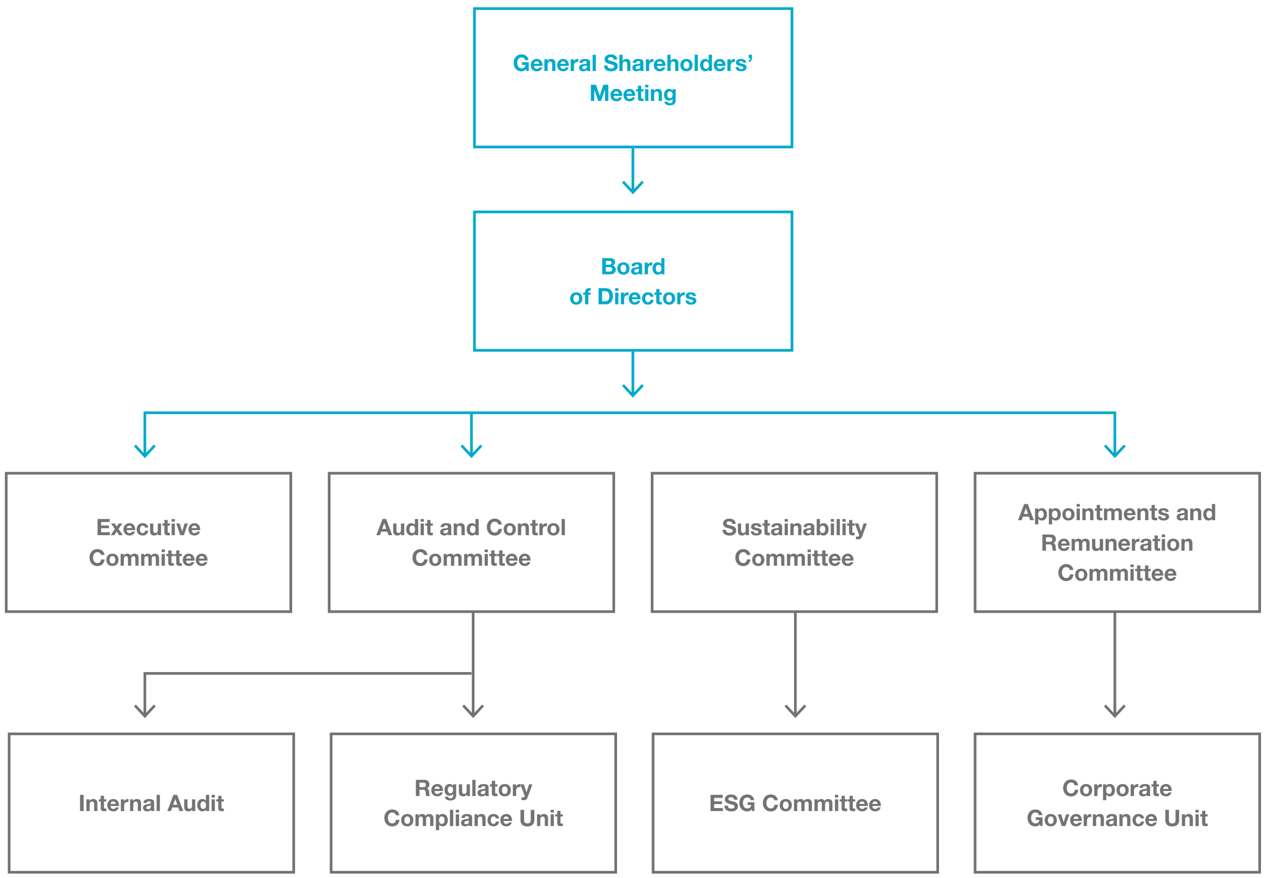
	Trend in indicators		
Strategies / Lines of action	**2019**	**2020**	**Variance**
Board Update Plan	23% female Board Members	27% female Board Members	+400bp
Creation of a Sustainability Committee	0	1	
Increase in the number of women chairpersons of board committees	0 of 3 Committees	3 of 4 Committees	

	Chair	% Independent	% Women
Executive Committee	J. Brugera	17%	0%
Audit Committee	A. Peralta	66%	33%
Remuneration Committee	A. Bolado	60%	40%
Sustainability Committee	S. Alonso-Castrillo	80%	60%

12.1. Corporate Governance Structure

I. Corporate Governance Structure

The Colonial Group's corporate governance structure follows the guidelines established by the Capital Companies Act (LSC) and, and where not provided for in this Act, it is regulated in its Bylaws, as well the Regulations of the General Shareholders' Meeting and the Regulations of the Board of Directors. This corporate governance structure, at **31 December 2020**, is as follows:



II. General Shareholders' Meeting

The General Shareholders' Meeting is the meeting of Colonial's shareholders, in compliance with the legally established formalities and requirements, to deliberate and decide by majority vote on matters within its competence, thus expressing the company's will in the form of an agreement. For these purposes, the formalities, requirements and competences are regulated in Royal Legislative Decree 1/2010, of 2 July, approving the revised text of the Capital Companies Act (Ley de Sociedades de Capital or LSC), in the Bylaws and the Shareholders' Meeting Regulations, the latter of which are available to the public on Colonial's website.

As regards the system for adopting resolutions, this is set out in the Bylaws, although there are no differences with the system provided for in the Capital Companies Act.

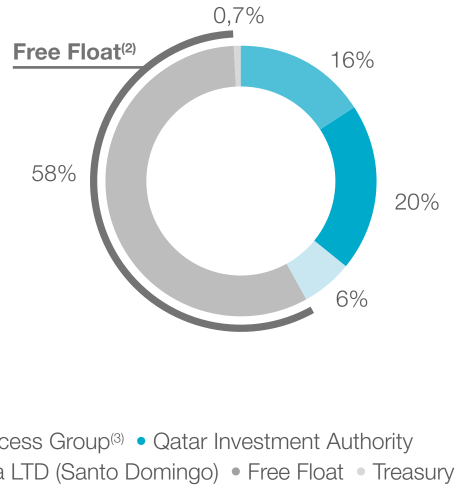
As regards 2020, the General Shareholders' Meeting was held on 30 June 2020 and approved all the resolutions that the Board of Directors agreed to submit for approval. In this regard, both the proposed resolutions and the results of the votes are available on the corporate website.

With regard to the functioning of the General Shareholders' Meeting and the rights of shareholders, Colonial guarantees, at all times, equal treatment of all shareholders who are in the same position, especially with regard to information, participation and the exercise of voting rights at the General Shareholders' Meeting.

Additionally, Colonial makes permanently available to the public on its website, the document *"Requirements and procedures for proving ownership of shares, the right to attend the General Shareholders' Meeting and the exercise or delegation of voting rights"*, amended in 2020, in order to indiscriminately facilitate shareholder attendance and for them to exercise their rights.

III. Shareholder Structure

Shareholder Structure at 31/12/20[1]



(1) Data according to communications to the CNMV and communications received by the company.
(2) Free Float: shareholders with minority interests and without representation on the Board of Directors.
(3) Through Hofinac BV, Finaccess Capital, S.A. de C.V. and Finaccess Capital Inversores, S.L.

IV. Board of Directors

The **Board of Directors of Inmobiliaria Colonial**, in accordance with the Company's Bylaws, is vested with the broadest powers for all matters related to the administration, representation and management of the Company, prescribing all the powers not attributed by the Law or by the Bylaws held to the General Shareholders' Meeting.

In virtue of the above, the Regulations of the Board of Directors establish that the Board of Directors is responsible, without the possibility of delegation, for determining the Company's general policies and strategies, among which include the corporate social responsibility policy; approving the investment and financing policy, the strategic or business plan, the annual management and budget objectives and the policy relating to treasury shares, as well as determining the Company's and the Group's corporate governance policy and the dividend policy. Likewise, the Board of Directors shall determine the risk control and risk management policy, including tax risks, identifying the Company's main risks and implementing and overseeing the internal information and control systems, in order to ensure the Company's future viability and competitiveness, adopting the most relevant decisions for its best development.

In exercising its duties, the Board acts with unity of purpose and independence of judgement, treating all shareholders in the same position equally, and is guided by the corporate interest, understood as the achievement of a profitable and sustainable business in the long term, which promotes its continuity and the maximisation of the Company's economic value. Likewise, in pursuit of the Company's best interests, and in compliance with laws and regulations and conduct based on good faith, ethics and respect for customs and commonly accepted good practices, the Board of Directors strives to balance corporate interests with the legitimate interests of its employees, suppliers, customers and any other stakeholders that could be affected, and the impact of the Company's activities on the community as a whole and on the environment.

The composition of the Board of Directors as well as the procedure for appointing its members, the evaluation of their performance and the proposals and measures for improvement in the management and administration of the Company, are determined by the functions assigned to it and by the legal and statutory provisions. In this regard, the following documents are available for consultation on the corporate website:

- Company Bylaws.
- Shareholders' Meeting Regulations.
- Regulations of the Board of Directors.
- Selection and diversity policy of Inmobiliaria Colonial, SOCIMI, S.A.

A) COMPOSITION OF THE BOARD OF DIRECTORS

As provided for in current legislation, directors are appointed by the General Shareholders' Meeting or, in the event of an early vacancy, by the Board of Directors in the exercise of its power of co-option. In accordance with the above, the procedure and criteria to be followed in the appointment and re-election of candidates for Director is subject to the provisions of Royal Legislative Decree 1/2010, of 2 July, approving the revised text of the Capital Companies Act (LSC), the Bylaws and the Regulations of the Board of Directors.

At 31 December 2020, the composition of the Board of Directors of Inmobiliaria Colonial, SOCIMI, S.A. was as follows:

Name	Director Category	Position on the Board	Date of first appointment	Date of last appointment
Juan José Brugera Clavero	Executive	Chairman	19/06/2008	24/05/2018
Pedro Viñolas Serra	Executive	Chief Executive Officer and Vice-Chairman	18/07/2008	24/05/2018
Luis Maluquer Trepat	Independent	Lead Director	31/07/2013	24/05/2018
Ana Peralta Moreno	Independent	Director	14/06/2019	14/06/2019
Ana Bolado Valle	Independent	Director	14/06/2019	14/06/2019
Silvia Monica Alonso-Castrillo Allain	Independent	Director	24/01/2019	14/06/2019
Sheikh Ali Jassim M. J. Al-Thani	Proprietary	Director	12/11/2015	30/06/2020
Adnane Mousannif	Proprietary	Director	28/06/2016	30/06/2020
Carlos Fernández González	Proprietary	Director	28/06/2016	30/06/2020
Javier López Casado	Proprietary	Director	24/05/2018	24/05/2018
Juan Carlos García Cañizares	Proprietary	Director	30/06/2014	24/05/2018
Francisco Palá Laguna		Non-director Secretary	13/05/2008	13/05/2008
Nuria Oferil Coll		Non-director Vice-Secretary	12/05/2010	12/05/2010

Executive Directors:

2
(18.18%)

JUAN JOSÉ BRUGERA CLAVERO

Juan José Brugera Clavero has been Chairman of Inmobiliaria Colonial, SOCIMI, S.A. since 2008. Previously, he was Chief Executive Officer from 1994 to 2006. Chairman of Société Foncière Lyonnaise since 2010.

Previously, he was Managing Director of Mutua Madrileña, Managing Director of SindiBank and Deputy Managing Director of Banco de Sabadell.

Other occupations: He has been Chairman of the Board of Trustees of the Ramón Llull University (URL). Chairman of the ESADE Foundation, Panrico, Holditex and Círculo de Economía de Barcelona and Director of the Periódico de Catalunya.

He holds a degree in Industrial Technical Engineering and an MBA from ESADE. General Management Programme (PDG) diploma from IESE and Doctor Honoris Causa from the University of Rhode Island.

Competencies	
Real estate	✓
International	✓
Management and Administration	✓
Finance	
Audit and risk	
ESG	
Corporate Governance	✓
Legal and tax	
Planning and strategy	✓

PEDRO VIÑOLAS SERRA

Pedro Viñolas has an undergraduate degree in Business Science and an MBA from ESADE as well as the Polytechnic University of Catalonia. He holds a Business Sciences degree from the University of Barcelona, where he also studied Law.

He was hired in 1990 as Director of the Studies Service of the Barcelona Stock Exchange, where he later held the position of Deputy General Manager until 1997. In 1997, he was hired to serve as Managing Director of FILO, S.A., a listed real estate company where he remained until 2001. From then until 2008, he served as partner and Chief Executive Officer at the Riva y García Financial Group.

He was as Chairman of the Urban Land Institute in Spain, and as a Member of the Board of Directors of the Riva y García Financial Group. In addition, he was Chairman of the Spanish Institute of Financial Analysts in Catalonia from 1994 until 2000. He is currently a member of the Board of Directors of Société Foncière Lyonnaise and sits on its executive committee. Pere Viñolas is a member of the Board of Trustees of ESADE and a member of the Board of Directors of Bluespace, S.A. He is a member of the Board of the European Real Estate Association (EPRA).

Competencies	
Real estate	✓
International	✓
Management and Administration	✓
Finance	✓
Audit and risk	
ESG	✓
Corporate Governance	✓
Legal and tax	
Planning and strategy	✓

Independent Directors:

4
(36.36%)

LUIS MALUQUER TREPAT

Luis Maluquer is a law graduate from the University of Barcelona, with a diploma in International Institutions from the University of Geneva.

Throughout his career at the law firm Maluquer Advocats, SCP, he has advised different national and international institutions, providing his services in the fields of consulting, legal advice, litigations and arbitration and mediation procedures. He also has teaching experience at various institutions, such as the Barcelona Chamber of Commerce, and he has served as Director at the European Society for Banking and Financial Law (AEDBF Paris).

Founding partner of Despacho Maluquer Advocats, SCP and the Director and Secretary of a number of companies, including Société Foncière Lyonnaise (SFL), where he is a Board Member. He was President of the Argentine Chamber of Commerce in Spain until 2019 and is now a member of its Board of Governors.

Competencies	
Real estate	✓
International	✓
Management and Administration	
Finance	
Audit and risk	✓
ESG	✓
Corporate Governance	✓
Legal and tax	✓
Planning and strategy	✓

ANA PERALTA MORENO

Ana Peralta is currently an Independent Director of BBVA and of Grenergy Renovables, S.A., a renewable energy company listed on the MAB index, where she chairs the Audit and Control Committee and is a member of the Appointments and Remuneration Committee.

Ms Peralta has extensive experience in the financial sector. She began her career with Bankinter in 1990, where she worked in several different areas until late 2008. She headed up Bankinter's first Internet Office and ran the Chairman's Office. During her last years at the Bank, she was Chief Risk Officer and a member of the Management Committee.

From 2009 to 2012 she sat on the Management Committee at Banco Pastor, where she worked as General Risk Manager.

From 2012 to 2018 Ms Ana Peralta divided her time between a post as Senior Advisor with Oliver Wyman Financial Services and was a member of several Boards of Directors. She was an Independent Director at Banco Etcheverría, at Deutsche Bank, SAE and also at Lar Holding Residencial.

She holds a degree in Economics and Business Administration from the Madrid Complutense University and a Master's Degree in Financial Management from CEF (1991), and studied the PMD Programme (Program for Management Development) at Harvard Business School (2002) and the PADE programme at the IESE business school (2016).

Competencies	
Real estate	
International	
Management and Administration	✓
Finance	✓
Audit and risk	✓
ESG	✓
Corporate Governance	✓
Legal and tax	
Planning and strategy	✓

ANA BOLADO VALLE

She holds a degree in Pharmacy from the Madrid Complutense University, and also a Master's Degree in Business Administration (MBA) from IE Business School.

During the course of her career, Ana Bolado Valle has worked in several managing positions at the Banco Santander Group (1986-2017), managing important wholesale and retail business areas, digital transformation projects and key areas for the Group such as the Corporate Management of the Human Resources Department between 2005 and 2010. She was been a Board Director at Parques Reunidos Servicios Centrales, S.A.

Currently, Ana Bolado Valle is a Propietary Director at Metrovacesa, S.A., where she was appointed by of Banco Santander, S.A., Unicaja Banco, S.A., Caceis Group and Caceis Bank. At Unicaja Banco, S.A. she also chairs the Appointments Committee, and is a member of the Risk Committee and of the Remunerations Committee. At Caceis Bank she is a member of the following committees: Strategy, Audit, Risk & Compliance and Appointments and Remuneration. Additionally, she is a Senior Advisor at Fellow Funders, an equity crowdfunding platform to boost funding for start-ups and SMEs, as well as member of the Directors and Administrators Institute (Instituto de Consejeros y Administradores – ICA) and of Women Corporate Directors.

Competencies	
Real estate	✓
International	✓
Management and Administration	✓
Finance	✓
Audit and risk	✓
ESG	✓
Corporate Governance	✓
Legal and tax	
Planning and strategy	✓

SILVIA MÓNICA ALONSO-CASTRILLO ALLAIN

Silvia Alonso-Castrillo has a degree in Political Sciences from the Sciences Po University (Paris) and a Master's and Doctorate Degree in Spanish and Latin American Studies from the Sorbonne University (Paris). She became a teacher of Spanish studies in France by civil service examination. She taught and did research for 25 years (1984-2009) in several French academic institutions: University of Toulouse, Sciences Po and ESSEC Business School. She is the author of several books on contemporary Spanish history and politics.

Ms Alonso-Castrillo worked for the French Embassy in Singapore as a science and culture advisor, before being appointed regional director of INSEAD. She supervised the development of two campuses in Singapore: the French Lycée and INSEAD (1996-1999).

Upon her return to Europe in 2000, she worked for 15 years with ESSEC, managing international development and fundraising for the business school, which also opened a campus in Singapore.

In 2007, she founded in Madrid the consulting firm Sociedad de Estudios Hispano Franceses, S.L., which she led until 2019. Since 2013, Ms Alonso-Castrillo has run the family farm in the Loire Valley of France.

She has served on the Board of the College de Bernardins (Paris) and on the Executive Committee of the Fondation pour les Sciences Sociales (Paris). Since 2017 she has been a member of the board of directors of KOIKI HOME, S.L.

Competencies	
Real estate	✓
International	✓
Management and Administration	✓
Finance	
Audit and risk	
ESG	✓
Corporate Governance	✓
Legal and tax	✓
Planning and strategy	✓

Proprietary Directors:

5
(45.45%)

SHEIKH ALI JASSIM M.J. AL-THANI

Of Qatari citizenship. In collaboration with the Qatari government, he has been involved in the commerce, finance and real estate sectors for more than 30 years. He is the senior consultant on strategy and investments since 2007.

From 1995 until 2016, he was the vice president, member of the board of directors and member of the executive committee of the Housing Bank for Trade and Finance of Jordan (the second most important bank in Jordan). He has been a member of the board of directors and the vice president of the United Arab Shipping Company in Dubai, UAE, from 2003 until 2016. Since 2007, he has been the vice president of the Libyan Qatari Bank and in 2009 he was appointed Chairman and Managing Director of Qatar Navigation (having been a member of the Boad of Directors of this listed company in Qatar since 2003). This Holding company operates in see transport and real estate.

Since 2012, he has been a member of the board of directors of QADIC-Qatar Abu Dhabi Investment Company; a company specialising in real estate investment and private equity. In November 2015, he was appointed a director of Sociètè Foncière Lyonnaise (SFL).

Competencies	
Real estate	✓
International	✓
Management and Administration	✓
Finance	✓
Audit and risk	
ESG	
Corporate Governance	✓
Legal and tax	
Planning and strategy	✓

ADNANE MOUSANNIF

Of French and Moroccan dual nationality, Adnane Mousannif currently performs his functions at Qatar Investment Authority (QIA) the sovereign investment fund of Qatar. In recent years, on behalf of QIA, he has participated in the majority of its real estate operations in Europe and America, including the acquisition by the group of Canary Wharf in London and the acquisition of the Virgin Megastore building on the Champs Élysées in Paris.

He also participated, on behalf of QIA, in its acquisition of a shareholding in Société Foncière Lyonnaise and Colonial Inmobiliaria in Spain. He previously spent several years working for the Morgan Stanley Real Estate Investing funds in Europe. He holds a Master's in Business Creation and Finance from the ESCP Europe Business School and a degree in Civil Engineering.

Competencies	
Real estate	✓
International	✓
Management and Administration	✓
Finance	✓
Audit and risk	
ESG	✓
Corporate Governance	✓
Legal and tax	✓
Planning and strategy	✓

CARLOS FERNÁNDEZ GONZÁLEZ

Carlos Fernández is an Industrial Engineer; he also studied on senior management programmes at the IPADE Business School (Instituto Panamericano de Alta Dirección de Empresa).

Over the last 30 years, he has held positions of high responsibility, complexity and competency in the management of companies, in various business sectors. He was CEO (1997-2013) and Chairman of the Board of Directors (2005-2013) of Grupo Modelo. Following his appointment as CEO up until 2013, this Group consolidated its position as the leading brewing company in Mexico, the seventh group worldwide and the largest beer exporter in the world.

Likewise, he has been a Director at international and national companies, including, among others, Anheuser Busch (US), Emerson Electric Co. (US), Grupo Televisa (Mexico), Crown Imports, Ltd. (US), Inbursa (Mexico) and the Mexican Stock Exchange (Bolsa Mexicana de Valores). In addition, he was also a member of the international advisory board of Banco Santander, S.A. (Spain), and Director of Grupo Financiero Santander México S.A.B de C.V. and until October 2019 a Member of the Board of Banco Santander, S.A. (Spain).

He is currently Chairman of the Board of Directors and CEO of Grupo Finaccess S.A.P.I. de C.V., a company which he founded, which is present in Mexico, the US, Europe, China, Australia and New Zealand. In addition to Inmobiliaria Colonial, SOCIMI, S.A, he is also a Proprietary Director of AmRest Holdings, S.E. and Restaurant Brands New Zealand Limited.

Competencies	
Real estate	✓
International	✓
Management and Administration	✓
Finance	✓
Audit and risk	✓
ESG	✓
Corporate Governance	✓
Legal and tax	✓
Planning and strategy	✓

JAVIER LÓPEZ CASADO

Javier López joined Finaccess as International Director of Asset Management in November 2010. Since 2012 he has been CEO of Finaccess Advisors LLC. Since 2014 he has also been Head of Finaccess Estrategia S.L. in Spain and Chairman of Finaccess Value since 2021.

Prior to joining Finaccess, he worked as Senior Vice President for Santander Private Banking in Miami. He previously held different positions in Banco Santander's International Private Banking area in Madrid and Miami. He worked for the Santander Group from 1996 to 2010.

Before joining Banco Santander, he worked as a lawyer in Madrid. He has 22 years' experience in financial markets and is a Member of Grupo Finaccess' Board of Directors, the International Investment Committee and the Audit Committee of Finaccess Advisors LLC.

He is Chairman of SOLTRA S.L., a company dedicated to the promotion, education and rehabilitation of people with different capabilities in order to achieve full social integration, which currently has 400 employees. He also sits on the Board of Trustees of several foundations in Spain and Mexico.

In addition, since 2018, he has been on the Board of Directors of Inmobiliaria Colonial, SOCIMI, S.A, and he is also a Board Director and member of the Audit Committee.

He holds a Law Degree from the University San Pablo CEU of Madrid, an MBA from the University of Miami and a Master's in Legal and Tax Consulting for Construction and Real Estate Companies from the Universidad Politécnica of Madrid.

Competencies	
Real estate	✓
International	✓
Management and Administration	✓
Finance	✓
Audit and risk	✓
ESG	✓
Corporate Governance	✓
Legal and tax	✓
Planning and strategy	✓

JUAN CARLOS GARCÍA CAÑIZARES

Juan Carlos García is an Industrial Engineer. He also studied management programmes at IMD Switzerland, and holds an MBA granted jointly by the New York University Stern School of Business, London School of Economics and HEC Paris.

He is an investment banker who has led mergers, acquisitions and the financing of acquisitions for more than 25 years for the value of more than $35 billion. He was Vice President of Planning for Bavaria, one of Latin America's leading brewing companies, where he was responsible for the $4 billion international brewery acquisition programme, and for the subsequent $8 billion merger with SABMiller plc, thereby creating the world's second largest brewing company. In recent years, on behalf of the Santo Domingo Group, he led negotiations for the conversion of its holding in SABMiller into a share in Anheuser Busch Inbev following the merger of the two, a transaction which was finalised in 2016. Before joining the Santo Domingo Group, he was co-founder and Main Partner of Estrategias Corporativas, an investment bank in Latin America.

He is currently the Managing Director of Quadrant Capital Advisors, Inc. in New York (a Santo Domingo Group investment company based in New York). He is responsible for Quadrant Capital's Strategic Investments Group, including investments in AB-Inbev and in the consumer, financial system, natural resources and energy sectors worldwide, among others. He is a Member of multiple Board of Directors, including Bevco Lux S.A.R.L and Samson & Surrey S.A.R.L. (Luxembourg), Bavaria, S.A., Valorem S.A. (Colombia) and Genesis Foundation (USA).

Competencies	
Real estate	✓
International	✓
Management and Administration	✓
Finance	✓
Audit and risk	
ESG	
Corporate Governance	✓
Legal and tax	✓
Planning and strategy	✓

B) DIVERSITY AND COMPETENCIES OF THE MEMBERS OF THE BOARD OF DIRECTORS

The appointment or re-election of candidates to the Board of Directors is carried out in compliance with Colonial's Selection and Diversity Policy. This Policy had the positive result of tripling the number of female members on the Board of Directors in 2019 with this number of female Directors being maintained during 2020.

This Selection and Diversity Policy, applicable to the appointment and re-election of candidates for Directors, is based on the principles of diversity and balance in the composition of the Board of Directors, within the general objective of making the functioning of this body more effective and professional and increasing the quality of corporate management.

During 2020, at the proposal of the Appointments and Remuneration Committee, the modification of the Selection and Diversity Policy was submitted to the Board for approval in order to adapt it to the new recommendations of the Good Governance Code for listed companies, approved by the CNMV in June 2020. Among the most relevant modifications, it is worth highlighting the modification regarding gender diversity, as well as the inclusion of age as a criterion for the selection of Directors.

In accordance with the Selection and Diversity Policy, the selection of candidates for directorship will require a prior analysis of the Company's needs, which will be carried out by the Board of Directors, following a report from the Appointments and Remuneration Committee (ARC). In this process, individuals will be sought who meet the requirements of professional and personal qualifications and integrity, as well as capacity, set out in the Policy. Once these requirements have been met, care shall be taken to ensure that the selection processes favour the integration of Directors on the Board of Directors with a diversity of training and professional experience, skills, knowledge, age and gender, and that they do not suffer from any kind of implicit bias that could imply any discrimination, inter alia, for reasons of gender, age or different abilities and always in the Company's best interests.

In relation to diversity, and after the last modification made in 2020, the Policy's objectives include that by the end of 2022 the number of female Directors should represent at least 40% of the total number of members of the Board of Directors. Likewise, within the Policy's objectives, the appointment of directors is expected to comply with the general criteria on the composition of the Board of Directors, especially with regard to the balance in the presence of executive, proprietary and independent Directors, with respect for the principles and recommendations set out in the CNMV's Code of Good Governance.

Furthermore, the re-election of three Proprietary Directors was submitted to the General Shareholders' Meeting for approval, and the Board of Directors approved the appointment of a new Lead Director, for which the Appointments and Remuneration Committee carried out an analysis of the composition of the Board of Directors, its needs and the shareholder composition of the Company, assessing the conditions that the Directors should meet in the exercise of their positions and the dedication necessary for the proper performance of their duties.

The Appointments and Remuneration Committee has considered that the re-elected Directors, as well as the Director appointed as Lead Director, meet the requirements of professional qualification and honourability, as well as capacity, as provided for in the Selection and Diversity Policy.

In addition, the Appointments and Remuneration Committee has taken care to ensure that the selection processes favour the integration of Directors on the Board of Directors with a diversity of training and professional experience, skills, knowledge, age and gender, and that they do not suffer from any kind of implicit bias that could imply any discrimination, inter alia, for reasons of gender, age or different abilities and always in the Company's best interests.

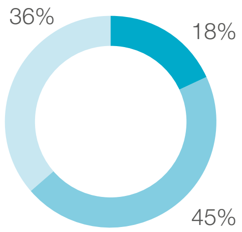
Finally, the Appointments and Remuneration Committee has verified compliance with the independence requirements of the proposed candidates, in accordance with legal and statutory provisions, as well as national and international standards.

The competency matrix of the members of the Board of Directors is set out below:

Competency Matrix of the Board of Directors of Inmobiliaria Colonial, SOCIMI, S.A.

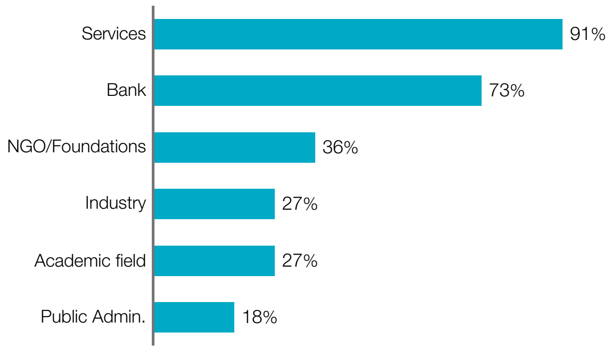
Name	Title	Real estate	Internat.	Managem. and admnist.	Finance	Audit and risks	ESG	Corporate Govern.	Legal and tax	Planning and strategy
J. J. Brugera Chairman	Executive	✓	✓	✓				✓		✓
P. Viñolas CEO & VC	Executive	✓	✓	✓	✓		✓	✓		✓
Sheikh Ali Jassim	Proprietary	✓	✓	✓	✓			✓		✓
A. Mousannif	Proprietary	✓	✓	✓	✓		✓	✓	✓	✓
J. C. García	Proprietary	✓	✓	✓	✓			✓	✓	✓
C. Fernández	Proprietary	✓	✓	✓	✓	✓	✓	✓	✓	✓
J. López	Proprietary	✓	✓	✓	✓	✓	✓	✓	✓	✓
S.M. Alonso-Castrillo Allain	Independent	✓	✓	✓			✓	✓	✓	✓
L. Maluquer	Independent	✓	✓			✓	✓	✓	✓	✓
A. Bolado	Independent	✓	✓	✓	✓	✓	✓	✓		✓
A. Peralta	Independent			✓	✓	✓	✓	✓		✓

Type

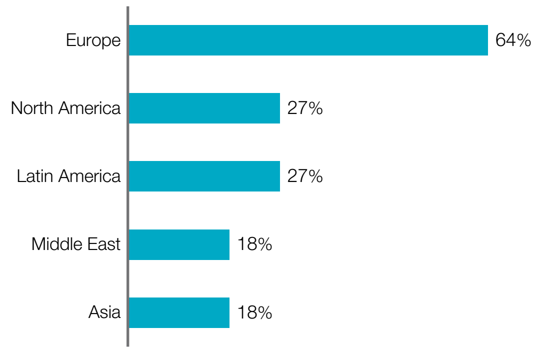


• Executive • Proprietary • Independent

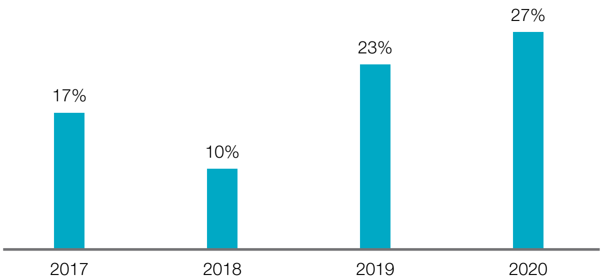
Professional experience



International experience



Female Board Members



7
different nationalities on the board

5.5
years Average seniority

C) FUNCTIONING OF THE BOARD OF DIRECTORS

Colonial currently has two executive Directors, who hold the positions of Chairman of the Board of Directors and Chief Executive Officer, who is also Vice-Chairman of the Board of Directors. The Chairman of the Board of Directors has all the powers provided for by law and in the Regulations of the Board of Directors, as well as extensive management powers. The Chief Executive Officer has been delegated all powers that may be delegated in accordance with the law and in his capacity as Vice-Chairman, a position he has held since 25 July 2019, he may perform the duties of the Chairman in the event of the latter's absence.

Pursuant to the above, and in compliance with the applicable regulations, insofar as the Chairman of the Board of Directors is an executive director, the Board of Directors has a Lead Independent Director (Luis Maluquer Trepat), who is especially empowered to, among other matters, request board meetings be called or new items be included on the agenda of a board meeting already called, coordinate and bring together the non-executive Directors and Lead, where appropriate, the periodic evaluation of the Chairman of the Board of Directors.

The academic and professional profiles of the Directors, which are previously included in this report, are also available to the public on the Company's corporate website (link). Likewise, the data concerning their stake in Colonial's share capital is available on the website of the Comisión Nacional del Mercado de Valores (CNMV).

Board Director status

The Board Director of the Colonial Group are vested with the broadest powers to enquire into any aspect of the Company, examine its books, records, documents and other background information on corporate operations and inspect all of its facilities. In this respect, they have at their disposal, among other means, applications and information tools where they can access all the information at any time relating to the Board of Directors, its committees, updated plans, information pills, approved and signed minutes, legislative news, among other contents.

Colonial makes available to the **new Directors**, through the Directors' portal on its website, a welcome programme to provide new Directors with rapid and sufficient knowledge of the Company and the Group, as well as of the rules of corporate governance, so that they can actively perform their duties as soon as they are appointed. In particular, the following, inter alia, are made available to the new Directors: (i) general information on the Company; (ii) presentation of the Company's governing bodies and organisational structure; (iii) Code of Ethics; (iv) Bylaws; (v) Shareholders' Meeting Regulations; and (vi) Regulations of the Board of Directors. In addition, meetings are held with the management team/steering committee members to inform them about the functioning of the company.

Training Plan for the Board of Directors

In addition, in order to develop and enhance the collective knowledge of the highest governing body on economic, environmental and social issues, the Colonial Group has a Board **Update Plan**, developed by the Corporate Governance Unit under the leadership of the Chairman of the Appointments and Remuneration Committee, with the aim of reporting on the new trends that have emerged in the sector and are having a disruptive effect on the real estate business.

In this respect, an annual training plan is drawn up for the Company's Directors, which sets out the different dates, content, target groups and speakers of the same. In 2020, sessions were held on the "Analysis of the macroeconomic scenario" and "Information technologies in Colonial".

D) PERFORMANCE REVIEWS OF THE BOARD OF DIRECTORS AND THE DELEGATED COMMITTEES

In keeping with the spirit of continuous improvement that Colonial pursues in the fulfilment of its corporate governance functions, extending the requirements that by rule or recommendation of best practices are applicable to listed companies, through internal regulations and policies committed to progress in this area and transparency in their dissemination, an annual evaluation of the Board and its delegated committees, as well as of the Chairman, the Chief Executive Officer and the Secretary of the Board is carried out. In this regard, certain improvement measures were implemented in 2020, even though the result of the assessment for 2019 was satisfactory.

For 2020, the Board of Directors has evaluated its composition and competencies, the functioning and composition of the committees, and the performance of the Chairman, the Chief Executive Officer and the Secretary of the Board. Likewise, the transition processes of the functions of the lead Director and of the Chairmen of the Appointments and Remuneration Committee and the Audit and Control Committee that took place during 2020 were evaluated. In this regard, questionnaires were sent to all Directors for the aforementioned evaluations, addressing various matters, as well as collecting general recommendations for improvement. Having received their replies, the Appointments and Remuneration Committee prepared the corresponding evaluation reports on the Board of Directors, the Chairman, the Chief Executive Officer and the Secretary of the Board, as well as on its own composition, competencies and functioning, for submission to the Board of Directors. Similarly, the Audit and Control Committee formulated the evaluation report on its composition, competencies and functioning.

The Appointments and Remuneration Committee requested the services of Spencer Stuart as an external consultant in the aforementioned evaluation processes, and said entity issued a report on the suitability of the procedure and methodology applied by Colonial in the evaluation process, as well as the conclusions in relation to it. Following the evaluation, the Board of Directors approved the corresponding evaluation reports to the Board, its committees, the Chairman of the Board of Directors, the Chief Executive Officer and the Secretary of the Board.

Conflicts of interest

In accordance with the Bylaws, Directors shall abstain from participating in the deliberation and voting on resolutions or decisions in which he or a related person has a direct or indirect conflict of interest. Votes from Board Directors affected by a conflict of interest and required to excuse themselves from the meeting shall be deducted from the calculation of the majority of votes necessary. The above obligation to abstain shall not apply to resolutions or decisions that affect him/her as a Board Director, such as his/her appointment or revocation for positions on the administrative body or others of similar significance.

Likewise, the Regulations of the Board of Directors establish that the duty of loyalty obliges the Director to abstain from participating in the deliberation and voting on resolutions or decisions in which he/she or a related person has a direct or indirect conflict of interest. Similarly, Directors must adopt the necessary measures to avoid engaging in situations in which their interests, whether for their own account or for the account of others, may conflict with the corporate interest and with their duties to the Company. In particular, the Director shall refrain from: a) carrying out transactions with the Company, except in the case of ordinary transactions, made on standard terms for clients and of little relevance, understood as those whose information is not necessary to express the image of the net worth, financial situation and results of the Company; b) using the name of the Company or invoke his/her status as a Director to unduly influence the performance of private transactions; c) making use of corporate assets, including confidential information on the Company, for private purposes; d) taking advantage of the Company's business opportunities; e) obtaining benefits or remuneration from third parties other than the Company and its Group, associated with the performance of his duties, except in the case of mere courtesy; f) engaging in any activity, whether for themselves or others, involving effective competition, whether actual or potential, with the Company or which are otherwise in permanent conflict with the Company's interests. The above shall also apply if the beneficiary of the prohibited acts or activities is a person related to the Director, as defined by law.

Situations of a conflict of interest in which Directors are involved will be disclosed in the Integrated Annual Report and in the Annual Corporate Governance Report.

The authorisation must be approved by the General Meeting when it is intended to waive the prohibition on obtaining a benefit or remuneration from third parties, or affects a transaction with a value exceeding 10% of the Company's assets, and may be granted in other cases by the Board of Directors provided that the independence of the members granting the authorisation is guaranteed with respect to the Director being exempted. In addition, it will be necessary to ensure the safety of the authorised operation for the Company's assets or, where appropriate, its implementation under market conditions and the transparency of the process.

The obligation not to compete with the Company may only be waived if no harm to the Company is to be expected or if the expected harm is outweighed by the expected benefits to the Company. The waiver shall be granted by express and separate resolution of the General Meeting.

Without prejudice to the information already included in the Financial Report and in the Annual Corporate Governance Report for 2020, no situations of a potential conflict of interest between the Company and its Directors materialised in 2020.

Main actions in 2020

Taking into consideration the particular situation of the global health and economic crisis resulting from COVID-19 and the consequent extraordinary measures adopted by the Spanish Government and the Autonomous Communities, the Board, in connection with the performance of its functions in 2020, carried out the following activities, among others:

A) ORDINARY MANAGEMENT

- Monitoring the day-to-day management of the Company and the development of the business.
- Coordinating the development of the activity in the interests of the Company and its subsidiaries.
- Evaluating and approving, in view of the Report of the Appointments and Remuneration Committee, the functioning of the Board of Directors, its Committees and the performance of their duties by the Chairman, the Chief Executive Officer and the Secretary of the Board of Directors. In addition, as a result of the replacement of the lead Director and Committee Chairmen during 2020, the transition process of these positions during the year under review has been evaluated.
- Assessing the reasonableness and consistency of the proposed dividend and proceeding with the execution of the payment.
- Appointment, following a favourable report from the Appointments and Remuneration Committee, of Luis Maluquer Trepat as lead Director, as well as a member of the Executive Committee.
- Acknowledgement, following a favourable report from the Appointments and Remuneration Committee, of the appointment of Ana Peralta Moreno as Chairwoman of the Audit and Control Committee and Ana Bolado Valle as Chairwoman of the Appointments and Remuneration Committee.
- Appointing, following a favourable report from the Appointments and Remuneration Committee, of Silvia Mónica Alonso-Castrillo Allain as a member of the Audit and Control Committee.

- Presenting the reports and proposed resolutions which, in accordance with the provisions of the current Capital Companies Act and the Bylaws, must be drawn up by the Board of Directors for the knowledge and approval, if appropriate, of the Ordinary General Shareholders' Meeting, including, and in particular with regard to the meeting held during 2020, those referring to the amendment of the Bylaws and the Shareholders' Meeting Regulations.

- Approving the annual accounts, the individual and consolidated management reports and the proposed appropriation of profit for 2019, as well as the financial report for the first quarter and the annual financial report.

- Analysing and approving transactions for the sale of real estate, as well as refurbishment/construction operations on real estate belonging to the Company.

- Approving the update of the Business Plan and the Company's investment and divestment strategy, taking into account the health and economic crisis arising from COVID-19.

- Monitoring the Company's institutional relations, meetings with analysts and investors, as well as share price developments.

- Approving the establishment of a share buyback programme under the authorisation granted by the Company's General Shareholders' Meeting held on 29 June 2017, for a maximum amount of €25,000,000, and a maximum number of treasury shares to be acquired by the Company of 3,000,000 shares, representing 0.59% of Colonial's current share capital, ending in December 2020.

- Agreeing to issue simple bonds for a total maximum nominal amount of €500,000,000 and with a minimum maturity of six years, under the Euro Medium Term Note programme, last renewed in December 2019 (the "EMTN Programme"), with the proceeds of the issue being used for the Company's general corporate needs, including, if applicable, the refinancing and/or early repayment of any of the Group's financial liabilities.

- Agreeing to repurchase, in whole or in part, and in one or more instalments, the Company's outstanding bonds as at 23 September, up to a limit of €300 million.

- Implementing policies that encourage balanced action in relation to ESG matters such as, for example, Colonial's commitment to the Paris climate treaty, announcing a reduction in carbon footprint intensity from 2015 to 2030 of 75% and a commitment to reach carbon neutral emissions from Colonial's assets by 2050, which has led to Colonial's rating of A- in the CDP report in relation to decarbonisation.

B) CORPORATE GOVERNANCE

- Monitoring the recommendations of the Good Governance Code for listed companies published by the CNMV in June 2020 and approving the modifications to the Company's internal policies that have been necessary to adapt to the aforementioned recommendations. In particular, (i) the Company's Selection and Diversity Policy, subject to a favourable report from the Appointments and Remuneration Committee; and (ii) the Policy for communication of economic-financial, non-financial and corporate information with shareholders, institutional investors and proxy advisors, subject to a favourable report from the Audit and Compliance Committee.

- Approving the amendments proposed by the Audit and Control Committee to the Regulations of the Board of Directors of the Company in order to adapt them to the reform of the CNMV's Code of Good Governance.

- Reporting on the proposal and approving the variable remuneration of the Chairman and the Chief Executive Officer.

- Approving the variable remuneration for the management team.

- Approving, in accordance with the proposal of the Appointments and Remuneration Committee, the number of shares corresponding to each beneficiary of the share delivery plan that was approved by the General Shareholders' Meeting of 21 January 2014, as well as, following a favourable proposal of the Appointments and Remuneration Committee, to submit for approval to the Company's General Shareholders' Meeting the extension of the aforementioned delivery plan for two additional years, without prejudice to the plan to submit a new share delivery plan for approval by the Company's General Shareholders' Meeting to be held next year.

- Approving, at the proposal of the Appointments and Remuneration Committee, the annual corporate governance report.

- Approving, at the proposal of the Appointments and Remuneration Committee, the Annual Director Remuneration Report.

- Convening the Ordinary General Shareholders' Meeting for 2020.

- Promoting the ESG (Environment, Social and Governance) policy.

- Approving, following a favourable report from the Appointments and Remuneration Committee, the constitution of the Sustainability Committee, its composition and functioning, as well as the appointment of its members and their remuneration.

C) FINANCIAL AND NON-FINANCIAL INFORMATION

- Approving the financial information which, as a listed company, the Company must periodically publish and, in particular, preparing the annual accounts and submitting them to the General Shareholders' Meeting.

- Approving the Company's integrated Annual Report.

D) RISK MANAGEMENT AND CONTROL SYSTEMS

- Approving the risk management and control policy report, management objectives and annual budget.

- Approving, subject to a favourable report from the Audit and Control Committee, the updating of the Company's risk map.

E) OTHERS

- As a result of the health crisis caused by COVID-19, the Committee has taken the decision to set up a crisis committee in order to protect employees, investors and the Company's assets, while respecting existing legislation, and to promote the provision of the necessary measures in this regard by the Company.

The following table shows the percentage of attendance, in person or by proxy, of the members of the Colonial Board of Directors at the meetings of the Board of Directors, the Audit and Control Committee, and the Appointments and Remuneration Committee during 2020[1].

Name	Board	Audit and Control Committee	Appointments and Remuneration Committee
Juan José Brugera Clavero	100%	–	–
Pedro Viñolas Serra	100%	–	–
Luis Maluquer Trepat	100%	100%	100%
Ana Bolado Valle	100%	–	100%
Ana Peralta Moreno	100%	100%	–
Silvia Mónica Alonso-Castrillo Allain	100%	–	100%
Sheikh Ali Jassim M.J. Al-Thani	100%	–	–
Adnane Mousannif	100%	–	90%
Carlos Fernández González	100%	–	–
Javier López Casado	100%	100%	–
Juan Carlos García Cañizares	100%	–	100%
Carlos Fernández-Lerga Garralda	100%	100%	100%
Javier Iglesias de Ussel Ordís	100%	100%	100%

(1) No meetings of the Executive Committee or the Sustainability Committee were held in 2020.

V. Delegated Committees of the Board of Directors

The Board of Directors has set up four Delegate Committees, an Executive Committee, an Audit and Control Committee (ACC), an Appointments and Remuneration Committee (ARC) and a Sustainability Committee.

EXECUTIVE COMMITTEE

Making use of the powers conferred by the applicable regulations, Colonial's Board of Directors has set up an Executive Committee to which it may permanently delegate all or part of its powers, except those that cannot be delegated. This Committee has the following composition and is governed in accordance with the provisions of the Regulations of the Board of Directors.

Name	Position
Juan José Brugera Clavero	Chairman
Pedro Viñolas Serra	Vice-Chairman
Adnane Mousannif	Board Member
Juan Carlos García Cañizares	Board Member
Carlos Fernández González	Board Member
Luis Maluquer Trepat	Board Member

AUDIT AND CONTROL COMMITTEE (ACC)

The main function of the Audit and Control Committee is to support the Board of Directors in all its supervisory tasks through regular reviews of the process of preparing economic and financial information, the effectiveness of the Company's internal control, internal audit and risk management systems, as well as to discuss with the auditor any significant weaknesses in the internal control system detected in the course of the audit, all without infringing its independence.

This includes submitting to the Board of Directors a report on the Risk Management and Control Policy, identifying, at least, the different types of financial and non-financial risks, including operational, technological, legal, social, environmental, political and reputational risks. The monitoring of the rules of the Internal Codes of Conduct and the CSR Policy also includes the assessment of non-financial risks.

At 31 December 2020, the Audit and Control Committee (ACC) was composed of the following Directors:

Name	Position
Ana Peralta Moreno	Chairwoman
Luis Maluquer Trepat	Board Member
Javier López Casado	Board Member

The following changes were made to the composition of the Company's Audit and Control Committee during 2020:

- In accordance with the announcement at the time of the call of the Ordinary General Shareholders' Meeting of 24 May 2018, the directors Carlos Fernández-Lerga Garralda and Javier Iglesias de Ussel Ordís tendered their resignation as Directors, as 12 years had elapsed since their first appointment as Independent Directors of the Company, i.e. the maximum period laid down by the regulations for a Director to be considered independent.

- Furthermore, as a consequence of these resignations, the appointment, by the Audit and Control Committee at its meeting of 12 May 2020 (with effect from 30 June 2020), of Ana Peralta Moreno as Chairwoman of the Audit and Control Committee.

As regards the preparation and conduct of meetings, the Chairman of the Committee convenes its meetings with adequate advance notice, with Directors regularly attending the meetings and in cases where, for justified reasons, they are unable to attend, they delegate their vote to another Director, including instructions to the proxy. In this respect, during 2020, all the members of the Committee attended all the meetings, either in person or by proxy. Prior to each meeting, Committee members are provided information on the issues to be addressed therein, so as to encourage their active participation and the well-reasoned adoption of resolutions.

In addition to the members of the Committee, all meetings were attended by the head of Internal Audit and the Director of Legal Affairs and Compliance and Deputy Secretary of the Board of Directors. In addition, where necessary, the following individuals have attended as guests, among others: (i) the advisor to the Committee; (ii) the Chief Executive Officer; (iii) the chief corporate officer; (iv) the chief financial officer; and (v) the Director of corporate development. In addition, the audit team of PricewaterhouseCoopers was invited and attended certain Committee meetings.

In view of the special circumstances that arose during 2020 as a result of the health crisis caused by COVID-19, with the exception of the meetings on 23 January and 20 and 27 February 2020, which were held with the physical attendance of the members of the Committee, the remaining meetings were held by telephone or videoconference, in accordance with the measures adopted by *Royal Decree-Law 8/2020 of 17 March on extraordinary urgent measures to address the economic and social impact of COVID-19.* At each of these meetings, the Secretary acknowledged the identity of all Committee members attending the meetings.

The main activities carried out by the Audit and Control Committee during 2020 are detailed below:

- Serving as a channel of communication between the Board and the external auditor.
- Prior to the issuance of the audit report, issue a report on the independence of the auditors, in accordance with the legal and statutory requirements.
- Monitoring the effectiveness of the internal control, internal audit and, in particular, risk management systems, including those relating to tax risks, and discussing with the external auditors any significant weaknesses detected in the internal control system during the course of the audit.
- Approving the internal audit plan for 2020, the proposal for the re-election of the auditor for 2021 and the report on the risk management and control policy.
- Monitoring the corporate social responsibility strategy and practices.
- Overseeing compliance with internal rules of conduct and the process of preparing and presenting financial information.
- Promoting and fostering a culture of compliance with corporate rules and texts.
- Reporting on the Annual Corporate Governance Report.
- Evaluating its own operations as part of the self-evaluation process of the Board and its committees.
- Analysing and reporting on treasury stock transactions for submission to the Board.
- Reporting to the Board on the content of the meetings of the Audit and Control Committee.
- Updating the risk map.

- Monitoring the implementation of the measures agreed in the framework of the cyber security action and improvement plan.

- Analysis of reports submitted by internal audit and the business area on the contracting of works and construction suppliers.

- Appointment of Ana Peralta as Chairwoman as of 30 June.

- Proposal to the Board of amendments to the Board Regulations, both article 13 and others, the latter to bring them into line with the new Good Governance recommendations approved in June 2020 by the CNMV.

- Approval of the communication policy for economic-financial, non-financial and corporate information to shareholders, institutional investors and proxy advisors for approval by the Board.

APPOINTMENTS AND REMUNERATION COMMITTEE (ARC)

The Appointments and Remuneration Committee (ARC) is responsible for reporting to the Board of Directors on proposals for the appointment of proprietary and Executive Directors, and for proposing the appointment of independent Directors, following the corresponding assessment of the competences, knowledge and experience required, always taking into account the principles of diversity and balance in its composition. Likewise, the Committee is also responsible for proposing to the Board the Remuneration Policy for Directors, managers and people performing senior management functions.

The duties of the Appointments and Remuneration Committee include, among others:

- Assessing the competencies, knowledge and experience required on the Board, defining the roles and aptitudes required of candidates, evaluating the time and dedication necessary for them to perform their duties effectively. In this regard, during 2020, the Appointments and Remuneration Committee analysed the composition of the Board, its knowledge and experience, as well as the qualifications of its members, in accordance with the provisions of the corporate texts, the Law and good governance recommendations.

- Making recommendations to the Board regarding the reviews of the Board, the Appointments and Remuneration Committee and the performance of their duties by the Chairman, the Chief Executive Officer, the Lead Director and the Secretary. In this regard, in 2020, the Committee coordinated the submission to the Board, the reports on the evaluation of the Board, the Committee and the performance of their duties by the Chairman of the Board, the Chief Executive Officer, and the Secretary of the Board, as well as on the transition of the position of Lead Director, with the advice of Spencer Stuart.

- Establishing a representation target for the under-represented gender on the Board and developing guidelines for achieving it. For this purpose, the Appointments and Remuneration Committee submitted the Selection and Diversity Policy to the Board for approval, after due analysis, in order to adapt it to the new recommendations of the CNMV's Good Governance Code in June 2020. Among the most important modifications made, of special mention are the modifications regarding gender diversity and the inclusion of age as a criterion for the selection of Directors.

- Reporting on proposals for the appointment of Directors (except Independent Directors) for appointment by co-option or for submission to the decision of the General Meeting, as well as proposals for their re-election or removal by the General Meeting. In particular, the Appointments and Remuneration Committee agreed to submit to the Board, for submission to the General Meeting, the proposal for the re-election of Sheikh Ali Jassim M. J. Al-Thani, Adnane Mousannif and Carlos Fernández González as Proprietary Directors and, likewise, submitted for approval by the Board of Directors the appointment of Luis Maluquer Trepat as Lead Director.

- Reporting on proposals for the appointment and removal of senior managers and the basic conditions of their contracts. In 2020, the activity carried out during 2019 was analysed in order to report favourably on the fixed and variable remuneration of the management team, as proposed by the Chief Executive Officer.

- Proposing to the Board the remuneration policy for Directors and general managers or those who perform their senior management duties under the direct supervision of the Board, the executive committee or the Chief Executive Officer, as well as the individual remuneration and other contractual conditions of executive Directors, ensuring that they are complied with. In this regard, during 2020, the Appointments and

Remuneration Committee (i) reported favourably on and proposed to the Board the Annual Report on Directors' Remuneration; (ii) ensured compliance with the remuneration policy established by the Company and proposed to the Board the variable remuneration of the Chairman and Chief Executive Officer; (iii) reported favourably and proposed to the Board the approval of the Directors' remuneration policy for 2020, 2021 and 2022; (iv) analysed the variable remuneration objectives for the 2020 that allow the performance of the Management Committee to be assessed; and (v) proposed the number of shares to be received by the beneficiaries of the Share Delivery Plan, approved by the General Shareholders' Meeting held on 21 January 2014.

Other functions carried out in 2020 include:

- Promoting the Plan for the Training and Updating of Knowledge of Board Members.
- Promoting the ESG policy.
- Proposing to the Board the appointment of members of the Audit and Control Committee, the Appointments and Remuneration Committee and the Executive Committee.
- Reporting on and analysing the actions carried out during the year by the Corporate Governance Unit.
- Evaluating the appropriateness of a Sustainability Committee and the proposal for its approval and constitution by the Board.

With regard to its functioning, it meets whenever requested by at least two of its members or agreed by its Chairman, who is responsible for convening it. The call notice shall be valid provided it is sent by any means that allow acknowledgement of its receipt. The Appointments and Remuneration Committee is validly constituted when the majority of its members are present or represented, and its resolutions are adopted by a majority of those present or represented, with the Chairman having the casting vote in the event of a tie.

Likewise, the following functions deserve special mention:

- Assessment and proposals for improving the Board and the Governing Bodies.
- Regular reviews and proposals for improving how the Governing Bodies work.
- Talent management and the promotion of ongoing training and career planning.
- Management of successions in the Governing Bodies and management teams.

On **31 December 2020**, the Appointments and Remuneration Committee was composed of the following Directors:

Name	Position
Ana Bolado Valle	Chairwoman
Luis Maluquer Trepat	Board Member
Silvia Mónica Alonso-Castrillo Allain	Board Member
Adnane Mousannif	Board Member
Juan Carlos García Cañizares	Board Member

The following changes in the composition of the Appointments and Remuneration Committee took place in 2020:

- In accordance with the announcement at the time of the Ordinary General Shareholders' Meeting call of 24 May 2018, the Directors Carlos Fernández-Lerga Garralda and Javier Iglesias de Ussel Ordís tendered their resignation as Directors, as 12 years had elapsed since their first appointment as independent Directors of the Company, i.e., the maximum period established by the regulations for a Director to be considered independent.
- As a consequence of the resignations indicated above, it was agreed by the Appointments and Remuneration Committee at its meeting held on 29 April 2020 (with effect on 30 June 2020) to appoint Ana Bolado Valle as its Chair.
- Silvia Mónica Alonso-Castrillo Allain was appointed as a new member of the Appointments and Remuneration Committee.

As regards the preparation and conduct of meetings, the Chair of the Committee convenes its meetings with adequate advance notice, with Directors regularly attending the meetings and in cases where, for justified reasons, they are unable to attend, they delegate their vote to another Director, including instructions to the proxy. In this regard, during 2020, all members of the Committee attended all the meetings, either in person or by proxy, with the exception of one Director who did not attend a Committee meeting for justified reasons. Prior to each meeting, Committee members are provided with information on the issues to be addressed therein, so as to encourage their active participation and the well-reasoned adoption of resolutions.

In addition to the Committee members, the following attended as guests, among others: (i) the Chairman of the Board of Directors; (ii) the Chief Executive Officer; and (iii) the Human Resources Director.

In view of the special circumstances that arose during 2020 as a result of the health crisis caused by COVID-19, with the exception of the meetings on 16 and 23 January and 26 February 2020, which were held with the physical attendance of the members of the Committee, the remaining meetings were held by telephone or videoconference, in accordance with the measures adopted by *Royal Decree-Law 8/2020 of 17 March on extraordinary urgent measures to address the economic and social impact of COVID-19*. At each of these meetings, the Secretary acknowledged the identity of all Committee members attending the meetings.

SUSTAINABILITY COMMITTEE

At its meeting on 17 December 2020, the Board of Directors resolved to set up a Sustainability Committee, attributing to it, the following functions, among others:

(i) Regularly assess and review policies concerning the environment and sustainable development approved by the company's Board of Directors and ensure that company practices in relation to the environment and sustainable development are in line with these policies.

(ii) Assess and monitor proposals for the company to form part of the most widely acknowledged international sustainability indexes.

(iii) Advise the Board of Directors regarding the environment and sustainable development in accordance with internationally accepted best practices.

(iv) Analyse draft bills, voluntary initiatives and recommendations in relation to the environment and sustainable development and their possible effects on the activities of the company, and report on the possible impact on the company of European regulations and legislation at national, regional and local level in relation to the environment and sustainable development, for the purposes of taking any decisions that may be necessary.

(v) Analyse the most commonly accepted measurement instruments and indexes in international practice to evaluate and measure the position of the company in relation to the environment and sustainable development, and issue recommendations to improve the company's position.

(vi) Produce reports and take any action in relation to the environment and sustainable development that may ensue.

In addition, the Board of Directors, following a favourable report from the Appointments and Remuneration Committee, agreed that the Sustainability Committee would have the following composition:

Name	Position
Silvia Mónica Alonso-Castrillo Allain	Chairwoman
Ana Peralta Moreno	Board Member
Ana Bolado Valle	Board Member
Luis Maluquer Trepat	Board Member
Adnane Mousannif	Board Member

CORPORATE GOVERNANCE UNIT

In the specific area of corporate governance, on 27 July 2016, the Colonial Board of Directors agreed to amend the Regulations of the Board of Directors so that the Appointments and Remuneration Committee would be responsible for overseeing compliance with the rules of corporate governance and other related matters.

In addition, in order to advise and propose to the Appointments and Remuneration Committee the necessary actions to keep Colonial's corporate governance in line with the best national and international practices and recommendations, the Appointments and Remuneration Committee agreed to create the Corporate Governance Unit. This unit is headed by the Deputy Secretary of the Board together with the Chairman of the Appointments and Remuneration Committee and has the financial independence to seek external advice as it deems necessary.

In the exercise of its duties, the Corporate Governance Unit leads the Board of Directors' updated plan.

REGULATORY COMPLIANCE UNIT (RCU)

On 28 July 2011, the Board of Directors approved the creation of the Regulatory Compliance Unit, which reports directly to the Audit and Control Committee and is composed of the Company's Legal Services Director and the Head of Internal Audit.

The functions entrusted by the Board of Directors to the Regulatory Compliance Unit include the following:

- Keeping the regulations applicable to Colonial up to date and available to the Audit and Control Committee.
- Regularly assessing compliance with applicable regulations, as well as the suitability and effectiveness of internal regulations.
- Establishing, implementing and maintaining appropriate procedures to detect and correct non-compliance with applicable standards.
- Exercising the functions assigned by the Internal Code of Conduct in the Securities Market, the Code of Ethics, and any other rules that make up the Company's Corporate Governance.

The RCU met formally on 16 occasions in 2020. As regards the preparation and holding of meetings, they are convened either by the Director of Legal Services or the Head of Internal Audit, with sufficient advance notice and regular attendance by all members. In addition, the RCU has counted on the participation of those people who have been considered appropriate.

During 2020, the RCU has been assisted and advised by different multidisciplinary teams depending on the actions to be developed, as well as staff belonging to the Company itself.

With regard to the participation of RCU members in the Audit and Control Committee, RCU members have attended all meetings of the Audit and Control Committee as guests. In this regard, the RCU has reported specifically at six of the nine meetings of the Audit and Control Committee held during 2020 (23 January, 27 February, 3 June, 8 October, 10 November and 14 December).

The main actions carried out by the RCU during 2020 were as follows:

COVID-19

Within the framework of the pandemic situation in which a large part of the 2020 financial year has taken place, the Regulatory Compliance Unit has been regularly monitoring the legal developments that have been adopted and their effects on Colonial. In this respect, the Director of Legal Services has regularly reported in the meetings of the Colonial Management Committee and the Coordination Committee for the management of the health crisis.

Prevention of Criminal Risks

Training in the prevention of criminal risks and prevention of money laundering was provided to Colonial and Utopicus employees on 3 and 4 November 2020. These training sessions were given by an external consultant, through the Teams platform, and at the end of the training an evaluation of the knowledge obtained was carried out. In total, 68 employees from Colonial and 44 from Utopicus attended the training sessions, with training being completed for the entire workforce between 2019 and 2020. The criminal compliance policy has been formalised and was approved by the Audit and Control Committee at its meeting of 3 June 2020. As part of the fight against corruption, work has been carried out on the development of the *Principles for the fight against corruption and bribery, and Principles on grants, sponsorships and donations*.

Internal Code of Conduct in the Securities Market (ICC)

The obligations set out in the above-mentioned Regulation have continued to be followed by the RCU.

Code of Ethics

All new Colonial employees have been informed of the need to comply with the code of ethics and other internal regulations. The most recent version of these regulations has been made available to new employees and is also available to all employees on the corporate intranet site in a visible and easily accessible area. Likewise, the training carried out during 2020 has taken into consideration the content of Colonial's Code of Ethics.

Ethics Channel

On 10 November 2020, the Audit and Control Committee agreed to modify Colonial's ethics channel in order to extend its accessibility to other stakeholders (employees, Directors, shareholders, suppliers, contractors and subcontractors) and thus comply with the recommendations of the Code of Good Governance following the reform of June 2020. This tool for detecting irregularities is confidential and enables irregularities to be reported, guaranteeing the anonymity of the reporter. Both the ethics channel and its regulations are available on Colonial's website.

With regard to complaint handling, no complaints were received in 2020 on any issue, including matters related to corruption and bribery.

The 2020 training sessions have been used as an opportunity to educate people about the Ethics Channel.

Prevention of Money Laundering

An external monitoring report for 2020 has been issued on the procedures and internal control and communication bodies established to prevent money laundering. Two training sessions were held in Madrid and Barcelona for all Colonial and Utopicus employees on 3 and 4 November 2020 as part of the criminal risk prevention training described above. Identification tasks have been carried out with regard to the prevention of money laundering in various divestment operations and support has been given to the meetings of the Internal Control and Communication Body (OCIC). Likewise, the Manual on the Prevention of Money Laundering and Terrorist Financing has been updated.

Data protection/GDPR

A Data Protection Delegate has been appointed; the privacy and cookie policies of the corporate websites have been reviewed and compliance with the obligations of the General Data Protection Regulation has continued.

Corporate Social Responsibility

The RCU has been involved in developing the content of the Integrated Annual Report published in 2020.

12.2. Remuneration of the Board of Directors

I. Remuneration policy of the Company for the current financial year

The Ordinary General Meeting of Inmobiliaria Colonial, SOCIMI, S.A. (the **"Company"** or **"Colonial"**) on 14 June 2019 approved a remuneration policy for 2020, 2021 and 2022. Without prejudice to the above, the Board of Directors of the Company, at the proposal of the Appointments and Remuneration Committee, intends to submit for approval by the next Ordinary General Meeting of the Company, a new Director remuneration policy for 2021, 2022 and 2023 (the **"New Remuneration Policy"**) which, if approved, will render the current remuneration policy null and void.

The New Remuneration Policy, while continuing with the principles of the existing policy, will include some changes with the aim of better aligning it with the Company's strategic priorities, investor opinion and market practice in the industry.

One of the fundamental principles that the New Remuneration Policy will maintain is the alignment with stakeholders, in particular with the Company's shareholders. Furthermore, the Board of Directors and the Appointments and Remuneration Committee have taken into consideration the provisions on Director remuneration in the Good Governance Code of Listed Companies published by the Comisión Nacional del Mercado de Valores (CNMV).

In addition, based on market data and internal projections, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, has assessed the appropriateness and relevance of the proposed remuneration elements and changes to ensure that their implementation will be fit for purpose. In particular, the Appointments and Remuneration Committee has considered the impact of the COVID-19 pandemic on Colonial's business and has found that the New Remuneration Policy will maintain alignment with the interests of the business for the coming period.

In order to establish the specific amounts and parameters of the New Remuneration Policy that will be applicable in 2021, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, shall consider the following as the basic principles that will guide the remuneration decisions at all levels of the Company:

- Pay-for-performance: Ensure that the remuneration received by the Executive Directors is commensurate with the Company's overall results and their individual performance.

- Alignment with stakeholder interests: Align the interests of the Executive Directors with those of the Company's shareholders, linking a significant portion of total remuneration to Colonial's financial and operating results and to the creation of long-term value for shareholders. Variable remuneration will also depend on achieving environmental, social and governance (ESG) objectives linked to the sustainability strategy.

- Competitiveness: The Company's long-term success will depend on the talent of its employees. Colonial's remuneration philosophy will focus, among other aspects, on attracting, appropriately motivating and retaining the best talent.

- Transparency: Transparency with Colonial's shareholders in relation to the New Remuneration Policy, communicating the main conditions of the remuneration plans and, as appropriate, any actions taken in response to significant events.

What the New Policy will contain

- At-risk compensation: the majority of the executive directors' remuneration will be variable.
- Long-term incentive in instruments linked to a multi-annual target measurement period.
- Permanent holding of shares: executive directors are expected to hold a number of shares equivalent to double their fixed remuneration.
- Proportionality and risk management.
- Strong shareholder engagement processes on remuneration and governance.
- Malus and clawback clauses.

What the new policy will not contain

- There will be no contracts with guaranteed salary increases or variable remuneration not subject to performance.
- No hedging, pledging, short selling or derivative contracts on the value of shares received during the holding period shall be permitted.
- Non-executive directors shall not participate in remuneration formulas or schemes linked to the Company's results or individual performance.
- Profits shall not be granted in excess of market practice.

PROCEDURES AND BODIES OF THE COMPANY INVOLVED IN DETERMINING AND APPROVING THE REMUNERATION POLICY AND ITS CONDITIONS

The procedures and the competent bodies of the Company in relation to the determination and approval of the New Remuneration Policy and its conditions are described in the table of the next page.

CONSIDERATION OF COMPARABLE COMPANIES IN ESTABLISHING THE COMPANY'S REMUNERATION POLICY

The design of the New Remuneration Policy will consider the conclusions of comparative analyses of the policy in force in 2020 with industry practices and comparable companies, as well as with corporate governance recommendations. This comparison will include an analysis of the total remuneration strategy (market positioning and remuneration mix) and the design of the various remuneration elements.

EXTERNAL ADVISORS

The Regulations of the Board of Directors expect that the Board Directors, their committees and the members of such committees may seek external advice on such matters as they deem necessary. Willis Towers Watson has provided counseling in this regard.

MEASURE ADOPTED BY THE COMPANY ON THE NEW REMUNERATION POLICY

- A remuneration scheme has been designed that presents a balanced and efficient relationship between fixed and variable components, with a greater weight of the latter in the remuneration system. The fixed remuneration shall constitute a sufficiently high proportion of the total remuneration so that a fully flexible policy can be applied with regard to the variable components of the remuneration, so that it is possible not to pay these components.

- Within the variable components, the long-term variable remuneration, which will take the form of a share delivery plan subject to the fulfilment of certain metrics, will have a significant weight. This multi-year variable remuneration is intended to be structured in overlapping cycles over time, so that a long-term view is maintained in all decision-making processes. The duration of each cycle shall be at least three years, to ensure that the evaluation process is based on long-term performance and takes into account the Company's underlying business cycle and the achievement of strategic objectives.

	Appointments and Remuneration Committee	Board of Directors	General Shareholders' Meeting
Determination of the policy and its pay elements	▸ Proposes the policy to the Board. ▸ Consultation with the Chairman and the Chief Executive Officer regarding the remuneration of Executive Directors and senior management.	▸ Approves the policy and submits it to the General Meeting for a vote.	▸ Approves the policy at least every three years. ▸ Approves any modification or replacement of the policy.
	▸ Proposes to the Board the maximum amount to be paid to Directors in their capacity as such and the remuneration of each Director.	▸ Proposes to the General Meeting the maximum amount to be paid to Directors in their capacity as such. ▸ Determines each Director's remuneration.	▸ Approves the maximum amount of the annual remuneration for all the Directors in their capacity as such.
	▸ Proposes the remuneration of Directors for the performance of executive duties and the terms and conditions of their contracts.	▸ Sets the remuneration of Directors for the perfor-mance of executive duties and the terms and conditions of their contracts.	▸ Approves the remuneration systems of the Directors.
Implementation of the policy	▸ Proposes the amount of fixed annual remuneration for executive Directors and its annual variation. ▸ Proposes the parameters for setting the variable components and assesses them for payment purposes. ▸ Proposes, if necessary, the cancellation of the payment or the refund of the variable components.	▸ Evaluates and, where appropriate, approves the proposals of the Appointments and Remuneration Committee in relation to the implementation of the policy.	
Policy review	▸ Checks compliance with the policy and regularly reviews its implementation. ▸ Ensures that individual remuneration is proportionate.		
Policy transparency	▸ Ensures the transparency of salaries and the inclusion in the annual report of information on Directors' pay. ▸ Submits the Annual Report on Director Remuneration to the Board of Directors for approval and verifies the information on Director remuneration contained in corporate documents. ▸ Prepares a specific report that encourages the Remuneration Policy.		

- The Appointments and Remuneration Committee shall propose to the Board of Directors the adoption, if appropriate, of the measures, in the matter of remuneration, that are in the Company's best interests. In particular, and in respect of those in connection with **categories of staff** whose professional activities **have a material impact on the Company's risk profile**, the following aspects, among others, may be considered:
  - How risks, controls and conduct considerations are integrated into key human resources practices, including performance appraisal, compensation, promotions and succession planning.
  - Measures to mitigate inappropriate risk-taking, including the following: (i) limits on variable remuneration; (ii) possibility to defer the payment of the part of the annual variable remuneration in excess of the target incentive; (iii) multiple metrics; (iv) multi-year vesting periods; and (v) malus and clawback clauses.
- With regard to the measures to be taken in relation to the measures to be adopted in relation to those **categories of staff** whose professional activities **can have a material impact on the Company's risk profile**, the Appointments and Remuneration Committee shall base its work on the analysis of the remuneration policy for Directors and senior management and its application, considering the improvements it deems appropriate to propose to the Board for approval by the General Meeting of the New Remuneration Policy. Professionals whose activities may have a material impact on the Company's risk profile shall be included in the analysis.
- With regard to measures to **avoid conflicts of interest**, Article 16 of the Regulations of the Board of Directors defines the duty to avoid such situations and obliges Directors to refrain from certain actions. In addition, Article 18 indicates the duty to communicate any situation of a conflict of interest to the Board of Directors.
- Finally, **in relation to variable remuneration reduction or clawback clauses** the Board of Directors, at the proposal of the Appointments and Remuneration Committee, shall have the power to proceed with the cancellation (malus) and/or recovery (clawback) of all or part of the annual variable remuneration and/or long-term incentives in certain circumstances. Details of these clauses will be included in the Remuneration Policy document to be submitted to the General Shareholders' Meeting.

MAIN FEATURES OF THE NEW REMUNERATION POLICY

Executive Directors

- The Executive Directors, i.e. the Chairman and the Chief Executive Officer, who is also the Executive Vice-Chairman of Colonial, unlike the Non-executive Directors, will not receive any specific remuneration in 2021 for their membership of the Company's Board of Directors or its Committees, and these functions will be included in the remuneration elements of the fixed remuneration established for them in their respective contracts.

Fixed elements

Fixed remuneration
Social welfare plans
Benefits

+

Annual variable remuneration

Includes a deferred items in shares

+

Long-term incentives

Based on instruments
Multi-annual target measurement period
Holding period

- The New Remuneration Policy will establish:

  (i) the amount of fixed annual remuneration and variation in the period to which the Policy relates;

  (ii) the various parameters for setting the variable components and

  (iii) the main terms and conditions of the contracts including, in particular, duration, indemnities for early termination or termination of the contractual relationship and exclusivity agreements, post-contractual non-competition and permanence or loyalty agreements.

- In relation to the **fixed annual remuneration for 2021**, a fixed annual individual remuneration of €750,000 for both the Chairman of the Board of Directors and the Chief Executive Officer is anticipated. This remuneration does not represent an increase compared to that received in previous years, because this remuneration consolidates fixed remuneration of Executive Directors for their membership of other bodies of subsidiary companies. Therefore, the fixed remuneration that the Executive Directors may receive during 2021 for their dedication to and attendance on Boards and/or committees of the Group companies would be deducted from the individual amounts of fixed annual remuneration indicated for each of the Executive Directors.

The amounts indicated may be revised during the term of the New Remuneration Policy in certain circumstances such as material changes in the business, competences or responsibilities of the Executive Director and exceptional performance of the Company.

- Executive Directors may receive an **annual variable remuneration for 2021**. The amount of this remuneration is defined as a percentage of the annual fixed remuneration and the final amount corresponding to each one will be determined according to the degree of fulfilment of quantitative and qualitative objectives. Annual variable remuneration will be linked mainly to financial and value creation (quantitative) targets. The weighting of non-financial (qualitative) objectives shall not exceed 20% of the annual target incentive in 2021.

- The annual incentive target or the annual target amount of variable remuneration shall consist, for 2021, of 100% of the fixed remuneration of the Chairman of the Board of Directors and the Chief Executive Officer, respectively. Furthermore, the **maximum** annual incentive for 2021 may consist of up to 132.5 % of the target (and the fixed remuneration of the Chairman of the Board of Directors and the Chief Executive Officer, respectively).

The Board of Directors, at the proposal of the Appointments and Remuneration Committee, shall determine the variable remuneration for 2021 based on certain common criteria for the Chairman and the Chief Executive Officer, among which the following are currently being analysed by the Board:

Types of objectives	Weight	Metrics
80% Economic-financial and creation of shareholder value	35%	▸ Net rental income and adjusted earnings per share. ▸ Based on the 2021 business plan.
	30%	▸ Growth of the Net Asset Value (NAV). ▸ Based on the 2021 business plan.
	15%	▸ Company's financial policy: ▸ Maintain investment grade rating. ▸ Loan to Value (LTV). ▸ Based on the 2021 business plan.
20% Non-financial	10%	▸ Driving aspects of ESG, with an emphasis on the environment. ▸ Based on the 2021 business plan.
	10%	▸ Performance assessment with a focus on issues such as innovation, organisation, risk management and corporate reputation.

Each economic-financial and shareholder value creation metric will have an associated scale of achievement.

- The criteria for determining the annual variable remuneration of the Executive Directors, as well as the process for its application, and among these aspects, the calibration to be made according to the objectives established in Colonial's business plan for 2021, shall be carried out in accordance with the following:

  (i) In the event that the level of achievement of the metric is below a minimum threshold of compliance, the incentive portion associated with that metric will not be generated.

  (ii) If the level of achievement of the metric is at the minimum threshold of compliance, the level of payout would be 50% of the target incentive level associated with this metric.

  (iii) If the achievement level of the metric meets or exceeds the maximum achievement level, the payout level will be 125% of the target incentive level associated with this metric, when it is economic-financial, and 150% when it is shareholder value creation.

- In any case, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, shall determine the levels of payment, after the close of the financial year, depending on the degree of compliance with the objectives. The Board, upon proposal of the Committee, shall have the power to adjust the level of the annual variable remuneration payment to ensure that the outcome is fair and balanced, in light of the Company's overall performance and experience for shareholders.

The evaluation of the results and the determination of the corresponding payment shall be made on the basis of the data provided by the management team, with the economic-financial data contained in the annual accounts having been audited beforehand. In this assessment, the Appointments and Remuneration Committee shall also consider the associated risks. In this regard, positive or negative economic effects arising from extraordinary events that could introduce distortions in the evaluation results may be eliminated when proposing the level of achievement of the quantitative objectives.

- The annual variable remuneration shall be paid in cash after the end of the financial year to which the results are linked. If the amount exceeds the target incentive, the Board of Directors, upon proposal from the Appointments and Remuneration Committee, may decide that the excess over and above this amount shall be deferred in shares for one year. If applicable, the delivery of the shares will be subject to the Executive Director remaining with the Colonial Group during the deferral period, except if the termination of the relationship is for a cause attributable to the Company or in other cases considered by the Board as a good leaver.

- The beneficiaries will be entitled to receive an amount equivalent in cash to the dividends accrued on the deferred shares during the deferral period on the same date of delivery of the deferred shares.

- For its part, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, shall have the power to agree on the **cancellation (malus) and/or recovery (clawback)** of all or part of the annual variable remuneration and/or long-term incentives in the event certain circumstances arise.

- In addition, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, shall have the power to agree on granting **extraordinary remuneration** to the Executive Directors for their participation in extraordinary corporate transactions, acquisitions, investments, restructuring or any other operation, based mainly on the relevance, complexity a nd uniqueness of the corporate operation that generates significant added value for the shareholders and/or generates an economic benefit or a significant increase in equity that reinforces Colonial's sustainability.

The amount of this extraordinary variable remuneration shall consist of a percentage of their annual fixed remuneration up to a limit of 100% of the latter.

- In addition, the Chairman and the Chief Executive Officer shall be entitled to receive an **additional and special compensation as indemnity** in the event of the unjust termination or unjust non-renewal of their term of office, or substantial reduction of their respective functions. The compensation shall also accrue (i) in the event of the resignation from their post or a substantial reduction in their duties as a result of a change in control of the Company or a significant change in the composition of the Board of Directors; (ii) in the event of modification of the conditions agreed in their contracts without their consent; as well as (iii) in such other cases as may be established by the Board of Directors. In order to calculate this compensation, two annuities of the fixed remuneration and annual "target" variable remuneration shall be taken into consideration, excluding any amounts they may have received, as well as any rights that may be derived from the long-term incentive in force at any given time and approved by the General Shareholders' Meeting.

- Likewise, the Executive Directors shall also be beneficiaries of a pension scheme under a defined contribution scheme covering retirement, disability and death, the annual contribution for which for 2021 is estimated at 15% of the annual fixed remuneration for both the Chairman and the Chief Executive Officer.

This pension scheme will recognise the consolidation of economic rights in the event of the termination or extinction of the professional relationship prior to the occurrence of the covered contingencies, unless such termination or extinction is due to just cause. In addition, these employee welfare plans shall be compatible with the indemnities, if any, that may correspond to the Chairman and/or the Chief Executive Officer.

- In addition, the Company will hold in favour of the Chief Executive Officer **other remuneration in kind** for vehicle use, life insurance, family health insurance, disability and accident insurance.

- It is envisaged that, should the New Remuneration Policy be approved, the **contracts of the Executive Directors** will be adjusted to be in line with the principles, conditions and content of the New Remuneration Policy. In this respect, the essential terms and conditions of the Chairman's and Chief Executive Officer's contracts shall be as follows:

  (i) **Duration**: for both the Chairman and the CEO, the duration of the contract will be subject to the period of validity of the appointment as Chairman of the Board of Directors or as CEO, as applicable. In the event that the appointments as Chairman of the Board of Directors and/or CEO are extended, then the contracts will likewise automatically be extended for the corresponding period, unless otherwise agreed by the Board.

  (ii) **Compensation for termination of the contractual relationship**: The Executive Directors shall be entitled to receive an additional and special compensation in the event of the unjust termination or un-just non-renewal of their term of office, or substantial reduction of their respective functions. The compensation shall also accrue: (a) in the event of the resignation from their post or a substantial reduction in their duties as a result of a change in control of the Company or a significant change in the composition of the Board of Directors; (b) in the event of modification of the conditions agreed in their contracts without their consent; as well as (iii) in such other cases as may be established by the Board of Directors.

Long-term incentive

- The Chairman and the Chief Executive Officer are currently beneficiaries of the share delivery plan that was approved by Colonial's General Shareholders' Meeting of 21 January 2014, extended for a period of 2 years by resolution of the General Shareholders' Meeting of 29 June 2017 and last extended for a period of 2 additional years by resolution of the General Shareholders' Meeting of 30 June 2020. However, as announced at the 2020 Annual General Meeting, a new share award plan for Colonial's Executive Directors and members of the Management Committee (Long-Term Incentive Plan 2021-2023) is expected to be submitted for approval at the next Annual General Meeting, replacing and rendering ineffective the plan approved by Colonial's General Shareholders' Meeting in 2014.

- The general principles of the **new share delivery plan** are expected to be as follows:
  - The **beneficiaries** of the new long-term incentive will be the Executive Directors and executives of the Colonial Group to be determined by the Board of Directors.
  - In view of the annual liquidation of the current plan, the new delivery plan will be implemented in **3 annual cycles**, with a duration of **3 years each**, after which each cycle would be settled. The parameters for the first cycle (2021-2023) are described below.
  - The measurement period for the objectives of the first cycle 2021-2023 will be from 1 January 2021 to 31 December 2023.
  - Share delivery will be **conditional** on certain objectives being met and their permanence for a multi-annual period of at least 3 years.
  - The Board of Directors, at the proposal of the Appointments and Remuneration Committee, shall approve the **metrics**, weightings, objectives and, where appropriate, the comparator group for each concession to ensure continuous alignment with the Company's strategy. The long-term incentive will typically be linked to financial and value creation metrics but will include non-financial objectives. In this regard, the determination of the long-term incentive for the 2021-2023 cycle is expected to be based on the following metrics for both Executive Directors, which will be primarily associated with the creation of shareholder value:

Weight	Metrics
50%	Total Shareholder Return, relative to a comparator group, and adjusted (upwards or downwards) by the absolute Total Shareholder Return performance.
30%	NAV/share.
10%	Management of the pipeline (investments and divestments).
10%	Adjusted earnings per share.

The metrics will have a specific scale of achievement assigned to them, which will be calibrated against the objectives set out in Colonial's Strategic Plan. In particular, it is envisaged that (i) in the event that the level of achievement of the metric is below a minimum threshold of compliance, the incentive portion associated with that metric will not be generated; (ii) if the level of achievement of the metric is at or above the maximum achievement level, the level of payout will be 100% of the maximum incentive portion associated with that metric.

- The Board of Directors, at the proposal of the Appointments and Remuneration Committee, shall determine the **settlement of the plan**, after the end of the objective measurement period, depending on the degree of compliance. The incentive will vary from a minimum threshold for meeting objectives to a maximum if a level of over-achievement of objectives is reached.

The evaluation of the results and the determination of the payment corresponding to some of these metrics may be made on the basis of economic-financial data provided by external advisors.

- The maximum number of shares to which each beneficiary shall be entitled to, according to the approved metrics and parameters, shall consist of the equivalent of a **multiple of the fixed remuneration** of that beneficiary. In this respect, the number of shares to be allocated to the Chairman and the Chief Executive Officer shall be determined by the General Shareholders' Meeting.
- The beneficiaries shall be obliged to **retain the shares** for at least one year after they have been delivered, without prejudice to the condition of permanent tenure of 2 annuities of the fixed remuneration.
- The Board of Directors, at the proposal of the Appointments and Remuneration Committee, shall have the power to agree on the application of the **clawback clause** on the incentive.

The Board of Directors is expected to vote for approval by the General Shareholders' Meeting on the new share delivery plan, which will detail its terms and conditions. In this regard, what is indicated in this section for the long-term incentive must be adjusted, if applicable, to the provisions of the resolution approved by the General Meeting on the new plan.

Remuneration of Directors in their capacity as such

- In accordance with the provisions of the Capital Companies Act and Colonial's remuneration system, the annual remuneration of the Company's Directors for their membership of the Board of Directors and its Committees shall consist of:

  (i) a fixed and determined annual remuneration; and

  (ii) attendance allowances for meetings of the Board of Directors and its Committees.

- Directors in their capacity as such do not participate in incentive or employee welfare plans. They shall only be reimbursed for reasonable and justified travel and accommodation expenses incurred in attending Board or Committee meetings, upon request by the Director.
- The New Remuneration Policy will include the **maximum amount** of the annual remuneration for all of Colonial's Directors for their membership of the Company's Board of Directors and its Committees. In this respect, the maximum amount of annual remuneration for all the Directors of the Company in their capacity as such for 2021 shall be €2,200,000, and this amount may be increased by 10% for each new member of the Board of Directors that implies an increase in the current number of its members.
- The **distribution of remuneration** among the Directors shall be the responsibility of the Board of Directors at the proposal of the Appointments and Remuneration Committee. The allocation of fixed remuneration to each Director shall take into account the functions and responsibilities attributed to each of them, their membership of Board Committees and their dedication, as well as other objective circumstances that are considered relevant, ensuring that it is competitive with that applied in other comparable companies in terms of capitalisation, size and international presence. This is intended to encourage the dedication of each Director without compromising their independence of judgement.

- The distribution of fixed remuneration and allowances for membership of and attendance at the Board of Directors and its Committees, as agreed by the Board of Directors for **2021**, is set out below:

		Board Member	Chairman	Other positions
Board of Directors	Annual fixed remuneration	€50,000	–	–
	Attendance allowance per meeting	€5,000	–	–
Executive Committee	Attendance allowance per meeting	€3,000	–	–
Appointments and Remuneration Committee	Annual fixed remuneration	€25,000	€50,000	–
	Attendance allowance per meeting	€3,000	€4,800	–
Audit and Control Committee	Annual fixed remuneration	€25,000	€50,000	–
	Attendance allowance per meeting	€3,000	€4,800	–
Sustainability Committee	Attendance allowance per meeting	€3,000	€4,800	–

In addition, the Lead Director receives a remuneration of €75,000 to perform his duties.

- Lastly, in relation to the Directors in their capacity as such, the fixed remuneration items indicated above are the only remuneration they receive for their membership of the Colonial Board of Directors. There is no profit-sharing or bonus remuneration, or remuneration systems or plans incorporating variable remuneration.

Group civil liability insurance policy

- All the Directors are beneficiaries of the group civil liability insurance policy taken out by Colonial, which covers liability for the acts and conduct of the members of the Board of Directors and Company executives as a result of the performance of the activities inherent to their duties, as well as claims arising from cybersecurity attacks or failures.
- The cost of this insurance policy shall not be included in the maximum amount of annual remuneration for all Directors.
- It is envisaged that in the current financial year the group civil liability insurance policy shall amount to €326,920.43.

Other items of remuneration

- It is expected that, in the current financial year, the Executive Directors of Colonial who are also members of the governing bodies of other companies in the Group (in particular, *Société Foncière Lyonnaise*) receive a fixed remuneration in this respect. Such remuneration accrued by the Executive Directors will be deducted from their annual fixed remuneration at Colonial.

Without prejudice to the above, it is not foreseen that Colonial's Directors will accrue, in the current financial year, (i) other supplementary remuneration for the provision of services other than those inherent to their position; nor (ii) remuneration derived from granting advances, loans or guarantees, insofar as it is not foreseen that remuneration will be granted **to the Directors for such items**.

RELEVANT CHANGES IN THE REMUNERATION POLICY APPLICABLE IN THE CURRENT FINANCIAL YEAR

In accordance with what was stated at the beginning of the previous paragraph, the New Remuneration Policy, while continuing with the principles of the previous policy, will include some material changes with the aim of better aligning it with the strategic priorities, investor opinion and market practice in the industry. The most relevant changes, which can be seen above, are the following:

- Simplification of the structure of fixed elements and elimination of automatic updates by the CPI published by the Spanish National Statistics Institute, corresponding to the calendar year preceding the date of the revision.
- Clarification of the definition of the contribution for the employee welfare plan and trend linked to increases in fixed remuneration (instead of CPI).
- Annual and long-term variable remuneration linked more to achieving objectives, with an increased weighting of metrics linked to shareholder value creation.
- Introduction of ESG objectives in annual variable remuneration.
- Introduction of the possibility to pay part of the variable annual deferred remuneration also in shares.
- Definition of a long-term incentive plan linked to a 3-year multi-annual target measurement period.
- Clarification of the definition of the malus and clawback clauses.
- Inclusion of a minimum permanent holding requirement in addition to the holding period for net shares, if any, delivered under the long-term incentive plan.
- Simplification of the definition of the indemnity due to the termination of the relationship.
- Reduction of extraordinary remuneration (from 200% to 100% of the annual fixed remuneration of Executive Directors) and clarification of the exceptional cases where it could be applied, if applicable.

CONSIDERATION OF THE SHAREHOLDERS' VOTE AT THE GENERAL MEETING ON THE ANNUAL REMUNERATION REPORT FOR THE PREVIOUS YEAR

The annual report on the remuneration of Colonial's Directors for 2019 was approved at the Company's Ordinary General Shareholders' Meeting by 66.57% of the votes cast.

For the preparation of the New Remuneration Policy, in accordance with the principle of alignment with stakeholders and, in particular, with those of the Company's shareholders, the Board of Directors and, specifically, the Appointments and Remuneration Committee, after consulting with Colonial's main shareholders, will consider the information received from institutional investors and proxy advisors in Colonial's regular consultation process. Furthermore, the Board of Directors and the Appointments and Remuneration Committee will take into consideration the provisions of the Code of Good Corporate Governance on Directors' remuneration.

Notwithstanding the above, in the event that the New Remuneration Policy is not approved by the Company's next Annual General Meeting, shall be applied to the full extent in 2021 in relation to: (i) the annual variable remuneration of Executive Directors; (ii) the additional variable remuneration of Executive Directors; (iii) the long-term incentive plan for Executive Directors; (iv) the civil liability insurance policy in favour of all directors; (v) remuneration in kind for Executive Directors relating to the defined contribution employee welfare system covering retirement, disability and death; (vi) remuneration in kind for the use of a vehicle, family health, disability and accident insurance and life insurance, exclusively in favour of the Chief Executive Officer; (vii) remuneration received by Executive Directors of Colonial's subsidiaries; and (viii) the main conditions included in the contracts of the Executive Directors.

II. Overall summary of the implementation of the remuneration policy for 2020

PROCESS FOLLOWED IN APPLYING THE POLICY AND DETERMINING INDIVIDUAL REMUNERATION

- During 2020, the Appointments and Remuneration Committee met on 10 occasions, and in the period from the 2021 financial year until the date of publication of the Annual Directors' Remuneration Report it met on two occasions.

At the aforementioned meetings, the Appointments and Remuneration Committee discussed, among other things, the following matters and agreed, where appropriate, to submit them to the Board of Directors for approval:

  - Assessment of the analysis provided by the external advisor on the remuneration policy in force in 2020 in relation to market practice in the industry and corporate governance recommendations.
  - Design of the Director Remuneration Policy for 2021, 2022 and 2023.
  - Design of the 2021-2023 long-term incentive plan.
  - Setting the parameters of the annual variable remuneration for 2021.
  - Review of the Remuneration Policy document.
  - Assessment of the degree of compliance and associated level of payment of annual variable remuneration.
  - Review of the degree of compliance and associated level of payment to the Share Delivery Plan granted in 2020.

- Likewise, and in accordance with the provisions of the remuneration policy in force for 2020 (policy approved by the Ordinary General Meeting of Colonial on 14 June 2019), the Colonial Board of Directors determined, following the prior proposal from the Appointments and Remuneration Committee, the distribution of the fixed remuneration applicable to the directors in their capacity as such.

- The Executive Directors do not receive any remuneration for sitting on the Board of Directors; nor do they receive a fixed annual amount or allowance for attending sessions of the Board of Directors. In this respect, the Chairman and the Chief Executive Officer received the fixed remuneration established in their respective contracts, as well as the variable remuneration determined by the Board of Directors, at the proposal of the Appointments and Remuneration Committee, for the determination of which certain quantitative and qualitative parameters were taken into account, as identified below. In this regard, the Company's Appointments and Remuneration Committee agreed to submit to the Colonial Board of Directors, at its meeting held on 25 February 2021, the ordinary variable remuneration for the Chairman and the Chief Executive Officer, and the Board of Directors approved the specific amounts of this variable remuneration to be received by the Chairman and the Chief Executive Officer.

- **Identity and role of external advisors**: In accordance with Colonial's internal rules, the Appointments and Remuneration Committee may request the Board of Directors, in order to better perform its duties, to hire legal, accounting, financial or other expert advisors at the Company's expense. In this regard, in 2020, the Appointments and Remuneration Committee was advised by Willis Towers Watson, an independent advisor specialising in director remuneration, in connection with the determination and implementation of the New Director Remuneration Policy, including the design of the long-term incentive plan.

Likewise, in the first quarter of 2020, the Appointments and Remuneration Committee has been advised by Headway Executive Search regarding the settlement of the share delivery plan in force and applicable during 2020.

Finally, in the last quarter of 2020, the Appointments and Remuneration Committee was advised by Spencer Stuart in relation to the 2020 evaluation process of the Board of Directors, its Committees, the Chairman of the Board of Directors and the Chief Executive Officer, the Secretary of the Board, as well as the evaluation of the transitions made in the positions of Chairman of the Committees and the position of Lead Director, carried out in 2020.

ACTIONS TAKEN BY THE COMPANY TO ALIGN THE REMUNERATION SYSTEM WITH LONG-TERM OBJECTIVES AND TO REDUCE EXPOSURE TO EXCESSIVE RISKS

- The Chairman and the Chief Executive Officer may receive an annual variable remuneration. With regard to such variable remuneration, the Company establishes the criteria to maintain the appropriate balance between such components, with a remuneration scheme that presents a balanced and efficient relationship between fixed and variable components.

- A maximum percentage of 100% of the total amount of fixed remuneration has been established as variable remuneration, with no guaranteed variable remuneration.

Such variable remuneration is subject to quantitative parameters (among others, compliance with the budget in relation to rental income, EBITDA, earnings per share, investments and divestments, financial policy, percentage of building occupancy and creation of shareholder value), as well as qualitative parameters (among others, the result of the evaluation of the performance of its own functions, drive as regards to ESG and compliance with corporate social responsibility policies).

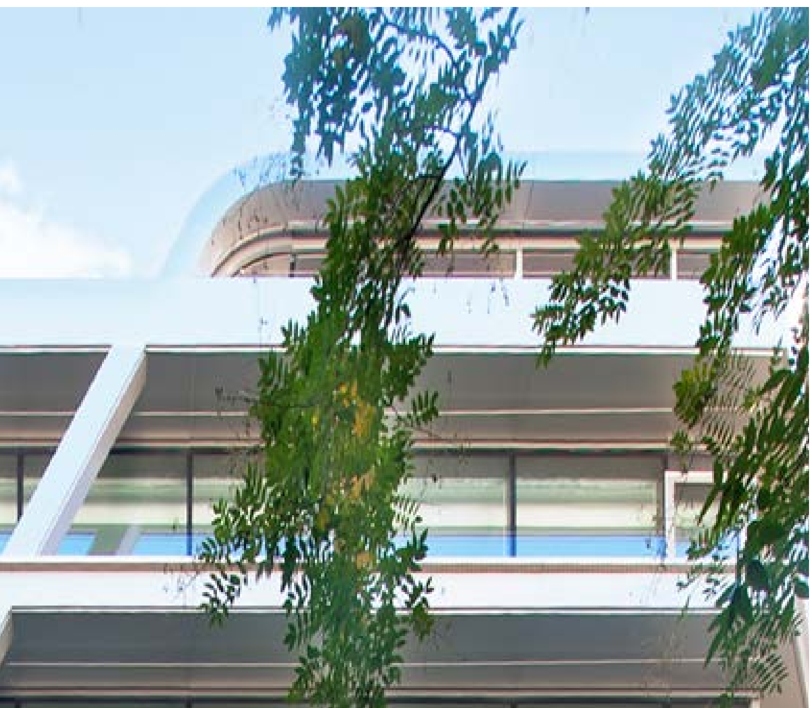
- The Executive Directors have not received variable remuneration other than that indicated in the preceding paragraphs with respect to the 2019 and 2020 financial years.

- In turn, the Company believes that nobody on its workforce is involved in professional activities that could have a material impact on its risk profile. It has therefore not adopted any specific measures in this respect.

- In addition, and in accordance with the remuneration policy applicable in 2020, the contracts of the Chairman and the Chief Executive Officer include the so-called clawback clauses that allow Colonial to claim, in certain circumstances, the total or partial refund of the amounts received as variable remuneration.

- In addition, and in order to ensure that Colonial's remuneration system is aligned with the Company's objectives, values and long-term interests, the share delivery plan, which was approved by Colonial's General Shareholders' Meeting (the **"Plan"**), establishes a number of conditions to be taken into account in order to determine the number of shares to be delivered to Colonial's Executive Directors in their capacity as beneficiaries. These conditions are linked to Colonial's performance, and include, among other things, the Company's net cash flow obtained from operations during the year or the annual variation in the Company's Net Asset Value.

- During 2020, the variable element in shares had a weighting over total remuneration (fixed remuneration + annual variable remuneration + Share Delivery Plan compared to 2019) of over 25% for the Chairman and over 40% for the Chief Executive Officer.



COMPLIANCE WITH THE POLICY IN FORCE ON ACCRUED REMUNERATION IN THE YEAR

- The remuneration policy in force for 2020 establishes that the maximum annual amount of remuneration for all Directors in their capacity as such is €1,900,000. The policy also provides that in the event of an increase in the number of members of the Board of Directors, the maximum amount shall be increased by 10% for each new member of the Board of Directors resulting in an increase in the number of members. In accordance with the above, the maximum amount of annual remuneration for all Directors in their capacity as such for 2020 was set at €2,090,000.

- In 2020, the total amount of the remuneration of Colonial's Directors in their capacity as such was €1,824,700, which is €265,300 lower than the limit set by the remuneration policy in force for 2020. In this respect, the **individual remuneration of each Director in his or her capacity as such** consisted of:

  (i) a fixed annual amount; and

  (ii) attendance allowances for meetings of the Board of Directors and its committees.

- Meanwhile, the **Executive Directors** did not receive remuneration for sitting on the Board of Directors, or its committees; nor did they receive a fixed annual amount or allowance for attending sessions of the Board of Directors. In this respect, the Executive Directors received remuneration in the amounts to which they were entitled under their respective contracts with the Company, in accordance with the applicable remuneration policy.

- The Colonial Board of Directors, at its meeting held on 25 February 2021, at the proposal of the Appointments and Remuneration Committee, determined the amounts of **annual variable remuneration** for the Executive Directors accrued in 2020. In determining the variable remuneration earned by the Executive Directors, quantitative parameters were taken into account (including compliance with the budget in relation to rental income, EBITDA, earnings per share, investments and divestments, financial policy, percentage of building occupancy and creation of shareholder value), as well as qualitative parameters (including the result of the evaluation on the performance of their duties, drive as regards to ESG and compliance with corporate social responsibility policies).

In this respect, the 2020 budget for net rental income, structural costs, EBITDA and earnings per share was satisfactorily met.

In the area of financial policy, the Loan-to-Value has reduced to 36.2% and the financial costs compared to the budget. The debt rating has remained stable during 2020, as indicated by Moody's and Standard and Poor's, and the risk profile of the debt has been improved as a result of the two bond issues for a total amount of €1,000m.

In addition, during 2020, and compared to 2019, the Net Asset Value ("NAV") remained stable.

Finally, Colonial's share price fell in line with other comparable companies in the sector as a result of the crisis caused by the COVID-19 global pandemic, although, as indicated above, the NAV remained stable compared to the previous year.

Therefore, in terms of meeting investment and divestment targets, a very positive result was observed, especially with regard to the sale of non-core assets for €617m at a premium of 13% over the appraised value.

With regard to the qualitative criteria or parameters, with a weighting of 30%, it is worth highlighting the following:

(i) The ESG (Environmental, Social and Governance) drive, considering the achievements and improvements made in the ESG field, in which Colonial has obtained the highest ratings awarded by GRESB and EPRA sBPR (level Gold for the 5th consecutive year), among others; as well as compliance with the corporate social responsibility policies.

(ii) The individual performance of the Executive Directors: the Board of Directors, at the proposal of the Appointments and Remuneration Committee, has considered the professional dedication and excellence, the result of the evaluation of the performance of their duties, the supervision of corporate governance and their contribution to the improvement of Colonial's corporate reputation.

- In addition, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, has considered the measures that, since the beginning of the crisis caused by the COVID-19 global pandemic, the management team has taken to strengthen the Group's position in a complex scenario.

- The Board of Directors has therefore determined an ordinary variable remuneration of 80% of the fixed annual remuneration of each of the Executive Directors.

- Moreover, in order to determine the number of shares that, in accordance with the Plan, correspond each year to the Chairman and Chief Executive Officer, the terms and conditions of the Plan approved by the General Shareholders' Meeting have been taken into account. Pursuant to the above, the executive Directors, beneficiaries of the Plan, received in April 2020, 48,837,000 shares for the Chairman and 126,977 shares for the Chief Executive Officer corresponding to the settlement of the Plan with respect to 2019.

DETERMINATION OF THE FIXED COMPONENTS ACCRUED DURING THE YEAR BY THE DIRECTORS IN THEIR CAPACITY AS SUCH, AND THEIR VARIATION WITH RESPECT TO THE PREVIOUS YEAR

- The determination of the fixed components accrued by Colonial's Directors in their capacity as such for 2020 **remained unchanged** compared with that applicable to the previous year.

- In this respect, and in relation to the distribution of the fixed remuneration applicable to the Directors for their status as such was as follows:

(i) Directors are entitled to a fixed annual amount of €50,000.

(ii) The Lead Director is entitled to receive an additional fixed annual amount of €75,000.

(iii) Directors are entitled to an amount of €3,000 as attendance allowances for each Board Meeting they attend, although with effect from 14 June 2019 the attendance allowances for each Board meeting were set at €5,000 by the Board of Directors by virtue of the powers vested in it and without exceeding the maximum amount of annual remuneration for all Directors included in the remuneration policy.

(iv) The members of the Executive Committee are entitled to an attendance allowance of €3,000 for each meeting of the Executive Committee they attend.

(v) The Chairman of the Audit and Control Committee and the Chairman of the Appointments and Remuneration Committee are entitled to an additional fixed annual amount of €50,000 each.

(vi) The remaining members of the Audit and Control Committee and the Appointments and Remuneration Committee are entitled to an additional annual fixed amount of €25,000 each.

(vii) The Chairman of the Audit and Control Committee and the Chairman of the Appointments and Remuneration Committee are entitled to an attendance allowance of €4,800 for each meeting of the Audit and Control Committee and the Appointments and Remuneration Committee attended, respectively.

(viii) The remaining members of the Audit and Control Committee and the Appointments and Remuneration Committee are entitled to an attendance allowance of €3,000 for each meeting of the Audit and Control Committee and the Appointments and Remuneration Committee attended, respectively.

DETERMINATION OF THE ACCRUED AND CONSOLIDATED SALARIES, DURING THE YEAR ENDED, OF EACH DIRECTOR FOR EXECUTIVE FUNCTIONS, AND THEIR VARIATION WITH RESPECT TO THE PREVIOUS YEAR

- The remuneration policy in force in 2020 establishes a fixed annual remuneration of €576,300 for the Chairman and €670,604 for the Chief Executive Officer, having been automatically updated by applying the CPI published by the National Institute of Statistics for the calendar year immediately prior to the date of the review, or any other official reference index that may replace it. These amounts remunerate all the duties that they perform at Colonial, both those of an executive nature as well as their membership of the Company's Board of Directors and attendance at its meetings.

- The salaries earned by the Chairman and the Chief Executive Officer during 2020 did not undergo any variation, except for the annual and automatic update through the application of the CPI published by the National Statistics Institute (INE) for the previous calendar year, with respect to those they accrued in the previous financial year.

NATURE AND MAIN FEATURES OF THE VARIABLE COMPONENTS OF THE REMUNERATION SYSTEMS

- With regard to the **short-term variable components**, in accordance with the remuneration policy in force in 2020, the contracts of the Chairman and the Chief Executive Officer include clauses under which they may receive as an annual variable remuneration an amount of up to 100% of the annual fixed remuneration corresponding to each of them. Within the framework of the remuneration policy in force for 2020, the Board of Directors agreed that the variable remuneration would be subject to the fulfilment of certain quantitative and qualitative parameters or objectives, with the former accounting for 70% of the variable remuneration and the latter for 30% of the qualitative objectives.

- In this way, and with respect to 2020, based on the fulfilment of the **quantitative and qualitative criteria set out**, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, has considered that the variable remuneration to be received in 2020 by the Executive Directors should be 80% of the fixed remuneration.

- Non-executive Directors did not receive any short-term variable remuneration components in 2020.

- In addition to the short-term variable remuneration, both the **Chairman and the Chief Executive Officer are beneficiaries of the Plan**. The most relevant aspects of which are set out below:

  (i) **Description**: delivery of ordinary shares in Colonial to beneficiaries depending on annual compliance with certain indicators and on its beneficiaries being Executive Directors or having a commercial or employment relationship with the Company or its Group on the share delivery dates.

  (ii) **Beneficiaries**: the Chairman, the CEO and the members at any given time of the Company's management committee, including senior management.

  (iii) **Calculation of the number of shares**: the Chairman of the Board of Directors and the CEO, following compliance with certain requirements, will be entitled to receive a maximum of 48,837 and 126,977 shares, respectively. However, the number of shares to be received as indicated for each of them could be increased by a maximum of 25%, depending on the fulfilment of certain conditions.

  (iv) **Determinants**: the number of shares assigned will be determined by certain conditions being met, which are set by the Company and linked to its performance. In this regard, the Board of Directors on 13 May 2014, set the following conditioning factors:

    - If the Net Cash Flow (NCF) is between 95% and 105% of the forecast in the latest Business Plan, 100% of the forecast expected number of shares will be accrued.

    - If the NCF is higher by more than 5% of that forecast in the Business Plan, the maximum number of shares to be received in that year will be increased by 1.5% for each percentage point over the intended maximum net cash flow of 105%, up to new maximum number of shares equivalent to 125% of the established number of shares.

- If the NCF is up to 25% lower by that forecast in the Business Plan, the maximum number of shares they would be entitled to receive in that year will be reduced by 1.5% for each percentage point of reduction below the intended minimum NCF of 95%.

- If the NCF is lower than 25% of that forecast in the Business Plan, no shares will be received.

Likewise, the number of shares to be delivered based on the calculations described, will be adjusted downwards by 25% each year in the event that the NAV of Colonial's shares does not increase by 4% per year during the period of the Plan. The annual NAV target will be calculated on the basis of incrementing the figure obtained in the previous year at a rate of 4%. The NCF and NAV will be applied on a "per share" basis.

(v) **Duration and delivery**: The Plan will run until 2023. The Board of Directors, subject to a report by the Appointments and Remuneration Committee, will approve the annual settlement, determining the number of shares which, if the previous year's indicators have been met, correspond to each of the beneficiaries. Shares will be delivered between April the 15th and 30th each year, and cannot be disposed of or transferred until three years have elapsed after delivery, except to pay any taxes arising from their accrual.

- The share delivery will include a final adjustment to ensure that the equivalent cash value of the shares delivered is not more than 150% of the average Colonial share price in November 2013.

- In any case, in the event that a resolution is adopted that could adversely and substantially affect Colonial's shares or that would imply a variation in the number of shares in circulation, the Board of Directors shall make the necessary adjustments so that the equivalence of the Plan's benefits is maintained.

- Early settlement of the Plan will be agreed in the case of a substantial liquidity event, as defined in the resolution of the General Meeting on 21 January 2014.

- If during the Plan's term, the Chairman or CEO are unfairly dismissed, the General Shareholders' Meeting do not extend their mandate, or they are dismissed without just cause, they will be entitled to settle the Plan early and the unsettled shares will be delivered. Beneficiaries will forfeit any entitlement to such shares, together with any rights on such shares granted, in the event of fair dismissal, termination with just cause, or resignation on their own initiative, and in the event of a contractual breach of confidentiality, the prohibition to offer services, or competition. In addition, the external auditor of the Company has issued a report on the procedure agreed for the settlement of the Plan.

- In this regard, having exceeded the objectives and conditions of the Plan by more than 100% in 2019, as well as not having reached the share price limit, the Executive Directors, beneficiaries of the Plan, in April 2020, received 48,837 shares for the Chairman and 126,977 shares for the Chief Executive Officer, corresponding to the settlement of the Plan with respect to 2019.

REDUCTION OR CLAWBACK OF CERTAIN ACCRUED VARIABLE COMPONENTS

- In 2020, no variable component of the remuneration of Colonial's Executive Directors was reduced or claimed for repayment, as there were no events that would have led to such a reduction or repayment.

CHARACTERISTICS OF THE LONG-TERM SAVINGS PLANS

- Colonial's Executive Directors are beneficiaries of a defined-contribution scheme for Executive Directors covering retirement and, when applicable, disability and death.

- This employee welfare system for the Executive Directors recognises the consolidation of the economic rights in the event of the termination or extinction of the professional relationship prior to the occurrence of the covered contingencies, unless such terminations or extinction is due to just cause. Furthermore, such long-term savings schemes are compatible with any compensation that may be due.

COMPENSATION OR OTHER PAYMENTS RESULTING FROM EARLY TERMINATION OF EMPLOYMENT

- In 2020, no severance payments or other payments were accrued or received as a result of the early termination of Colonial Directors.

REMUNERATION IN KIND

- Colonial has taken out a group civil liability insurance policy, which covers liability for the acts and conduct of the members of the Board of Directors (executive and non-executive) and Company executives as a result of the performance of the activities inherent to their duties, as well as claims arising from cybersecurity attacks or failures. The cost of this insurance policy is not included in the maximum amount of annual remuneration for all Directors in their capacity as such. In 2020, the group civil liability insurance policy amounted to €326,920.43.

- In addition, the Company pays the Chief Executive Officer other remuneration in kind for vehicle use, family health insurance, disability and accident insurance and life insurance. In 2020, the amount of this remuneration in kind amounted to €51,322.72.

SIGNIFICANT CHANGES TO EXECUTIVE DIRECTORS' CONTRACTS

- No new contracts were entered into with Colonial's Executive Directors in 2020, nor were there any significant changes to existing contracts.

OTHER

- No additional remuneration was accrued in 2020 in consideration for services rendered by Colonial's Directors other than those inherent to their position.

- Likewise, no remuneration was accrued as a result of granting advances, loans or guarantees in favour of Colonial's Directors, insofar as no remuneration was granted to the Directors for these concepts.

- In addition, no remuneration was accrued during 2020 by virtue of payments (the purpose of which is the remuneration of the director's services in Colonial) made by the Company to a third-party entity in which any of the directors provided services.

Below is a breakdown of the individual remuneration received by each of Colonial's Directors during 2020, broken down by remuneration item:

Thousands of €

Name	Accrual period 2020	Accrued remuneration at the Company: Total cash remuneration	Gross profit on consolidated shares or financial instruments[3]	Remuneration from savings schemes	Remuneration for other items	Total 2020 from the company	Accrued remuneration at Group companies: Total cash remuneration	Gross profit on consolidated shares or financial instruments[3]	Remuneration from savings schemes	Remuneration for other items	2020 Total Group
Juan José Brugera Clavero	01-01/31-12	1,037	379	79	–	1,495	217	315	–	–	532
Pedro Viñolas Serra	01-01/31-12	1,208	985	105	51	2,349	61	–	–	–	61
Sheikh Ali Jassim M. J. Al-Thani	01-01/31-12	115	–	–	–	115	44	–	–	–	44
Adnane Mousannif	01-01/31-12	167	–	–	–	167	–	–	–	–	–
Carlos Fernández González	01-01/31-12	110	–	–	–	110	–	–	–	–	–
Javier López Casado	01-01/31-12	167	–	–	–	167	–	–	–	–	–
Juan Carlos García Cañizares	01-01/31-12	167	–	–	–	167	–	–	–	–	–
Carlos Fernández-Lerga Garralda[1]	01-01/30-06	185	–	–	–	185	44	–	–	–	44
Javier Iglesias de Ussel Ordís[2]	01-01/30-06	140	–	–	–	140	–	–	–	–	–
Luis Maluquer Trepat	01-01/31-12	260	–	–	–	260	47	–	–	–	47
Ana Bolado Valle	01-01/31-12	190	–	–	–	190	–	–	–	–	–
Ana Peralta Moreno	01-01/31-12	187	–	–	–	187	–	–	–	–	–
Silvia Mónica Alonso-Castrillo Allain	01-01/31-12	140	–	–	–	140	–	–	–	–	–
TOTAL	**–**	**4,073**	**1,364**	**184**	**51**	**5,672**	**413**	**315**	**–**	**–**	**728**

(1) Corresponds to the remuneration accrued in 2020 by Carlos Fernández-Lerga Garralda who, at the date of the Integrated Annual Report, is no longer a member of the Board of Directors.
(2) Corresponds to the remuneration accrued in 2020 by Javier Iglesias de Ussel Ordís who, at the date of the Integrated Annual Report, is no longer a member of the Board of Directors.
(3) These shares correspond to the share delivery plan approved by the General Shareholders' Meeting on 21 January 2014.

12.3. Ethics and compliance

I. Code of Ethics

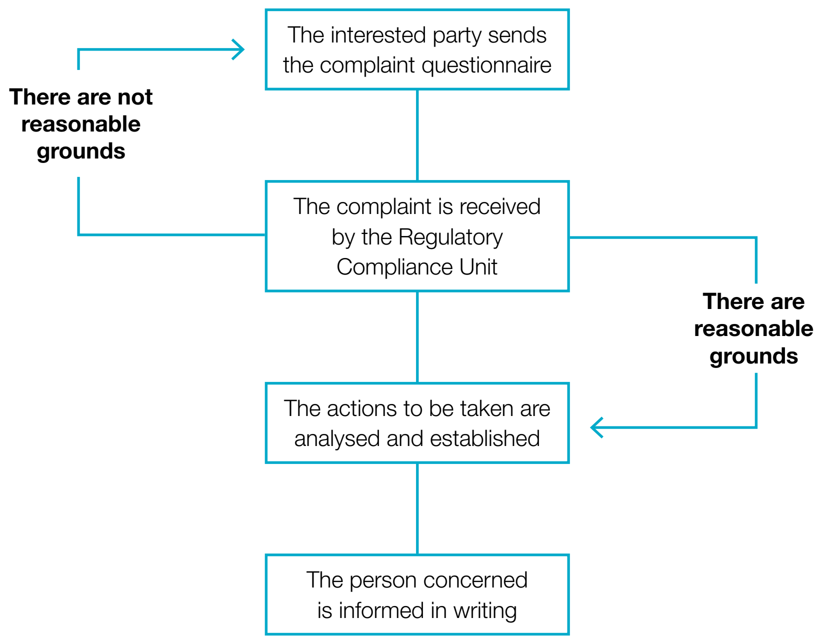
In 2011, in accordance with the good governance recommendations generally recognised in international markets and the principles of social responsibility accepted by the Company, Colonial approved the Company's **Code of Ethics**. This document embodies Colonial's commitment to the principles of business ethics and transparency and establishes the basic values that should guide the activities of Colonial's professionals. The Code of Ethics is available to all Colonial stakeholders on its website, and each time a new employee is hired, they are provided with a copy and the new employee signs the corresponding commitment to act within the framework of the principles of the Code of Ethics.

In 2020, a total of 25 new hires were made in Spain and for all of them the Code of Ethics was provided and the corresponding acceptance of the content and commitment to comply with the Code was recorded. Likewise, in 2020, training was provided on the prevention of criminal risks and the prevention of money laundering and the financing of terrorism, including aspects relating to Colonial's code of ethics and its Ethics Channel, as a means of reporting irregularities confidentially and anonymously. This training was attended by 112 professionals from the group, representing more than 70% of the total workforce in Spain, and at the end of the training an evaluation was carried out to confirm the assimilation of the concepts. The training was provided by an external consultant.

Action lines	Relations with and between the Group's professionals	Commitments to third parties and the market
‣ Respect for the law in force ‣ Professional integrity ‣ Respect for the environment	‣ Non-discrimination and mutual respect and equal treatment ‣ Equal opportunities ‣ Work-life balance ‣ Right to privacy ‣ Health and safety at work	‣ Free competition ‣ Integrity in management ‣ Customer relations ‣ Relations with contractors and suppliers ‣ Shareholder relations ‣ Restricted and confidential information ‣ Protection of corporate assets ‣ Conflicts of interest ‣ Neutrality ‣ Company commitment ‣ External activities

In relation to the principle of neutrality, Colonial develops its business model without interfering or participating in the political processes of the countries and communities in which it operates. Any relationship between Colonial and governments, authorities, institutions and political parties is based on the principles of legality and political neutrality.

In addition, and as explained above, Colonial offers its employees, Directors, shareholders, suppliers, contractors and subcontractors an Ethics Channel through which these groups can confidentially submit any query, or report any irregularity of which they are aware and which falls within the objective scope of the Code of Ethics. In the specific case of Colonial's employees and Board Members, complaints may also be submitted by name or anonymously. The Regulatory Compliance Unit is the body in charge of receiving and processing queries and complaints through the platform itself and in accordance with the **Ethics Channel** Regulations, which are available on the corporate website. In addition, the Regulatory Compliance Unit is the body responsible for processing and managing any other facts of which it becomes aware by any other means, with legal advice and assistance from external counsel if necessary. Any persons who make any kind of query or complaint, provided they do so in good faith, are protected against any form of retaliation, threat, extortion, discrimination or criminalisation on the basis of the communications made. In 2020, no complaints were received through the internal Complaints Channel, although queries were received through other channels, none of which resulted in corrective actions.



II. Regulatory risk prevention

In addition to the Code of Ethics, Colonial has a regulatory risk prevention system which is managed through the Regulatory Compliance Unit. In the area of prevention of the different regulatory risks, the company has a Criminal Risk Prevention Manual, a Manual for the Prevention of Money Laundering and Financing of Terrorism and an Internal Code of Conduct in the Securities Market. Likewise, on a regular basis, Colonial reviews the internal and external regulations applicable to it, through the Regulatory Compliance Unit, as well as external advisors and lawyers, in order to ensure full and correct compliance.

In this regard, a compliance policy was approved by the Audit and Control Committee in 2020 and is available on the corporate website at the following link.

With regard to the prevention of money laundering and the financing of terrorism, the Manual for the Prevention of Money Laundering and the Financing of Terrorism has been updated to incorporate the recommendations made in the monitoring report prepared by the external expert for 2019. These modifications have been reported to the Audit and Control Committee by the Regulatory Compliance Unit.

III. Fight against corruption and bribery - Anti-Corruption Policy

As part of its commitment to integrity and professional excellence, Colonial has adopted policies and procedures with the purpose of avoiding any form of corruption, bribery and preventing money laundering in the development of its activity. Specifically, the Colonial Group's Code of Ethics, the application of which is binding for all its employees, clearly states that any form of corruption is completely against the Group's principles and values and prohibits any type of behaviour related to any form of bribery.

In this regard, Article 6 of the Code of Ethics establishes that Colonial and its professionals base their relations with clients, suppliers, competitors and partners, as well as with its shareholders, investors and other market agents, on the principles of integrity, professionalism and transparency. In accordance with the above, Colonial's Code of Ethics expressly rejects bribes to authorities and public officials and prohibits its employees from giving to third parties or receiving from third parties' undue payments of any kind, or gifts, handouts or favours that are outside market usage or which, due to their value, characteristics or circumstances, may reasonably alter the development of commercial, administrative or professional relations involving the Group's companies.

Thus, in addition to the aforementioned precepts for the fight against corruption, the company has a model of segregation of duties and a procurement authorisation system to increase controls in this area that apply throughout the Group. In 2020, no significant corruption-related risks were identified through the mechanisms described above.

IV. Principles on grants, sponsorships and donations

As a listed company in the real estate sector, Colonial actively engages with multiple sectors of society in its daily operations. In this respect, Colonial strives to promote the creation of value for society through close and collaborative relationships with all its stakeholders and, due to the economic or financial nature of some of these relationships, Colonial has defined guidelines that help the organisation to strengthen these, while ensuring that all interactions and exchanges are carried out in an ethical manner.

In this regard, within the framework of the ESG (environmental, social and governance) Strategic Plan adopted by Colonial Group in 2017, the company plans to increase its involvement in specific actions that promote social integration, philanthropic activities and greater participation of society in Colonial's activities. These initiatives are consistent with Colonial's commitment to promote and achieve the Sustainable Development Goals (SDGs), more specifically SDG 17: "Revive the global partnership for sustainable development", indispensable for the success of the UN 2030 Agenda for Sustainable Development.

12.4. Organisation of the Group

Colonial Group

Colonial

GAV 12/20: €12.020m
GAV incl. transfer costs 12/20: €12.631m

50% — **Inmocol Torre Europa, S.A.**

50% — **WITTYWOOD**

100% — **SPAIN ASSETS**

81.7% — **SFL**

- 66% — **Washington Plaza**
- 50% — **PARHOLDING**

Champs-Élysées 90
Galeries Champs-Élysées
Haussmann 104

12.5. Management team

Mr. Juan José Brugera Clavero
Chairman

Mr. Pere Viñolas Serra
CEO

Ms. Carmina Canyet i Cirera
Corporate Managing Director

Ms. Nuria Oferil Coll
Chief Legal Officer

Mr. Albert Alcober Teixidó
Chief Operating Officer

Ms. Begoña Muñoz López
Chief Human Resources

Ms. Àngels Arderiu Ibars
Chief Financial Officer

Mr. Juan Manuel Ortega Moreno
Chief Investment Officer

Mr. Carlos Krohmer
Chief Corporate Development Officer

13
EPRA ratios

13.1. EPRA Earnings

EPRA Earnings - €m

	2020	2019
Earnings per IFRS Income statement	**2**	**827**
Earnings per IFRS Income statement - €cts/share	***0.47***	***162.72***
Adjustments to calculate EPRA Earnings, exclude:		
(i) Changes in value of investment properties, development properties held for investment and other interests	78	(875)
(ii) Profits or losses on disposal of investment, development properties held for investment and other interests	(2)	(20)
(iii) Profits or losses on sales of trading properties including impairment changes in respect of trading properties	0	0
(iv) Tax on profits or losses on disposals	(0)	0
(v) Negative goodwill / goodwill impairment	0	62
(vi) Changes in fair value of financial instruments and associated close-out costs	31	6
(vii) Acquisition costs on share deals and non controlling joint venture interests	0	3
(viii) Deferred tax in respect of EPRA adjustments	(4)	12
(ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	0	0
(x) Minority interests in respect of the above	27	126
EPRA Earnings	**133**	**142**
Company specific adjustments:		
(a) Extraordinary provisions & expenses	3	(2)
(b) Non recurring financial result	2	0
(c) Tax credits	0	0
(d) Minority interests in respect of the above	(0)	0
Company specific adjusted EPRA Earnings	**138**	**139**
Average Nº of shares (m)	***508.1***	***508.1***
Company adjusted EPRA Earnings per Share (EPS) - €cts/share	***27.06***	***27.40***

13.2. EPRA Net Asset Value - New Methodology

EPRA Net Asset value - December 2020 - €m

		NAV previous methodology	Net Reinstatement Value	Net Tangible Assets	Net Disposal Value
IFRS Equity attributable to shareholders		**5,401**	**5,401**	**5,401**	**5,401**
Include:					
(i)	Hybrid instruments	–	–	–	–
Diluted NAV		**5,401**	**5,401**	**5,401**	**5,401**
Include:					
(i.a)	Revaluation of investment properties (if IAS 40 cost option is used)				
(i.b)	Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)				
(i.c)	Revaluation of other non-current investment	64	64	64	64
(ii)	Revaluation of tenant leases held as finance leases	–	–	–	–
(iv)	Revaluation of trading properties	10	10	10	10
Diluted NAV at Fair Value		**5,475**	**5,475**	**5,475**	**5,475**
Exclude:					
(v)	Deferred tax in relation to fair value gains of IP	233	233	233	n.a.
(vi)	Fair value of financial instruments	19	19	19	n.a.
(vii)	Goodwill as a result of deferred tax	–	–	–	–
(viii.a)	Goodwill as per the IFRS balance sheet	–	n.a.	–	–
(viii.b)	Intangible as per the IFRS balance sheet	–	n.a.	–	n.a.
Include:					
(ix)	Fair value on fixed interest rate debt	–	n.a.	n.a.	(280)
(x)	Revaluation of intangibles to fair value	–	–	n.a.	n.a.
(xi)	Real estate transfer tax	n.a.	471	–	n.a.
EPRA NAV - €m		**5,728**	**6,198**	**5,728**	**5,195**
Nº of shares (m)		***508.1***	***508.1***	***508.1***	***508.1***
EPRA NAV - Euros per share		***11.27***	***12.20***	***11.27***	***10.22***

EPRA Net Asset value - December 2019 - €m

		NAV previous methodology	Net Reinstatement Value	Net Tangible Assets	Net Disposal Value
IFRS Equity attributable to shareholders		**5,559**	**5,559**	**5,559**	**5,559**
Include:					
(i)	Hybrid instruments	–	–	–	–
Diluted NAV		**5,559**	**5,559**	**5,559**	**5,559**
Include:					
(ii.a)	Revaluation of investment properties (if IAS 40 cost option is used)				
(ii.b)	Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)				
(ii.c)	Revaluation of other non-current investment	45	45	45	45
(iii)	Revaluation of tenant leases held as finance leases	–	–	–	–
(iv)	Revaluation of trading properties	3	3	3	3
Diluted NAV at Fair Value		**5,607**	**5,607**	**5,607**	**5,607**
Exclude:					
(v)	Deferred tax in relation to fair value gains of IP	240	240	239	n.a.
(vi)	Fair value of financial instruments	(21)	(21)	(21)	n.a.
(vii)	Goodwill as a result of deferred tax	–	–	–	–
(viii.a)	Goodwill as per the IFRS balance sheet	n.a.	n.a.	–	–
(viii.b)	Intangible as per the IFRS balance sheet	n.a.	n.a.	–	n.a.
Include:					
(ix)	Fair value on fixed interest rate debt	n.a.	n.a.	n.a.	(258)
(x)	Revaluation of intangibles to fair value	–	–	n.a.	n.a.
(xi)	Real estate transfer tax	n.a.	474	–	n.a.
EPRA NAV - €m		**5,825**	**6,299**	**5,824**	**5,348**
Nº of shares (m)		***508.1***	***508.1***	***508.1***	***508.1***
EPRA NAV - Euros per share		***11.46***	***12.40***	***11.46***	***10.53***

13.3. EPRA Net Initial yield & "Topped-Up" Net Initial Yield

D. EPRA Net Initial yield & "Topped-Up" Net Initial Yield - €m

		Barcelona	Madrid	Paris	Other	Total 2020	Total 2019
Investment property – wholly owned		1,416	3,051	7,458	71	11,996	12,179
Investment property – share of JVs/Funds		24	n.a.	n.a.	n.a.	24	17
Trading property (including share of JVs)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Less: developments		(186)	(659)	(1,146)	n.a.	(1,992)	(1,768)
Completed property portfolio	**E**	**1,254**	**2,392**	**6,312**	**71**	**10,028**	**10,428**
Allowance for estimated purchasers' costs		38	59	433	2	533	541
Gross up completed property portfolio valuation	**B**	**1,292**	**2,451**	**6,745**	**73**	**10,561**	**10,969**
Annualised cash passing rental income		45	92	184	5	326	333
Property outgoings		(4)	(8)	(4)	(0)	(16)	(21)
Annualised net rents	**A**	**42**	**84**	**180**	**5**	**310**	**312**
Add: notional rent expiration of rent free periods or other lease incentives		2	2	13	1	19	34
"Topped-up" net annualised rent	**C**	**44**	**86**	**193**	**6**	**329**	**346**
EPRA Net Initial Yield	**A/B**	**3.2%**	**3.4%**	**2.7%**	**6.7%**	**2.9%**	**2.8%**
EPRA "Topped-Up" Net Initial Yield	**C/B**	**3.4%**	**3.5%**	**2.9%**	**7.7%**	**3.1%**	**3.2%**
Gross Rents 100% Occupancy	F	52	100	211	6	370	383
Property outgoings 100% Occupancy		(3)	(7)	(4)	(0)	(14)	(19)
Annualised net rents 100% Occupancy	**D**	**49**	**93**	**207**	**6**	**355**	**363**
Net Initial Yield 100% Occupancy	**D/B**	**3.8%**	**3.8%**	**3.1%**	**7.8%**	**3.4%**	**3.3%**
Gross Initial Yield 100% Occupancy	**F/E**	**4.2%**	**4.2%**	**3.3%**	**8.5%**	**3.7%**	**3.7%**

13.4. EPRA Vacancy Rate

EPRA Vacancy Rate - Offices Portfolio - €m

	2020	2019	Cha. %
Barcelona			
Vacant space ERV	2	1	
Portfolio ERV	53	63	
EPRA Vacancy Rate Barcelona	**5%**	**2%**	**3 pp**
Madrid			
Vacant space ERV	3	4	
Portfolio ERV	94	100	
EPRA Vacancy Rate Madrid	**3%**	**4%**	**(1 pp)**
París			
Vacant space ERV	10	3	
Portfolio ERV	182	182	
EPRA Vacancy Rate Paris	**6%**	**2%**	**4 pp**
Total portafolio			
Vacant space ERV	16	8	
Portfolio ERV	329	345	
EPRA Vacancy Rate Total Office Portfolio	**5%**	**2%**	**2 pp**

Note: Annualized figures.

EPRA Vacancy Rate - Total Portfolio - €m

	2020	2019	Cha. %
Barcelona			
Vacant space ERV	3	1	
Portfolio ERV	56	64	
EPRA Vacancy Rate Barcelona	**5%**	**2%**	**3 pp**
Madrid			
Vacant space ERV	3	4	
Portfolio ERV	94	101	
EPRA Vacancy Rate Madrid	**3%**	**4%**	**(1 pp)**
Paris			
Vacant space ERV	12	3	
Portfolio ERV	218	222	
EPRA Vacancy Rate Paris	**6%**	**1%**	**4 pp**
Logistic & others			
Vacant space ERV	–	2	
Portfolio ERV	6	11	
EPRA Vacancy Rate Total Portfolio	**0%**	**16%**	**(16 pp)**
Total Portafolio			
Vacant space ERV	18	11	
Portfolio ERV	373	398	
EPRA Vacancy Rate Total Portfolio	**5%**	**3%**	**2 pp**

Note: Annualized figures.

13.5. EPRA Cost Ratios

E. EPRA Cost Ratios - €m

		12/2020	12/2019
(i) Administrative/operating expense line per IFRS income statement		48	48
(ii) Net service charge costs/fees		23	30
(iii) Management fees less actual/estimated profit element		0	0
(iv) Other operating income/recharges intended to cover overhead expenses less any related profits		0	0
(v) Share of Joint Ventures expenses		0	0
Exclude (if part of the above):			
(vi) Investment Property depreciation		n.a.	n.a.
(vii) Ground rent costs		n.a.	n.a.
(viii) Service charge costs recovered through rents but not separately invoiced		(3)	(7)
EPRA Costs (including direct vacancy costs)	**A**	**68**	**71**
(ix) Direct vacancy costs		(5)	(5)
EPRA Costs (excluding direct vacancy costs)	**B**	**63**	**66**
(x) Gross Rental Income less ground rent costs - per IFRS		340	352
(xi) Less: service fee and service charge costs components of Gross Rental Income (if relevant)		(3)	(6)
(xii) Add: share of Joint Ventures (Gross Rental Income less ground rents)		0	0
Gross Rental Income	**C**	**338**	**346**
EPRA Cost Ratio (including direct vacancy costs) (A/C)	**A/C**	**20.1%**	**20.4%**
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**B/C**	**18.7%**	**19.1%**
Additional Disclosure			
Capitalized overhead costs(1)		2	1
Commercialisation fees(2)		1	2

(1) Overheads which are directly and totally related to projects are capitalized.
(2) Commercialisation fees related to projects and refurbishments are capitalized.

13.6. EPRA Capex disclosure

Property-related CAPEX - €m

	12/2020	12/2019
Acquisitions(1)	1	0
Development (ground-up/green field/brown field)	158	89
Like-for-like Portfolio	17	17
Other(2)	18	17
Capital Expenditure	**194**	**123**

(1) Does not include contribution of assets in exchange of shares.
(2) Includes capitalised interest relating to projects, tenant incentives, letting fees and other capitalised expenses.

14
Colonial Portfolio

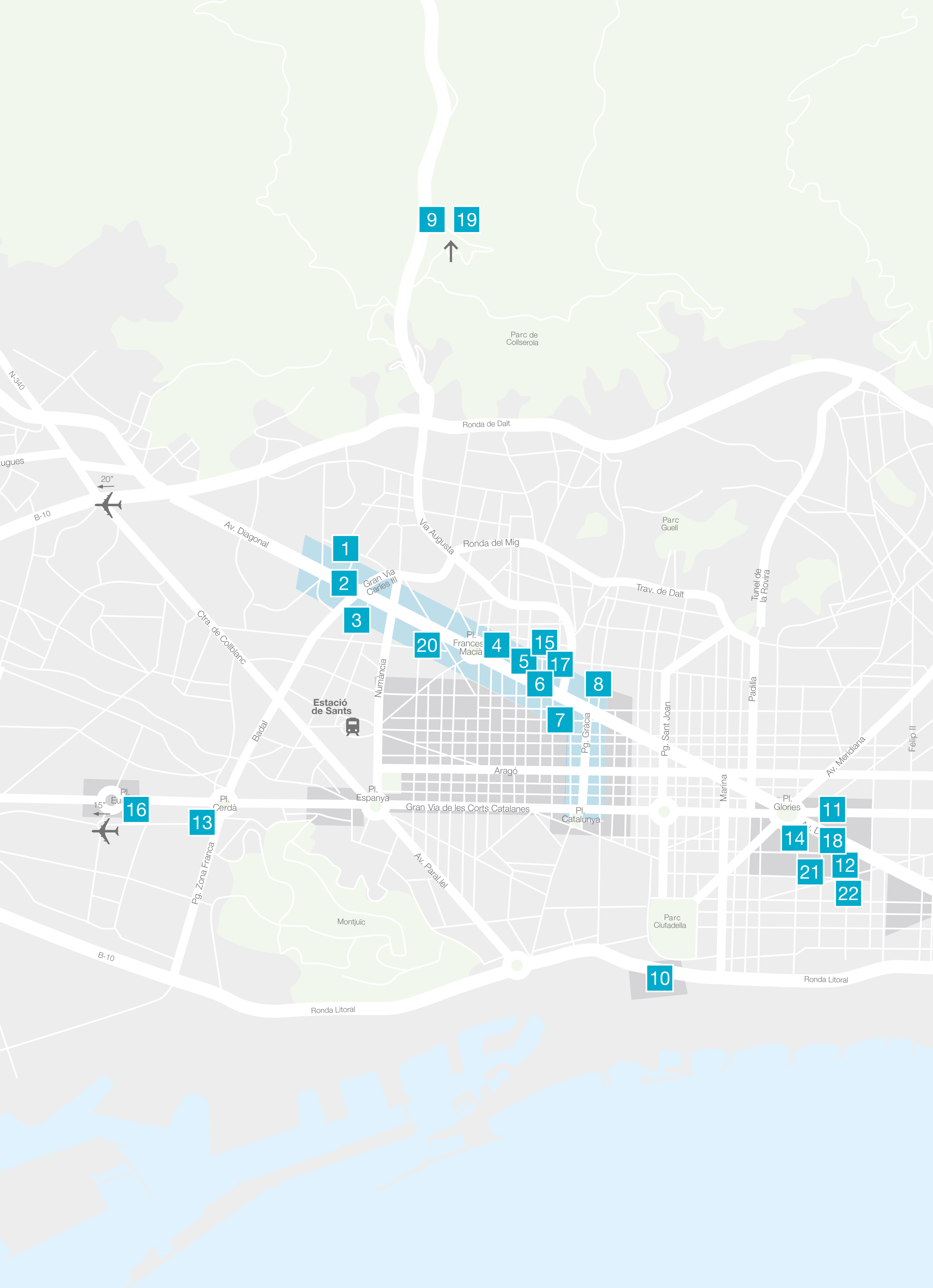
14.1. Location of assets

Barcelona

1 Paseo de los Tilos, 2-6
2 Av. Diagonal, 682
3 Av. Diagonal, 609-615
4 Travessera de Gràcia, 11
5 Amigó, 11-17
6 Av. Diagonal, 530-532
7 Av. Diagonal, 409
8 Vía Augusta, 21-23
9 Complejo de oficinas San Cugat Nord
10 Torre Marenostrum
11 Diagonal Glòries
12 Complejo de oficinas Illacuna
13 Torre BCN
14 Parc Glòries
15 Travessera de Gràcia, 47-49
16 Plaza Europa, 34
17 Gal·la Placídia
18 Av. Diagonal, 197
19 Park Cugat
20 Av. Diagonal, 523-525
21 Parc Glòries II (Sancho de Ávila, 110-130)
22 WittyWood (Llacuna, 42)

Prime Central Business District

Business District



9
19
Parc de Collserola
N-340
Ronda de Dalt
20"
B-10
Av. Diagonal
1
2
Gran Via Carles III
3
Via Augusta
Ronda del Mig
Parc Guell
Trav. de Dalt
Tunel de la Rovira
Ctra. de Collblanc
Pl. Francesc Macià
20
4
15
5
17
6
8
Numància
Estació de Sants
7
Pg. Gràcia
Pg. Sant Joan
Padilla
Badal
Aragó
Marina
Av. Meridiana
Felip II
15"
16
Pl. Cerdà
13
Pl. Espanya
Gran Via de les Corts Catalanes
Pl. Catalunya
Pl. Glories
11
14
18
12
21
22
Av. Paral.lel
Pg. Zona Franca
Montjuïc
Parc Ciutadella
10
Ronda Litoral
B-10
Ronda Litoral

Madrid

1 Paseo de Recoletos, 37-41
2 Génova, 17
3 Paseo de la Castellana, 52
4 Paseo de la Castellana, 43
5 Miguel Ángel, 11
6 José Abascal, 56
7 Santa Engracia
8 Poeta Joan Maragall, 53
9 Discovery Building
10 López de Hoyos, 35
11 The Window
12 Francisco Silvela, 42
13 Ortega y Gasset, 100
14 Ramírez de Arellano, 37
15 MV49 Business Park
16 Alfonso XII, 62
17 José Abascal, 45
18 Serrano, 73
19 Santa Hortensia, 26-28
20 Paseo de la Castellana, 163
21 Arturo Soria, 336
22 Campus Méndez Álvaro
23 Ramírez de Arellano, 15
24 Manuel de Falla, 7
25 Sagasta, 27
26 Sagasta, 31-33
27 Almagro, 9
28 Miguel Ángel, 23
29 Velázquez-Padilla, 17
30 Don Ramón de la Cruz, 82
31 Paseo de Recoletos, 27

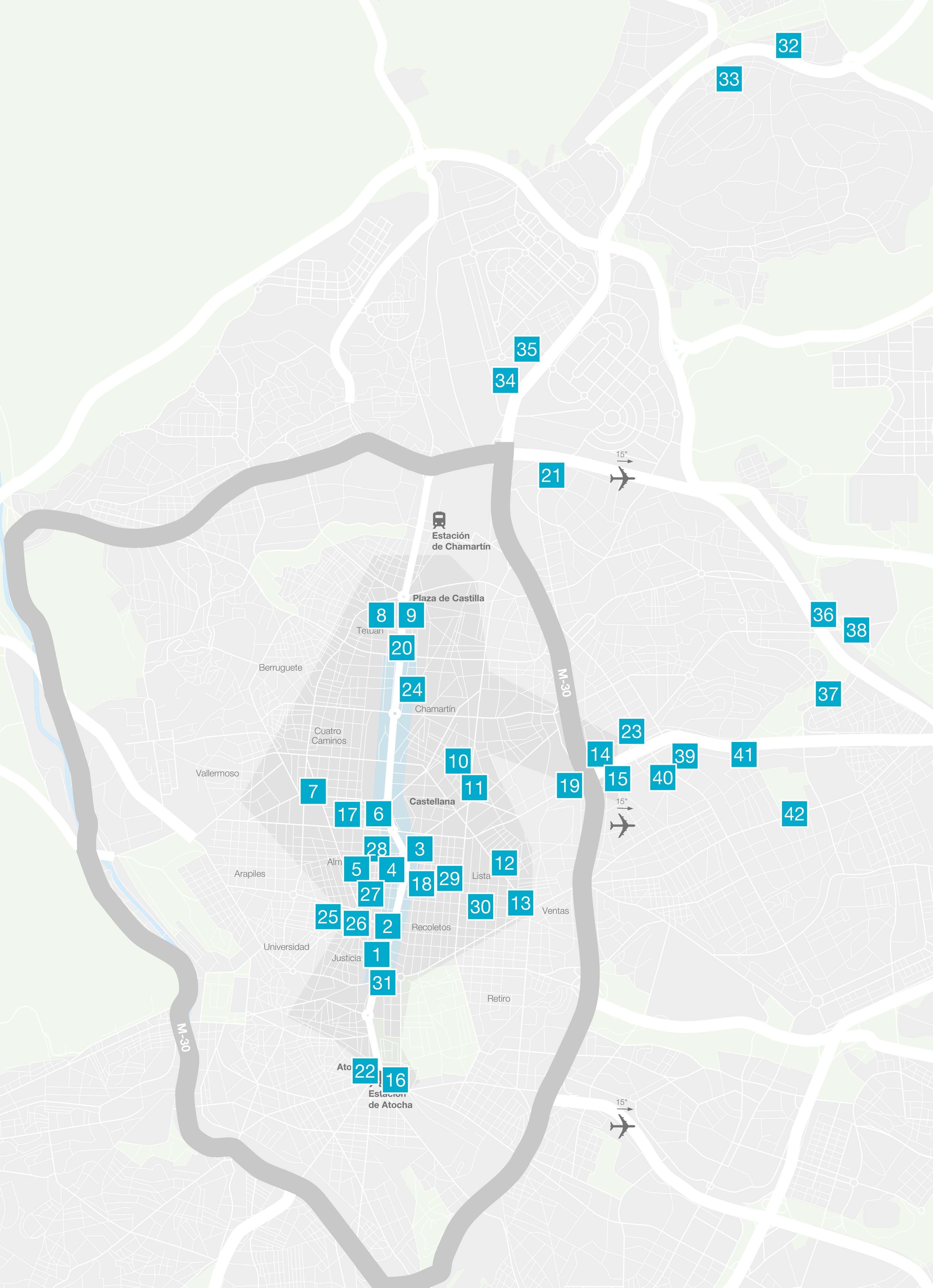
NORTH MADRID
Arroyo de la Vega & Las Tablas

32 Francisca Delgado, 11
33 Cedro - Anabel Segura, 14
34 Puerto de Somport, 8
35 Puerto de Somport, 10-18

EAST MADRID
Campo de las Naciones & A2

36 Ribera del Loira, 28
37 Tucumán
38 EGEO - Campo de las Naciones
39 Josefa Valcárcel, 40
40 Josefa Valcárcel, 24
41 Luca de Tena, 7
42 Alcalá, 506

Prime Central Business District
Business District



32
33
35
34
21
15"
Estación
de Chamartín
Plaza de Castilla
8
9
36
38
20
Berruguete
M-30
24
Chamartín
37
23
Cuatro
Caminos
14
39
41
10
15
40
Vallermoso
19
11
7
17
6
Castellana
15"
42
28
3
12
Arapiles
5
4
29
Lista
18
27
30
13
Ventas
25
26
2
Recoletos
Universidad
Justicia
1
31
Retiro
M-30
22
16
de Atocha
15"

Paris

1 Louvre Saint-Honoré
2 Washington Plaza
3 Galerie des Champs-Élysées
4 90 Champs-Élysées
5 92 Champs-Élysées - Ozone
6 Cézanne Saint-Honoré
7 Édouard VII
8 176 Charles de Gaulle
9 Rives de Seine
10 Marceau
11 131 Wagram
12 103 Grenelle
13 104-110 Haussmann Saint-Augustin
14 6 Hanovre
15 #Cloud
16 Le Vaisseau
17 112 Wagram **(sold 2021)**
18 4-8 Rue Condorcet
19 9 Avenue Percier **(sold 2021)**
20 Biome

Prime Central Business District

Business District

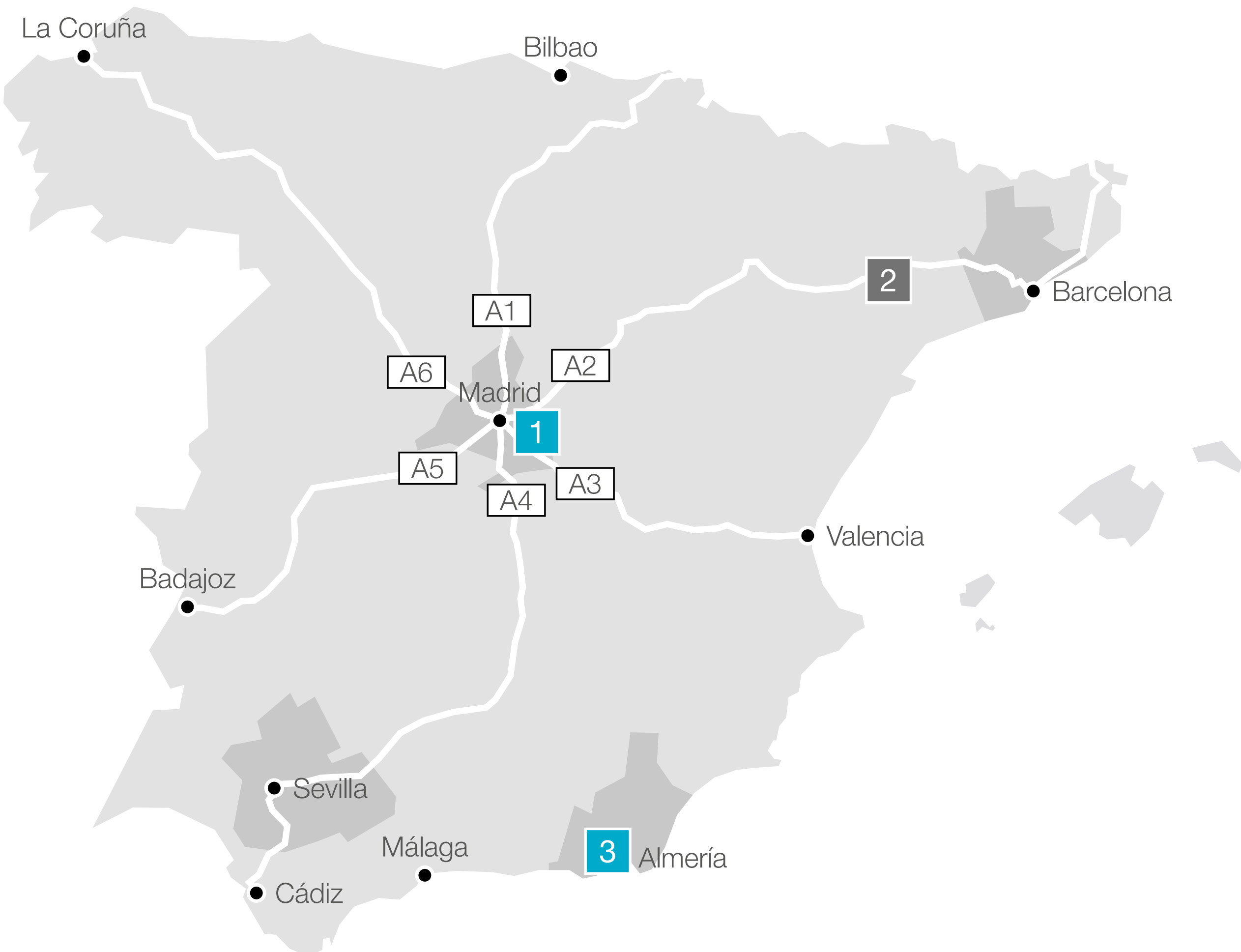

SAINT-DENIS
20"
A86
N14
N1
D13
COLOMBES
N315
ASNIÈRES-SUR-SEINE
SAINT-OUEN
AUBERVILLIERS
N2
COURBEVOIE
CLICHY
D20
Périphérique
Porte de
la Chapelle
LEVALLOIS-PERRET
Porte de
Clichy
25"
Av. de Flandre
Av. Jean Jaurès
Seine
8
11
17
19
Bd. des B
lles
Bd. de
Clichy
Gare
du Nord
Gare de
St.-Lazare
18
Gare
de l'Est
Porte
Maillot
2
6
R. La Fayette
Av. Foch
13
14
Bd. des
Italiens
R. Belleville
5
4
Av. des
Champs-Elysées
15
Périphérique
Av. Victor Hugo
10
3
7
Bd. Sébastopol
Av. la Republique
R. Rivoli
1
Bois de
Bologne
Quai d'Orsay
Bd. Voltaire
Porte de
la Muette
12
Champ
de Mars
Bd. Saint Germain
Av. Mozart
Quai de
Grenelle
20
R. du Faubourg
Saint Antoine
Pl. de
la Nation
Av. de
Breteuil
Jardin du
Luxembourg
Bd. Saint Michel
Gare
de Lyon
Bd. Exelmans
Bd. Montparnasse
Lecourbe
Gare
d'Austerlitz
9
Av. du Maine
Gare
Montparnasse
Seine
Porte de
St. Cloud
Porte de
Sevres
Av. Général
Leclerc
Pl.
d'Italie
Porte
de Bercy
Périphérique
16
Porte
d'Orleans
IVRY-SUR-SEINE
D906
CLAMART
D5
D920
D7

Others

1 Las Mercedes Open Park

2 Les Gavarres **(sold 2021)**

3 Viapark




BAUHAUS
El especialista para su casa, taller y
ada principal
Instal·lació | Muntatge
Col·locació
ENTREPANS
Plus Card
-12%

Barcelona

1 Paseo de los Tilos, 2-6

A fully refurbished office building located in one of Barcelona's most exclusive residential neighborhoods. Due to its proximity and easy access to the Ronda de Dalt and the Diagonal business district it is has excellent transport links, it is close to Av. Diagonal and just 20 minutes from the airport. The building has five open-plan floors and a total leasable area of 5,143 sq m, in addition to two underground floors with its own parking garage. Floors with high-quality interiors and finishes, offering an average per-floor area above 1,000 sq m.

2 Av. Diagonal, 682

Diagonal 682 is a fully refurbished building which offers a modern and functional work environment. It has an open structure, completely street-facing and with well-lit areas and spectacular views of Barcelona. The building is located in one of the city's major business districts, making it an ideal base for company offices. The standard layout offers a leasable area of 644 sq m, divisible into two independent modules of 322 sq m each. The building has its own parking area and two commercial premises on the ground floor with direct street access.

3 Av. Diagonal, 609-615

The Diagonal 609-615 office building is in one of the most cosmopolitan parts of Avenida Diagonal, in an area that combines financial and commercial activity. Very good transport links both with the center of Barcelona and the train station and airport. Of particular note in this complex is the building popularly known as "El Dau", along with the "Prisma" building. Known as "El Dau" due to its straight architectural lines, it has nine completely street-facing floors, divided into eight modules with leasable areas of 217 sq m and up. The "Prisma" building has nine completely street-facing floors, divided into four modules with leasable areas of 124 sq m and up. These buildings are constructed and decorated with the highest quality materials. They have access control from the lobby with security services and their own parking area.

4 5 Travessera de Gràcia, 11 / Amigó

Located at the intersection of Travessera de Gràcia and Amigó, this building is in a busy commercial area, with excellent transport connections, being just a few meters away from Av. Diagonal and Plaza Francesc Macià. It holds a LEED GOLD environmental certification and consists of 2 buildings accessible from Travesera de Gràcia and Amigó. The two buildings share four underground floors of parking. The building's facade stands out for the special Geoda glass which changes color tone depending on the exterior light. The interior is characterized by spacious areas with steel-encased raised floors, metallic false ceilings and quality curtains installed in the facade. State-of-the-art elevators are in operation, which aim to reduce waiting time. The building is lit by LED lighting adjustable in relation to the amount of external light.

6 Av. Diagonal, 530-532

The Diagonal 532 office block is located on Avenida Diagonal between Aribau and Tuset.
It comprises nine completely street-facing and open-plan floors of up to 1,397 sq m, divisible into modules of 268 sq m and up; it also offers elegant and stylish communal areas. The building is BREEAM certified and has hi-tech installations, including a modular climate-control system and a vertical access core of three elevators and a freight elevator. The building also has its own parking area.

7 Av. Diagonal, 409

Architecturally-unique building with seven open-plan floors, which are completely street-facing, thanks to its design, providing office space from 500 sq m upwards. Recently renovated building, which has plenty of light and is conveniently located at the intersection of Av. Diagonal and Balmes. It has been awarded the LEED GOLD certificate and is an ideal option for companies wishing to combine classic elegance with the functionality of the most modern office building.

8 Vía Augusta, 21-23

Located a few meters from the intersection of Vía Augusta and Av. Diagonal, in a busy commercial area, with excellent transport connections. High-quality facilities and finishes, with raised access floors. Open-plan floors with 215 sq m to 670 sq m of leasable space, easily adaptable to the client's needs. Highly emblematic commercial premises with direct access from Vía Augusta. Concierge service. Parking in building annex.

9 Complejo de oficinas Sant Cugat Nord

The Sant Cugat Nord office complex is located within the Barcelona metropolitan area and comprises 3 modern buildings offering leasable office space, all with a BREEAM rating of Very Good. This complex, surrounded by an extensive garden area, stands out for its high-quality provision: over 27,000 sq m, with paddle tennis courts, fitness rooms, restaurant service and parking. Every floor has 3,000 sq m modulable according to the needs of each client and containing the latest technology. A simple and elegant design has been chosen for the communal areas, making it the perfect place to set up a corporate headquarters or office.

BREEAM ES

10 Torre Marenostrum

Torre Marenostrum is one of the most unique and significant buildings erected in the city in the last few years. What makes this project so spectacular is its location, on the city's waterfront, along with its sinuous, modern architecture, and its rocky, crystal shape, inspired by the wind and water of the Mediterranean shore. All of these features make it a landmark of the Barcelona skyline. The 100-meter tower comprises two independent buildings with a total of 22,000 sq m of leasable space. The open-plan floors have up to 965 sq m with excellent facilities and decoration and a large parking area.

11 Diagonal Glòries

Located in Avenida Diagonal, just a few meters from Plaza de las Glorias and right in the middle of the 22@ district. It consists of three separate buildings and has a total of 11,672 sq m of leasable office space. Distributed over four floors, the office spaces range from 324 sq m to 2,918 sq m per floor. The area is easily accessible, and in the immediate vicinity major urban projects are being carried out, further raising the area's profile within the city. The building has a large number of amenities, as it is located above the Glòries shopping mall. Parking area within the building.

BREEAM ES

12 Compejo de oficinas Illacuna

The Illacuna office complex is located in the heart of the 22@ district, in the Eix Llacuna neighborhood. With an area of 20,500 sq m, it comprises three buildings offering different standard layouts that house offices with an avant-garde design. The combination of different sizes in the split-level building gives a sensation of lightness and visual dynamism to this spacious building, which stands out for its originality and grandeur. The complex also has a special storage area for documents, which helps free up work space in the offices. The high ceilings give a sense of spaciousness and the decoration was done using quality, durable and elegant materials. The complex has its own parking area and a 24-hour concierge service.

BREEAM ES

13 Torre BCN

Torre BCN is an office building situated in the Plaça Ildefons Cerdà immediately on the point of entry to Barcelona. Its spectacular four-sided facade, with a completely glass curtain wall, stands out on the urban skyline. It consists of twelve open-plan floors, which are spacious and light, and offer a total modulable area of 800 sq m along with its own parking area. Spaces upwards of 155 sq m can be leased. The refurbishment process enabled this emblematic building to be updated with the latest installations and to be redecorated in a simple and functional style.

14 Parc Glòries

A new project for an emblematic office building in the most sought-after location of the 22@ district, with highly sustainable and top grade finishes and technical specifications. Completion is planned for 2018. The Parc Glòries project is soon to become an important landmark in the city. It will offer 24,000 sq m distributed over 17 floors designed by Batlle and Roig. The building, located at the heart of Barcelona's newest and most modern business district, next to Plaza Glòries and adjacent to Avenida Diagonal, will feature open floors each measuring 1,800 sq m.

15 Travessera de Gràcia, 47-49

An 8-story building above ground, located in the neighborhood of the Eixample in Barcelona, a few metres away from Avenida Diagonal and Vía Augusta, two of the main arteries of the city. It is a corner-shaped building with an interior patio, with great visibility and a privileged location. With an impressive façade to Travessera de Gràcia, the entire perimeter of the office area is external, guaranteeing natural light on all of the floors. Due to its privileged location, it benefits from proximity to all the basic services, public transportation, connections and infrastructures and commercial urban life.

16 Plaza Europa, 34

At the beginning of 2017, Colonial strengthened its position in Plaza Europa, one of the business areas with the most development in recent years in Barcelona, with a new project to build a 21-storey office building with 14,000 sq m above ground and 150 parking spaces. This project is being developed in a joint venture with the Inmo Company, a subsidiary of the Puig family, the land owner, whose current corporate headquarters is located in the adjacent plot. The building will obtain the LEED Gold energy certificate.

17 Gal·la Placídia

This building has an unbeatable location in the Barcelona CBD, just in front of the Gràcia metro station and a few metres away from Colonial's headquarters. The asset has 4,312 sq m of surface area above ground with floors of up to 1,600 sq m and large terraces, a unique characteristic in the centre of Barcelona. Colonial will carry out a complete refurbishment of the building with the objective to boost co-working initiatives and increase the cash flow generation as well as the value creation potential. Accordingly, the building will be fully rented to Utopic_US, a leader in the management of flexible spaces and co-working contents in Spain, recently acquired by Colonial. The total price of the project once completed will be below €4,000/sq m.

18 Av. Diagonal, 197

Singular office tower located on Avenida Diagonal, the main artery of Barcelona. Located in the 22@ district, very close to the strategic Plaça de les Glòries and the Glòries commercial hub, it enjoys excellent transport connections and impressive views of the city of Barcelona and the Mediterranean Sea. This impressive 17-storey building was designed by David Chipperfield and has a 15,531 sq m GLA and 222 parking spaces distributed over three underground floors, as well as 29 motorcycle parking spaces.

19 Park Cugat

Modern and versatile office building located a few minutes out of Barcelona with a GLA of 12,000 sq m and 408 parking spaces. The building has an area per floor of 2,500 sq m, not found in any other buildings in Sant Cugat, as well as an auditorium with a capacity for up to 200 people. The plants are diaphanous, highly efficient with facades looking out in all directions.

20 Av. Diagonal, 523-525

Office building located in Barcelona's prime CBD at Avenida Diagonal 525, where the road meets Avenida Sarriá. Its 5,800 sq m above ground and 1,200 sq m below ground are arranged over a ground floor and nine upper floors. There are plans to complete a full-scale refurbishment of the property, which would turn it into a landmark office building in the heart of Barcelona's business district. Located in an active hub for business and retail, it benefits from a wide range of services and public transport links with all areas of the city. The Diagonal 525 building has been pre-let by Naturgy, in which it will house its new corporate headquarters.

21 Parc Glòries II (Sancho de Ávila, 110-130)

The office building sits in one of Barcelona's most bustling and well-known centres of activity, the 22@ District. This area offers the ideal balance between its facet as a hub of innovation and its quality as a place with its own unique personality, featuring public spaces, green zones and matchless connections with both public and private transport. A building that currently houses the headquarters of the company T-Systems, with large terraces on the uppermost floors, and where innovation, technology and sustainability are the pillars of a new conception of space to the service of the people.

22 WittyWood (Llacuna, 42)

The Witty Wood building will have 4,100 sqm destined to office use. The project, which is a unique concept of office buildings in Spain, will count on spaces equipped with the latest technologies. Witty Wood is located on 42 Llacuna, in the heart of the 22@ district.

The Witty Wood building will be built using wood as the primary material, an unprecedented case in the offices market in Spain. Timber engineering acts as storage for Co2, consequently considerably reducing the emissions that impact global warming. In the construction phase alone, carbon emissions are reduced by 50%. Due to these characteristics, among others, the building will count on the maximum environmental certificates: LEED Platinum and WELL Platinum.

Madrid

1 Paseo de Recoletos, 37-41

This office building with more than 17,000 sq m distributed among the floors with spaces of up to 1,910 sq m, is located in one of the central points of Madrid. A unique setting characterised by its thriving economic activity and for the abundance of unique office buildings representing multinational companies, four and five star hotels and luxury residential buildings. The exquisite complete renovation of this building has converted it into an architectural benchmark along the Recoletos-Prado thoroughfare, as well as a privileged site to house offices of the highest quality.

2 Génova, 17

The office building at Génova 17 is located on one of the most central streets of Madrid, with excellent links, parking for cars and an area specifically for bicycles. It is an avant-garde building, recently fully renovated with the best quality materials and an internal design and functioning, bringing it more in line with what a latest generation office building would be. Génova 17 has utilities that can be monitored and accessible by the users, efficient and flexible spaces, an entrance with a height of over five metres and open plan offices, with no columns to make maximum use of the work spaces. The maple drop-ceiling comes with built-in low energy consumption light fittings, high efficiency and low-glare lighting. The flooring is raised to facilitate the laying of cables for workstations. The air conditioning system is of the latest generation VRV variety, which makes if possible to have different temperatures in different areas of the office.

3 Paseo de la Castellana, 52

Unique building at Paseo de la Castellana 52, one of Madrid's main financial and commercial thoroughfares. Its corner façade stands out for is large vertical windows, crowned by semi-circular arches, and are suggestive of an architectural line inspired by a combination of art deco and futurism. The spaces, wide, open and bright, can be divided into modules to adapt to the needs of each customer, with spaces to let ranging from 407 to 928 sq m.

4 Paseo de la Castellana, 43

Renovated office building, with LEED GOLD certification, located on the main business thoroughfare of the city, boasting excellent public and private transport links. Its excellent location on the chamfered corner of Paseo de la Castellana and General Martínez Campos, and its wide and elegant façade combining granite and glass, make this building a mandatory visual point of reference on the Glorieta de Emilio Castelar. The floors are open plan with spaces to let of up to 765 sq m, both flexible and functional, which, as a result of the high level of brightness, allow for a very efficient distribution on the spaces. It also has its own car park.

5 Miguel Ángel, 11

Located in the Madrid business district, at the junction of calle Miguel Ángel with Paseo del General Martínez Campos, a few metres from Paseo de la Castellana. With a magnificent double glazed façade, this corner property with seven floors is guaranteed natural light throughout the day. The offices are structured around a central core with three elevators, in a space to let of up to 800 sq m. A line of modern finishes was chosen for the lobby, stylishly and elegantly combining blacks and whites. The ground floor is divided into three commercial premises with direct street access and the car park is located in the below grade floors.

6 José Abascal, 56

Office building located in the Madrid business district, a short distance from Paseo de la Castellana. The exterior image is marked by a façade formed of horizontal strips of granite alternating with the glass of its large windows, which allow a large amount of light to enter the interior. The open and versatile floors with spaces to let from 640 sq m to 937 sq m, make this building an ideal place to locate offices as it is characterised by intelligent and functional architecture. It has commercial premises of 1,450 sq m on the ground floor with independent access to the street and its own car park.

7 Santa Engracia

Office building right in the heart of the Madrid business district, with an above grade surface area of more than 13,430 sq m and 180 parking spaces. The floors of the building vary between 1,500 sq m and 2,000 sq m and its uniqueness and location make it a highly visible property in the Madrid business centre. Colonial has made a significant investment in the refurbishment of the building. It now commands a strong market positioning, with maximum energy efficiency and sustainability.

8 Poeta Joan Maragall, 53

Exceptional office building located in the Madrid business district, next to Paseo de la Castellana. Rectangular building with breathtaking façades. Fully exterior open plan floors with spaces to let of 1,315 sq m. Attractive and quality facilities and finishes. Offers excellent infrastructures and communications, as well as parking spaces in the same building. There is also an independent annex building accessible from the main entrance hall. There are also two ground floor commercial premises with street access.

9 Discovery Building (Estébanez Calderón, 3-5)

New office building with characteristics of prime quality, created by the prestigious Estudio de Arquitectura Lamela. A unique space of more than 10,000 sq m, with open plan and flexible floors, located on the Castellana Norte thoroughfare, in the established heart of the Madrid business district. Estébanez Calderón, 3-5 is a building aimed at housing companies looking for the best location, maximum comfort for their employees and the best energy efficiency for their corporate headquarters. It boasts optimum brightness with 22 meters between its north and south façade, maximum flexibility in the creation of modules and an original roof top terrace with a garden area for common use. By perfectly balancing aesthetics and efficiency, it offers a floor of 1,000 sq m as well as completely open plan floors with a single line of central pillars. This new, exceptional property has also two ground floor commercial premises with direct access to the street as well as 101 parking spaces.

10 López de Hoyos, 35

The offices to let at López de Hoyos 35 are located in an area combining residential properties and offices of the most important companies. The building, with its six floors and surface area of 7,000 sq m, stands out for its impressive artificial stone façade and curtain walling profile. The building has a modern reception and an interior patio designed to offer flexible spaces and comfort to the users of the property. With no adjacent buildings, all the floors enjoy bright, natural light. There are large gardens next to the building. Equipped with the latest technology, the interior lines of the López de Hoyos, 35 building are simple, elegant and modern. The floors can be divided into modules ranging from 575 sq m to 1,383 sq m.

11 The Window (Príncipe de Vergara, 112-114)

New office building under construction in Madrid's Zona Este business district, with prime quality characteristics, designed by the prestigious Estudio de Arquitectura Ortiz y León. This is a new property with a GLA of 11.300 sq m and 115 parking spaces. The project is due to be completed by the summer of 2018. Leed Gold certification in process. It will consist of completely open plan floors with a single line of central columns, with optimum brightness and façades facing all four directions. It will be a detached building, ideal for a single corporate headquarters, with large terraces for private use.

12 Francisco Silvela, 42

Office building that stands out for its impressive glass curtain walling. The seven floors at Francisco Silvela, 42 have up to 981 sq m of floor space to let, distributed in open plan format with top of the range installations and finishes. Its façade on three streets results in an extraordinarily bright interior. The open and modern lobby is by itself the finest form of promotion for these excellently communicated offices. The building also has two large premises on the ground floor of up to 500 sq m, which have direct access to the street, as well as its own car park.

13 Ortega y Gasset, 100

Office building located in the Madrid business district in the heart of the Salamanca district, the zone with the highest commercial prestige of the city, where the main blue chip companies of the moment can be found. This building, with its unique façade and perfect structure for offices, has seven floors designed for office space with a total surface area of 7,800 sq m with spaces larger than 1,000 sq m per floor. The building also has its own parking spaces. Perfectly connected by bus and metro and close access to the M-30.

14 Ramírez de Arellano, 37

A perfectly located building at the junction of the M-30 with Avenida de América, a well established area just minutes away from the airport and city centre. Its configuration, architectural design and strategic location are, without a doubt, a point of reference of Madrid's urban landscape. It offers fully open plan spaces, which are functional and totally exterior, as well as its own car park, which makes it ideal as a corporate headquarters.

15 MV49 Business Park

At calle Martínez Villergas, 49, next to the junction of the M-30 with Avenida América, stands this property complex comprising two independent buildings, M and V, separated by an open air square. The breathtaking façades of this Business Park, exposed to the four winds, exalt the privileged position of this office complex in Ciudad Lineal. With gardens, world class sports facilities, its own parking spaces and a strategic location a few minutes from the airport. Furthermore, the offices to let at the Business Park at calle Martínez Villergas 49 have been constructed using material compliant with current regulations, with first class functionalities and open plan spaces that stand out from other architectural groups in the zone. As a result of the complete retrofit of building M and the construction of building V, a complex equipped with finishes and technical characteristics of the highest quality has been achieved.

16 Alfonso XII, 62

This unique office building is located in the very heart of Madrid, opposite the Retiro park and scarcely a few metres from the Castellana thoroughfare. Its large windows, in addition to offering breathtaking views of Madrid, guarantee natural light in an open and versatile space, designed to create an optimum working environment. The eight floors at Alfonso XII 62 offer multiple and excellent possibilities: the first four can be subdivided into two modules, thus creating two independent office zones. It's structure allows the space to be distributed according to the current and future needs of each company. The common areas, crowned by a magnificent glass atrium, are attractively designed using materials of the highest quality. These offices to let also have a car park in the same building.

17 José Abascal, 45

Located in the Chamberí district between calle Modesto Lafuente and calle Fernández de la Hoz, scarcely 350 metres from the Paseo de la Castellana and just 11 minutes from the airport by car, this office building has a surface area of 5,300 sq m divided up between eight floors above ground and two below. The classic, stately building has been fully refurbished. The original façade and stained glass windows have been maintained, providing the José Abascal 45 with a unique personality. There is an inside, 2-storey car park with 54 spaces with changing rooms and showers.

18 Serrano, 73

The Serrano 73 building, located on one of the Spanish capital's most emblematic streets and in the heart of the Salamanca district, is renowned for its avant-garde design, with lights on three façades. Its strategic location affords panoramic views of the calle Serrano and the Paseo de la Castellana. Refurbished in 2004, the building is noted for its elegant and balanced designed, top-quality materials involving wood and natural stone. It has 4,242 sq m of surface area on six above-ground floors of offices and a ground-floor for commercial use. The building has a private underground car park with 89 spaces for cars and 11 for motorcycles.

19 Santa Hortensia, 26-28

Located in downtown Madrid in an area adjacent to Avenida de América, Santa Hortensia is one of Madrid's seven largest buildings. It is currently home to IBM's headquarters in Spain. Built in 1989, it has a surface area of 46,928 sq m divided up between 10 above-ground floors and nearly 950 parking spaces in three below-ground floors. The Santa Hortensia building is ideally located, just five minutes by car from the Paseo de la Castellana, Madrid's main artery, 10 minutes by car from the airport and 5km from the Atocha railway station. The building has 13 lifts, four of which are central lifts.

20 Paseo de la Castellana, 163

Building in the CBD of Madrid, H-shaped floor plan with two access points; one on Castellana and the other on Capitán Haya. The building has an above-ground surface area of 11,000 sq m divided between 12 floors of open-plan offices and a ground floor with three commercial units. Located within the Castellana business hub, with excellent public transport links and connections to the main gateways of the city, is currently being refurbished.

21 Arturo Soria, 336

Arturo Soria 336 has an excellent location in an iconic Street in Madrid, near transport links to the city centre and the main arteries in Madrid. It is surrounded by extensive green areas and a wide variety of services. The white exterior gives it visibility and representativeness. In addition, the spacious interior patio as well as the four glass facades bring great luminosity into the interior areas. The size and design of the floors, with a surface area of 1,045 sq m, enables the optimization of space.

22 Campus Méndez Álvaro

The Méndez Álvaro Campus is a Colonial project that incorporates all of the latest real estate trends in terms of energy efficiency, layout, mix of uses and PropTech initiatives. Located in the south of Madrid's CBD and just a stone's throw from Atocha train station, the project comprises an above-ground area of 90,000 sq m. The area benefits from excellent public and private transport links – it is within walking distance of Madrid city centre, is served by several train lines and bus routes, and also boasts easy access to the M-30. Construction is due to commence in mid-2019.

23 Ramírez de Arellano, 15

Independent office building completely renovated in 2016, with high standards, and which has been awarded the LEED Gold certification. The building, located on Madrid's A-2 motorway, has 6,832 sq m of office space, distributed over a ground floor and six upper floors. The surface area of each floor is approximately 1,025 sq m, and can be divided into two modules. The building also has an underground car park with 112 parking spaces.

24 Manuel de Falla, 7

This independent office building, located in the Madrid central business district, very close to Paseo de la Castellana, has floor-ceiling windows that provide excellent natural light. The building was recently completely renovated. It has a GLA of 6,252 sq m distributed over four floors, as well as an underground area with 41 parking spaces. This singular building with 91 metres of facade, has been designed with the highest standards by architect Gabriel Allende and has obtained the LEED Gold certificate. It offers spacious, flexible and rectangular floors with an average surface area of 1,600 sq m.

25 Sagasta, 27

Prime office building, located in one of the most exclusive areas of the CBD of Madrid, consists of three floors above ground with a GLA of 4,481 sq m. Excellent level of natural light thanks to its numerous windows and its location in the corner as well as its two large interior courtyards.

26 Sagasta, 31-33

Prime office building, located in one of the most exclusive areas of Madrid's CBD, just 8 minutes from Plaza de Colón. It consists of two adjoining buildings, with independent accesses from the street and a total of five floors per building. It has a GLA of 7,054 sq m and two floors of underground parking with 93 parking spaces. It has plenty of natural light thanks to its corner location, its large number of windows and its three interior courtyards.

27 Almagro, 9

Prestigious office building located in Calle Almagro, in the heart of Madrid's CBD. It has been completely refurbished by the architect Antonio Ruíz Barbarín. With a GLA of 15,094 sq m distributed over eight floors and 201 underground parking spaces, excellent natural light and interesting open waiting areas as well as an auditorium for 140 people. The building has an outstanding architectural design and is bathed in natural light thanks to its three glazed façades and private interior courtyard.

28 Miguel Ángel, 23

Prime office building, under refurbishment, with a GLA of 8,057 sq m distributed over seven open floors and a standard surface area of 1,050 sq m. It has 100 underground parking spaces and a commercial premises of more than 800 sq m. It is located in the Madrid central business district, and its corner location gives it excellent visibility from Paseo de la Castellana.

29 Velázquez-Padilla, 17

Prime office building located on a prominent corner in the heart of the exclusive Salamanca district of Madrid's CBD. Particularly strong points are its floors with more than 2,000 sq m, unusual in the area, as well as an underground car park with 155 spaces. Its interesting corner location gives the building an excellent level of natural light, very good visibility and great potential for corporate headquarters.

30 Don Ramón de la Cruz, 82

A large corner office building with high visibility, it has a GLA of 9,339 sq m, as well as an underground car park with 91 parking spaces. Large areas per floor of 2,100 sq m and 3.4 m free height per floor. Exceptional building in central Madrid, close to Serrano, Velázquez and Paseo de la Castellana. The building was completely restored in the first half of 2017 and is LEED Platinum environmentally certified. Its characteristic curtain wall façade provides floor-to-ceiling windows that provide abundant natural light.

LEED BREEAM ES

31 Paseo de Recoletos, 27

2,000 sq m of offices have been acquired in Recoletos 27, a prime area of the CBD in Madrid. This acquisition corresponds to three floors of 700 sq m with great luminosity in a corner building close to Plaza Colón.

32 Francisca Delgado, 11

Complex built in 2001 consisting of three interconnected buildings. It has five floors and provides flexible office space with modules from 300 to 3,000 sq m. The car park is distributed in two underground floors and has 334 parking spaces, with another 77 outside. The building has great visibility and is located in the Madrid office area of Arroyo de la Vega on the A1 motorway.

33 Cedro - Anabel Segura, 14

Singular office building, located in the Madrid office area of Arroyo de la Vega on the A1 motorway. It has wide and open spaces with an average surface area per floor of 2,310 sq m, and 381 parking spaces distributed in two levels.

34 Puerto de Somport, 8

A singular, independent building built in 2011. The offices are located on the first, second and third floors, while the ground floor hosts a car dealership. Located in the area of Las Tablas in Madrid, with an excellent location and surroundings with residential properties and business areas.

35 Puerto de Somport, 10-18

New project under construction for a complete business campus located in the office area of Las Tablas in Madrid, very close to the A1 motorway. On a plot of 17,300 sq m, it has a surface area of over 23,200 sq m on four floors above ground level with an additional 22,200 sq m on two basement floors for two car parks with a total of 529 parking spaces. The campus is divided into two buildings joined by a portico, enabling the whole complex to be used in a very flexible way. The outdoor areas have meeting spaces, outdoor work areas, resting or exercise areas, a running track and each building also has exterior terraces that look on to the office areas. In terms of both habitability and functionality, the building has passed the Spanish Technical Building Code requirements for the WELL Gold and LEED Platinum certification.

36 Ribera del Loira, 28

Modern office building built in 2002 and located in a prominent area off the M40 ring road in Madrid's Campo de las Naciones office area. The six-storey building has 12,822 sq m of U-shaped space distributed around a central atrium. It is equipped with 370 parking spaces distributed in two underground floors.

37 Tucumán

Independent office building built in 2006, located in the Campo de las Naciones area. It has five floors of offices of approximately 1,000 sq m each, as well as a large commercial area of 1,241 sq m and an underground car park with 170 parking spaces. The building enjoys excellent visibility and a good level of natural light due to its outstanding corner position.

38 EGEO - Campo de las Naciones

The Egeo building has been recently refurbished and is located at 4-6 Partenón Avenue, an excellent location in the periphery of Madrid. It is also well-connected by public transport. It is distributed in two independent wings connected by an attractive central hall, which provides a lot of light to all of the common areas and the interior of the entire building, thanks to a large glass dome. In this luminous central hall where both wings come together, the elevator and escalator halls are located, which provide access to all the floors in the building. The fully glazed facade enables natural light to reach the interior of the offices, and the spaciousness and flexibility of the floors, divisible into up to 8 modules, make it possible to accommodate various users.

39 Josefa Valcárcel, 40

New seven-floor independent office building, with 8,824.70 sq m of total surface area above ground level. Located between the M-30 and M-40 ring roads, with a facade on the A-2 and access from Josefa Valcárcel and Telémaco streets. It is a consolidated strategic office environment, which stands out due to its visibility from the A-2 motorway. The building has a classical façade composition, and has floors which are stepped upwards. The plot has landscaped areas on both sides of the building, and a parking lot for visitors on the south side of the plot. It has prime finishes and LEED Platinum sustainability certification.

40 Josefa Valcárcel, 24

A seven-storey, independent office building with an average floor area of 700 sq m and an access level of almost 1,500 sq m. Located in the consolidated office area of the A2 motorway-M30 ring road, a strategic location thanks to its proximity to the central business district and the airport. With 90 parking spaces, it is highly visible from the A2 and is currently Honeywell's headquarters in Spain.

41 Luca de Tena, 7

This exceptional building, which hosts the headquarters of Vocento, the Spanish communications group, has a GLA of 10,147 sq m. It is made up of three sections joined together; two of them with three floors and a basement and another one with a mezzanine floor (library), the connecting section between them is the main communication hub with the central staircase and the lifts. The building offers excellent visibility from the A2 motorway and a strategic location due to its proximity to the city centre and the airport.

42 Alcalá, 506

Independent office building located on Calle Alcalá, one of the main arteries of Madrid. The building has a large area per floor of approximately 1,400 sq m, a commercial area on the ground floor and an underground car park with 185 parking spaces.

Paris

1 Louvre Saint-Honoré

“A prime location”. This building offers large, 5,400 sq m functional units in a prime location near the Louvre museum. Since extensive renovations were completed in late 2010, the property delivers a technical performance in line with the highest international standards along with premium amenities including a staff restaurant and round-the-clock security. SFL is part of the initiative of the process “The new Louvre des Antiquaires”, presented to antique dealers to reinvent the Louvre des Antiquaires in a more focused and prestigious way to make it an attractive place for life and trade.

2 Washington Plaza

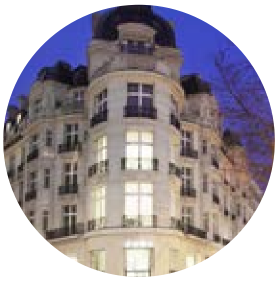
“In the heart of the Central Business District”. Located just off the Champs-Elysées on an 8,000 sq m plot, Washington Plaza is one of the capital’s finest office complexes, standing out for the quality of its amenities and the functionality of its units. Inside the complex, the Monceau and Artois buildings can be divided into open floor plates of 1,100 sq m, allowing a variety of possible layouts. Particular attention was paid to the services and amenities. In line with the current requirements of the Paris rental market, these include a staff restaurant, a cafeteria, reception and concierge services, an onsite property manager, a large parking garage and a building management system (BMS).

3 Galerie des Champs-Élysées

“A symbol for renovated space in Paris”. The Galerie des Champs-Elysées shopping arcade enjoys one of the most prestigious locations in Paris, on the sunny side of the Champs-Elysées in the most well-patronized section of the avenue. Redesigned by Jean Nouvel, the fully renovated property has been given a sleek new look based on a stripped back Haussmann style brought right up to date with modern black light fittings and escalators. It has been chosen by H&M for their 2,800 sq m international flagship store.

4 90 Champs-Élysées

“Strong value creation potential”. Located above the Galerie des Champs-Élysées shopping arcade, this contemporary building features a freestone façade over its original skin of the type used for the most stunning Haussmann-style buildings recently transformed by Jean Nouvel. Each floor offers 1,200 sq m of bright, spacious offices. Soon to be redeveloped, the finished building will feature an exterior lighting system designed by Yann Kersalé.



5 92 Champs-Élysées (Ozone)

“An emblematic building”. Home to Thomas Jefferson during his 1785-1789 stay in Paris, this is one of the best-situated buildings on the Champs-Elysées, on the corner of rue de Berri. It comprises retail units on the ground floor and offices on the upper floors. Extensive renovation work began in May 2010 to restore the building to its former glory and create HQE®-certified.

6 Cézanne Saint-Honoré

“A private street a stone’s throw from Place de l’Etoile”. This exceptional office, retail and residential complex is comprised of two separate buildings located across from one another on either side of a 100-metre long, 15-metre wide private street in the heart of the capital’s historic business district. Delivered in March 2005 after exemplary restoration work, the 1930s building has the advantage of longer load bearing spans that obviate the need for internal structural walls and allow for large, functional units. The Cézanne Saint-Honoré complex was honoured by two awards in 2004 and 2005 and is one of SFL’s finest assets.

7 Édouard VII

“One of the capital’s business landmarks”. Built on a 1.5-hectare plot, the Haussmann-style Édouard VII complex is located between Opéra Garnier and La Madeleine, just off the boulevard des Capucines. Its location in the heart of one of Paris’s liveliest neighbourhoods and its impressive architectural style – the result of extensive remodelling – make this property a fabulous showcase. The complex features several independent buildings with a private reception area, staff restaurant and upscale restaurant and lounge bar.

8 176 Charles de Gaulle

“An outstanding site”. Located on the thoroughfare linking the Étoile to La Défense, this building has a courtyard-facing facade looking out over landscaped gardens. The building comprises office space and a large retail space on the ground floor.

9 Rives de Seine

“Effortless access”. Located on the banks of the Seine close to the Gare de Lyon train station and public transport hub, this property is emblematic of the revival of the Eastern Paris commercial property market. Built in 1974, it features 16 floors rising above a vast lobby that overlooks the river. The building was extensively renovated in 2000 to create modern, well-lit and highly modular 1,200 sq m office units. The extension of the lease with Natixis in 2009 has secured future revenues from the investment.

10 83 Marceau

The project at 83 Marceau will offer one of the best located buildings in Paris – a one-minute walk from the “Place de L’Étoile”- with one of the most contemporarily floor plan design providing light to all floors, thanks to the new design of the central atrium. The building will have three certificates: BREEAM, LEED and HQE. In 2020, the pre-letting of the entire surface area of the asset was signed, obtaining 100% occupancy.

11 131 Wagram

“A media centre”. The 131 Wagram building is located halfway between Parc Monceau and Place de l’Etoile on the corner of rue de Prony. The office floors consist of bright 800 sq m units with modular fixtures, and the building also comprises an auditorium and a staff restaurant. The whole of the building’s interior was fully renovated in 2004-2005.

12 103 Grenelle

“A new business centre on the Left Bank”. Located in the Left Bank district that is home to many government offices, this historical complex is dominated by a tower that housed the first Chappe telegraph system in the 19th century and, until recently, the headquarters of the French Telephone and Telegraph Administration. Delivered in mid-2009 following its extensive two-year renovation, the building represents nearly 20,000 sq m of prime rental office space with HQE® certification. It offers a choice between more traditional partitioned areas and larger units of more than 1,500 sq m in the tower, suitable for an open plan or mixed layout. The complex also offers high-level amenities.

13 104-110 Haussmann Saint-Augustin

“A very high quality office complex”. Through a two-year redevelopment project completed in 2007, SFL transformed four separate buildings on boulevard Haussmann into a luxury office complex offering optimum working conditions. With a total surface area of around 13,000 sq m on seven floors, the complex is designed around a vast central entrance hall flooded with natural light from a glass roof. It also features an 82-metre long freestone façade. The use of natural, noble materials creates warmth and architectural beauty, while the elegant interior decoration scheme blends classic and contemporary design.

14 6 Hanovre

“In the centre of the financial district”. This very fine 1908 building by the architect Adolphe Bocage is registered in the Supplementary List of Historical Monuments. The vast lobby leads to a majestic horseshoe staircase, while the Art Deco facade features rectangular bays on the third floor and bow windows above. Alexandre Bigot did the sandstone veneer over concrete in the facade, in the lobby and the stairwell. The building is located in the financial district, near to Palais Garnier and Palais Brongniart, and is being painstakingly renovated to offer bright, well laid-out office space.

15 #Cloud

“Refurbishment project underway”. “A unique three-building complex”. #cloud. paris is a three-building complex within short walking distance of the Palais Brongniart and Palais Garnier in Paris’s financial district. When the building’s occupant, a major French bank, moved out in mid-2012, work began on a major redevelopment project to create a unique working environment based on modern, flexible office space and prestigious services and amenities such as a business centre, concierge, a restaurant and fitness rooms.

16 Le Vaisseau

"An imaginative design concept". Located on Île Saint-Germain, Le Vaisseau owes its name (the Vessel) to its unusual shape. The façade was inspired by naval architecture, with a moveable roof that can open upwards along its entire length. Designed by the architect Jean Nouvel and completed in 1992, the 6,000 plus sq m structure features an imaginative design concept that evokes "A vessel moored to the island". Purchased in 2006, the entire site was recently renovated to seamlessly reintegrate the building into its surroundings by reinterpreting the original concept.

17 112 Wagram (sold 2021)

"Exceptional working conditions". Located between Place de l'Etoile and Porte de Champerret, the building at 112 avenue du Wagram boasts elegant industrial architecture, contemporary interior design, noble materials and impressive volumes, with ceiling heights of nearly four metres on the first and second floors, three vast terraces, a courtyard and an atrium garden planted with trees. Behind a mixed façade of bricks and glass lies a completely new office building that offers bright, modular, high-performance units of more than 1,100 sq m.

18 4-8 Rue Condorcet

Located within the 9th district, the property is situated in Paris Centre West in close proximity to the Central Business District of Paris and important transport hubs. The property was constructed at the end of the XIXth century and comprises 7 buildings. It benefits from a visible location bordered by 4 streets: rue de Maubeuge, rue Condorcet, rue Pétrelle, and rue du Faubourg Poissonnière. The overall character of the property is still heavily influenced by these historical features. The interior of the buildings includes a large number of neoclassical features, such as sculpted columns, painted ceilings, marble coated walls and wood paneling. The quality of the buildings is enhanced by the historic staircase of central building and the large accessible inner courtyard. Constructed in 1863 under the architect Léon-Armand Darru, the building benefits from a rich architectural heritage and is the historical site of the GDF Group which has occupied it since its construction.

19 9 Avenue Percier (sold 2021)

Acquired in 2015, 9 Percier is an 6,700 sq m office building in the heart of the Paris Central Business District. Is a multi-tenant assets principally leased to the EDF Foundation (31%).
It benefits from excellent intrinsic qualities (Art Deco building, historic courtyards, double lobby, 900 sq m floorplates, exceptionally high ceilings, abundant natural light, etc.) and offers potential to create value through the optimisation of the rental situation (leasing of three vacant floors, improvements to remaining lease terms).

20 Biome

At the beginning of 2017, The Colonial Group completed a transaction for €165m, though its French subsidiary, to acquire the historical headquarters of the SMA Group. This building stands at a prime location at 112-122 Avenue Emile Zola, in the centre of district 15 in Paris. The building has a surface area of approximately 21,000 sq m. In BIOME, an iconic building is planned of more than 24,500 sq m in the Central-Western area of Paris with natural light, efficient floors of 1,400 sq m to 3,500 sq m and a green area surrounding the building. After receiving the work permit in May 2018, the work began in June 2018 and remains on course.

Others

1 Las Mercedes Open Park

Complex of commercial warehouses, recently developed (2015), which has three independent units with a total of 21,000 sq m of GLA, in addition to 540 outdoor parking spaces. A unique retail business complex in Madrid, fully leased to major international operators, including Bauhaus and Aldi.

2 Les Gavarres (sold 2021)

Commercial warehouse located in the Les Gavarres retail park in Tarragona (Catalonia). The asset is a single-storey building with a commercial GLA of 12,413 sq m and 352 parking spaces. It is a well established retail park with operators such as Carrefour, Leroy Merlin, Decathlon and Media Markt.

3 Viapark

Retail park, located in a high-traffic area between Almeria and Roquetas de Mar. The complex has a very solid construction and specifications and includes four units with large windows and a considerable height. It has 1,500 parking spaces and its main operators are Decathlon, Carrefour and Bricomart. The park includes a range of high quality services, including a BP service station and a Burger King restaurant.

14.2. Surface area of assets - details

Rental Portfolio Barcelona (sq m)

	Acquisition year	Floor space above ground: Offices	Retail	Resid.	Hotel	Floor space above ground	Floor space below ground	Total surface	Parking units
Diagonal, 409	2001	3,680	851			4,531	0	4,531	
Diagonal, 530	1992	2,168	2,555			4,723	4,590	9,313	99
Diagonal, 609-615 - Dau/Prisma	1997	21,872				21,872	18,839	40,711	438
Av. Diagonal, 682	1997	8,372	250			8,622	1,795	10,417	50
Pedralbes Centre	1997	36	7,705			7,741	151	7,892	
Diagonal 220-240, Glòries	2000	11,672				11,672	536	12,208	40
Illacuna	2006	19,639	812			20,451	13,606	34,057	481
Pº Tilos, 2-6	2000	5,143				5,143	3,081	8,224	69
Travessera, 47-49	2016	8,939				8,939	1,620	10,559	36
Via Augusta, 21-23	1999	4,620				4,620	0	4,620	
Travessera, 11	1994	4,105	410			4,515	1,994	6,509	61
Amigó, 11-17	1994	2,960	608			3,568	1,778	5,346	88
Torre BCN	2000	9,600	235			9,835	3,325	13,160	88
Torre Marenostrum	2003	14,572				14,572	19,370	33,942	610
Parc Glòries	2016	24,450				24,450	5,444	29,894	162
Sant Cugat	1999	27,217				27,217	20,602	47,819	690
Gal·la Placídia	2018	4,285				4,285	1,555	5,840	28
Diagonal, 197	2014	14,772	385			15,157	9,281	24,438	251
Park Cugat	2017	11,999				11,999	21,192	33,191	442
Sancho de Ávila, 110-130	2019	17,860				17,860	4,776	22,636	202
Other small retail units			103			103	0	103	
Portfolio in operation		**217,961**	**13,914**	**0**	**0**	**231,875**	**133,537**	**365,412**	**3,835**
Plaza Europa, 34	2017	14,306				14,306	4,500	18,806	151
Torre Marenostrum	2003	7,822				7,822	0	7,822	
Diagonal, 530	1992	7,058				7,058	685	7,743	
Av. Diagonal, 523-525	2018	5,706				5,706	1,179	6,885	10
WittyWood	2020	2,240				2,240	1,572	3,812	63
Rest of assets		811	218			1,029	1,100	2,129	
Projects underway		**37,943**	**218**	**0**	**0**	**38,161**	**9,036**	**47,196**	**224**
Total Barcelona		**255,903**	**14,132**	**0**	**0**	**270,036**	**142,573**	**412,608**	**4,059**

Note: In order to facilitate the analysis of the portfolio, part of the office buildings have been specified to be dedicated to retail/commercial use (generally on the ground floors).
The assets in the Barcelona rental portfolio are 100% owned by Colonial, with the exception of the plot of land at Plaza Europa 34 which is held through a joint venture with Inmo, S.L.
The assets in the Madrid rental portfolio and the rest of Spain are 100% owned by Colonial.

Rental Portfolio Madrid (sq m)

		Floor space above ground							
	Acquisition year	Offices	Retail	Resid.	Hotel	Floor space above ground	Floor space below ground	Total surface	Parking units
Castellana, 52	1998	6,496	1,027			7,523	2,615	10,138	49
P. Castellana, 163	2016	10,493	280			10,773	1,855	12,628	52
Recoletos, 37-41	2005	13,642	3,560			17,202	5,340	22,542	175
Recoletos, 27	2019	1,391				1,391	0	1,391	
Castellana, 43	2005	5,455	543			5,998	2,441	8,439	81
Miguel Ángel, 11	2005	5,370	930			6,300	2,200	8,500	81
José Abascal, 56	2005	10,061	1,468			11,529	6,408	17,937	219
Génova, 17	2015	3,638	1,038			4,676	2,601	7,277	70
José Abascal, 45	2016	3,819				3,819	1,929	5,748	54
Serrano,73	2016	4,242				4,242	3,176	7,418	104
Alfonso XII, 62	2002	13,135				13,135	2,287	15,422	78
Santa Engracia	2015	13,444	220			13,664	5,562	19,226	180
Francisco Silvela, 42	1999	4,893	500			5,393	3,926	9,319	105
José Ortega y Gasset, 100	2000	0				0	2,563	2,563	96
Poeta Joan Maragall, 53	2001	13,685	2,330			16,015	9,668	25,683	295
Discovery Building	2015	9,496	656			10,152	4,751	14,903	100
López de Hoyos, 35	2005	7,140				7,140	4,105	11,245	111
Agustín de Foxá, 29	2003	0	227			227	0	227	
Arturo Soria, 336	2017	8,363	300			8,663	5,598	14,261	191
Martínez Villergas, 49	2006	24,135				24,135	16,194	40,329	496
Ramírez de Arellano, 37	1999	5,988				5,988	4,923	10,911	160
Santa Hortensia, 26-28	2016	40,029				40,029	32,567	72,596	946
Egeo	2018	18,255				18,255	9,553	27,808	350
Príncipe de Vergara, 112-114	2015	11,367				11,367	4,524	15,892	115
Manuel de Falla, 27	2015	6,252				6,252	1,640	7,892	41
Sagasta, 27	nd	0	300			300	0	300	
Sagasta, 31-33	2016	7,097				7,097	3,720	10,817	93
Almagro, 9	2016	15,094				15,094	8,075	23,169	208
Miguel Ángel, 23	2017	0	835			835	200	1,035	113
Don Ramón de la Cruz, 82	2015	9,339				9,339	3,664	13,003	91
Francisca Delgado, 11	2014	14,969	245			15,215	18,094	33,308	395
Cedro - Anabel Segura, 14	2017	0				0	3,200	3,200	387
Puerto de Somport, 8	2017	6,866				6,866	17,214	24,080	370
Ribera de Loira, 28	2014	9,924	629			10,553	16,948	27,501	370
Tucumán	2015	5,086	1,321			6,407	6,960	13,367	174
Ramírez de Arellano, 15	2015	6,670				6,670	4,680	11,350	113
Josefa Valcárcel, 40	2017	8,718				8,718	7,566	16,284	259

Rental Portfolio Madrid (sq m)

	Acquisition year	Floor space above ground: Offices	Retail	Resid.	Hotel	Floor space above ground	Floor space below ground	Total surface	Parking units
Josefa Valcárcel ,24	2016	5,652				5,652	3,600	9,252	90
Alcalá, 506	2015	5,664	595			6,259	8,200	14,459	205
Lagasca, 88	nd	590				590	0	590	
Other small retail units			575			575	0	575	
Portfolio in operation		**336,459**	**17,581**	**0**	**0**	**354,040**	**238,548**	**592,588**	**7,017**
Méndez Álvaro I - Campus	2017	60,214				60,214	0	60,214	
Méndez Álvaro I - Residencial	2017	0		29,658		29,658	0	29,658	
Méndez Álvaro II	2017	20,276				20,276	0	20,276	203
Puerto de Somport, 10-18	2015	22,000				22,000	0	22,000	520
Velázquez-Padilla, 17	2015	13,820	2,344			16,164	758	16,923	163
Cedro - Anabel Segura, 14	2017	17,203				17,203	12,280	29,483	
Luca de Tena, 7	2016	10,145				10,145	13,400	23,545	335
José Ortega y Gasset, 100	2000	6,870	922			7,792	0	7,792	
Miguel Ángel, 23	2017	7,369				7,369	4,320	11,689	
Sagasta, 27	nd	4,481	115			4,596	0	4,596	
Rest of assets		2,802		0		2,802	1,691	4,493	
Projects underway		**165,179**	**3,381**	**29,658**	**0**	**198,218**	**32,449**	**230,667**	**1,221**
Total Madrid		**501,638**	**20,962**	**29,658**	**0**	**552,258**	**270,997**	**823,255**	**8,238**

Note: In order to facilitate the analysis of the portfolio, part of the office buildings have been specified to be dedicated to retail/commercial use (generally on the ground floors). The assets in the Barcelona rental portfolio are 100% owned by Colonial, with the exception of the plot of land at Plaza Europa 34 which is held through a joint venture with Inmo, S.L.
The assets in the Madrid rental portfolio and the rest of Spain are 100% owned by Colonial.

Rental Portfolio Logistics & others (sq m) - rest of Spain

	Acquisition year	Floor space above ground					Floor space above ground	Floor space below ground	Total surface	Parking units
		Offices	Retail	Resid.	Logist.	Hotel				
Les Gavarres	2014		12,413				12,413	14,080	26,493	352
Las Mercedes Open Park	2015		24,649				24,649	21,600	46,249	
Viapark	2016		16,325				16,325		16,325	
Portfolio in operation		**0**	**53,387**	**0**	**0**	**0**	**53,387**	**35,680**	**89,067**	**352**
San Fernando (Phase I)	2016				0		0		0	
San Fernando (Phase II)	2017				0		0		0	
Autovía de Toledo	2017				23,557		23,557		23,557	
Projects underway		**0**	**0**	**0**	**23,557**	**0**	**23,557**	**0**	**23,557**	**0**
Total logstic & others		**0**	**53,387**	**0**	**23,557**	**0**	**76,944**	**35,680**	**112,624**	**352**
Total Spain		**757,542**	**88,481**	**29,658**	**23,557**	**0**	**899,238**	**449,250**	**1,348,488**	**12,649**

Note: In order to facilitate the analysis of the portfolio, part of the office buildings have been specified to be dedicated to retail/commercial use (generally on the ground floors).
The assets in the Barcelona rental portfolio are 100% owned by Colonial, with the exception of the plot of land at Plaza Europa 34 which is held through a joint venture with Inmo, S.L.
The assets in the Madrid rental portfolio and the rest of Spain are 100% owned by Colonial.

Rental Portfolio France (sq m)

	Acquisition year	Floor space above ground: Offices	Retail	Resid.	Logist.	Hotel & others	Floor space above ground	Floor space below ground	Total surface	Parking units
Louvre Saint-Honoré	1995	23,313				753	24,065	4,110	28,176	236
Édouard VII	1999	28,412	14,848	4,509		4,202	51,971	10,145	62,116	523
6 Hanovre	1958	3,325					3,325	1,246	4,571	0
#Cloud.Paris	2004	28,192				1,860	30,051	3,164	33,216	99
Condorcet	2014	20,376		1,562		1,301	23,239	2,457	25,696	50
Galerie Champs-Élysées	2002	0	4,097				4,097	3,828	7,925	125
90 Champs-Élysées	2002/2009	7,912	932				8,844	0	8,844	
92 Champs-Élysées	2000	4,110	3,089				7,199	0	7,199	
Cézanne Saint-Honoré	2001/2007	23,160	1,663	0			24,824	3,337	28,161	128
131 Wagram	1999	7,100				449	7,549	3,651	11,200	124
112 Wagram	2008	4,470	892				5,362	546	5,908	29
Washington Plaza	2000	32,900	406			2,557	35,863	13,575	49,439	662
Haussmann Saint-Augustin	2002/2004	11,797	677				12,474	2,650	15,124	104
9 Percier	2015	5,500					5,500	427	5,926	14
176 Charles de Gaulle	1997	4,592					4,592	2,282	6,874	145
Le Vaisseau	2006	6,026					6,026	2,321	8,347	124
Rives de Seine	2004	20,270				1,760	22,030	6,589	28,619	366
103 Grenelle	2006	15,585	258			1,011	16,854	1,932	18,786	100
Portfolio in operation		**247,040**	**26,861**	**6,072**		**13,892**	**293,865**	**62,260**	**356,125**	**2,829**
BIOME	2017	21,762		719		1,569	24,050	1,703	25,753	79
Louvre Saint-Honoré	1995	1,912	16,000			0	17,912	5,422	23,334	
Marceau	2001/2007	8,662	697				9,360	1,797	11,156	90
Washington Plaza	2000	7,323					7,323	2,177	9,500	
Resto Activos		2,879	1,699				4,578	11,720	16,298	
Projects underway		**42,538**	**18,397**	**719**	**0**	**1,570**	**63,223**	**22,818**	**86,041**	**169**
Total France		**289,578**	**45,258**	**6,791**	**0**	**15,461**	**357,088**	**85,078**	**442,166**	**2,998**
Total Colonial Group		**1,047,120**	**133,739**	**36,448**	**23,557**	**15,461**	**1,256,326**	**534,328**	**1,790,654**	**15,647**

Note: Colonial has 81.7% of the share capital of SFL. SFL has 100% ownership of the totality of its rental portfolio with the exception of Washington Plaza of which it owns 66%, as well as the assets of Champs Élysées 90, Galerie Champs Élysées 82-88 and Haussmann 104-110 of which it owns 50%.

14.3. Portfolio valuation

The Gross Asset Value of the Colonial Group at the close of 2020 amounted to €12,020m (€12,631m including transfer costs), resulting a slight value correction of (1%) compared to the previous year, +1.2% in like-for-like terms. The variation in the second half amounts to +1.3% like-for-like.

The assets in Spain and France have been appraised by Jones Lang LaSalle, Cushman & Wakefield, and CB Richard Ellis. The appraisal values are updated half-yearly, following the best market practices, in compliance with the Regulation Standards of the Royal Institution of Chartered Surveyors (RICS) comprised in the Red Book - valuation manual.

The market valuations defined by the RICS are internationally recognized by advisors and accountants of investors and corporations that own real estate assets, as well as The European Group of Valuers (TEGoVA) and the International Valuation Standards Committee (IVSC). The appraisers' fees are determined by the volume for the specific workout of each assignment.

Asset value (€m)

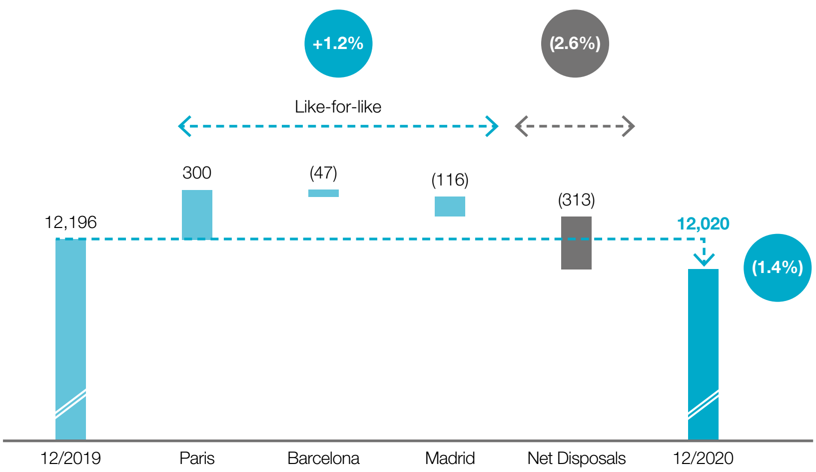
				Dec 20 *vs.* Jun 20		Dec 20 *vs.* Dec 19	
	31-Dec-20	**30-Jun-20**	**31-Dec-19**	**Total**	**LfL(1)**	**Total**	**LfL(1)**
Gross Asset Values - Excluding transfer costs							
Barcelona	1,333	1,500	1,534	(11%)	(1%)	(13%)	(3%)
Madrid	2,441	2,568	2,543	(5%)	(1%)	(4%)	(3%)
Paris	6,616	6,455	6,502	2%	2%	2%	2%
Portfolio in operation(2)	**10,390**	**10,523**	**10,578**	**(1%)**	**1%**	**(2%)**	**(0%)**
Projects	**1,556**	**1,379**	**1,338**	**13%**	**4%**	**16%**	**12%**
Logistics & others	75	262	280	(72%)	(6%)	(73%)	(13%)
Colonial Group	**12,020**	**12,164**	**12,196**	**(1%)**	**1,3%**	**(1%)**	**1,2%**
Spain	4,563	4,925	5,039	(7%)	(1%)	(9%)	(3%)
France	7,458	7,239	7,158	3%	3%	4%	4%
Gross Asset Values - Including transfer costs							
Colonial Group	**12,631**	**12,773**	**12,807**	**(1%)**	**1,4%**	**(1%)**	**1,2%**
Spain	4,685	5,058	5,175	(7%)	(1%)	(9%)	(3%)
France	7,946	7,715	7,632	3%	3%	4%	4%

(1) Portfolio in comparable terms.
(2) Portfolio in operation: current rental portfolio as well as new entries into operation of completed projects.

The asset portfolios in Barcelona and Madrid have seen a correction in value of (3%) compared to the previous year, given the environment of the COVID-19 crisis. In Paris, the value of the portfolio has increased by +4%, thanks to the robustness of the prime portfolio in Paris as well as the progress on the project portfolio.

The analysis of the value variance is as follows:

Variance analysis value 12 months - €m



GAV variance

	1H 2020	2H 2020	2020
Barcelona	(2%)	(1%)	(3%)
Madrid	(2%)	(1%)	(3%)
Paris	+1%	+3%	+4%
Total LFL	(0.2%)	+1.3%	+1.2%
Disposals	(0.1%)	(3%)	(3%)
Total VAR	(0.3%)	(1%)	(1%)

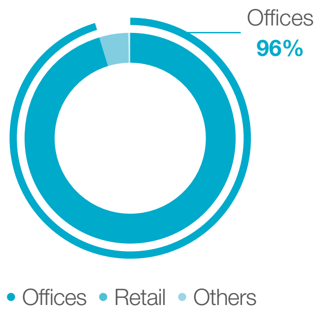
By sub-segments, the evolution of the value of the assets is as follows:

- The Paris portfolio value increased by +4% like-for-like year-on-year and +3% like-for-like in 6 months.
- The Barcelona and Madrid portfolio values decreased by (3%) like-for-like year-on-year and (1%) like-for-like in 6 months.

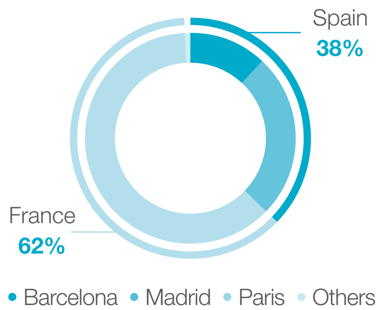
It is worth mentioning that the increase in the Paris portfolio compensates for the value correction in Spain, resulting in a variation of the Colonial Group's total portfolio of 1.2% like-for-like. This fact highlights the successful diversification strategy that optimizes the risk profile of the portfolio.

The breakdown of the valuation of the Group's rental portfolio by use, market and type of product is shown below:

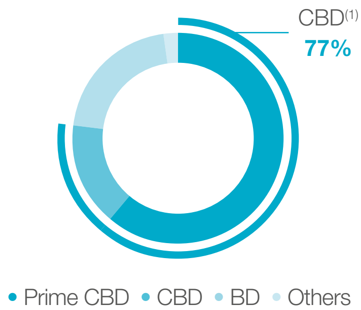
Valuation - by use



Valuation - by market



Offices Valuation - by area



(1) CBD Barcelona, includes the 22@ segment market assets

Regarding the valuation of the portfolio in operation, the main value parameters are as follows:

Main parameters of Asset appraisal

Portfolio in operation	€m	sq m above ground(1)	€/sq m(1)	Valuation Yield	
Barcelona	1,333	241,058	5,530	4.37%	Gross Yields
Madrid	2,441	369,822	6,599	4.24%	
París	5,778	312,918	18,466	2.93%	Net Yields

(1) In Barcelona the sqm for the calculation of the capital value correspond to the surface above ground of all the assets in Barcelona, excluding the Plaza Europa project, Wittywood and the entire Diagonal 530 asset, as well as the surface area of non-core assets.
In Madrid, the sqm correspond to the surface above ground of all assets in Madrid, excluding the Méndez Álvaro complexes, the Puerto Somport 10-18, Sagasta 27, Miguel Ángel 23, Velázquez 80, Cedro and Luca de Tena 7 projects, as well as the surface area of non-core assets.
In France, the sqm correspond to the office surface above ground in operation, excluding the main commercial assets and including certain rentable surfaces below ground in the portfolio not corresponding to parking units

When **comparing the valuation parameters of Colonial's appraisal values with market data**, the following must be taken into consideration:

1. **In Spain, consultants publish gross yields in their market reports.**
   (Gross yield = gross rent/value excluding transfer costs).

2. **In France, consultants publish net yields in their market reports.**
   (Net yield = net rent/value including transfer costs).

The appraisal certificate is as follows:

CONSEJO DE ADMINISTRACIÓN
INMOBILIARIA COLONIAL, SOCIMI S.A.
Av. Diagonal 532, 08006 Barcelona

Madrid, 10th February 2021

Dear Sirs,

In accordance with your instruction, JLL Valoraciones, S.A. and CBRE, as valuers of the Colonial portfolio in Spain, and CBRE and Cushman & Wakefield, as SFL valuers in France; have carried out the valuation reports of the freehold interest of the portfolio of properties of Inmobiliaria Colonial (Spain and France) as at 31st of December 2020 for internal use of the company.

According to the aforementioned reports, the Net Market Value of the company's portfolio is:

12,020,024,000 EUROS

(Twelve Thousand and Twenty Million Twenty-Four Thousand Euros)

The breakdown is as follows:

Unit	Market Value (excl. Transfer costs)	Gross Value (incl. Transfer costs)
Madrid	3,085,760,000 €	3,162,993,185 €
Barcelona	1,440,253,000 €	1,484,040,763 €
Rest of Spain	36,496,000 €	37,799,185 €
Total Colonial (Spain)	**4,562,509,000 €**	**4,684,833,133 €**
Total SFL (París)	**7,457,514,674 €**	**7,946,026,211 €**
Total Colonial + SFL	**12,020,023,674 €**	**12,630,859,343 €**

For the avoidance of doubt, each valuer only accepts responsibility for the assets that they have valued within the portfolio. The portfolio value assumes 100% ownership for all the properties.

The valuation has been carried out in accordance with the Practice Statement and the relevant Guidance Notes in the RICS Appraisals and Valuations Manual prepared by the Royal Institution of Chartered Surveyors and with the General Principles adopted in the Preparation of Valuations and Reports.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel restrictions have been implemented by many countries and "lockdowns" applied to varying degrees. While restrictions have now been lifted in some cases, local lockdowns may continue to be deployed as necessary – and the emergence of significant further outbreaks, or a "second wave", is possible.

CONSEJO DE ADMINISTRACIÓN
INMOBILIARIA COLONIAL, SOCIMI S.A.
Av. Diagonal 532, 08006 Barcelona

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date, some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where enough market evidence exists upon which to base opinions of value. Accordingly – and for the avoidance of doubt – our valuation is not reported as being subject to 'material valuation uncertainty', as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards, except as identified below.

In respect of hospitality, as at the valuation date we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base our judgements. Our valuation is therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

For the avoidance of doubt; this explanatory note, including the 'material valuation uncertainty' declaration, does not mean that the valuation cannot be relied upon. This explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.

Currently we already have under paragraph 7.1 of Part B of the EMEA Valuation Standard Terms of Business (VSTOB) the following:

15
Key sustainability indicators - GRI & EPRA BPR'S

15.1. GRI, EPRA BPR'S content

Universal Standards

General contents	Description	Page(s)	Boundary
Organisational profile			
GRI 102-1	Name of the organisation	Inmobiliaria Colonial, SOCIMI, S.A.	Colonial Group
GRI 102-2	Activities, brands, products and services	46-49, 54-59, 236-247, 318-354	Colonial Group
GRI 102-3	Location of headquarters	Headquarters in: Paseo de la Castellana No 52 (Madrid, Spain)	Colonial Group
GRI 102-4	Location of operations	318-354	Colonial Group
GRI 102-5	Ownership and legal form	303	Colonial Group
GRI 102-6	Markets served	46-50, 236-237, 318-354	Colonial Group
GRI 102-7	Scale of the organisation	6-7, 194-195 Financial Statements	Colonial Group
GRI 102-8	Information about employees and other workers	194-195	Colonial Group
GRI 102-9	Supply Chain	167-172	Colonial Group
GRI 102-10	Significant changes to the organisation and its supply chain	54, 57-59, 65-66, 254, 303	Colonial Group
GRI 102-11	Precautionary principle or approach	130-139	Colonial Group
GRI 102-12	External initiatives	231-233	Colonial Group
GRI 102-13	Membership of associations	228-233	Colonial Group
Strategy			
GRI 102-14	Statement from senior decision-maker	88-100	Colonial Group
GRI 102-15	Key impacts, risks, and opportunities	300-302	Colonial Group
Ethics and integrity			
GRI 102-16	Values, principles, standards and norms of behaviour	300-301	Colonial Group
GRI 102-17	Mechanisms for advice and concerns about ethics	300-302	Colonial Group
Governance			
GRI 102-18	Governance structure	113-115, 250-252, 270-277	Colonial Group
GRI 102-19	Delegating authority	114-115, 218-222	Colonial Group
GRI 102-20	Executive-level responsibility for economic, environmental and social topics	250-269	Colonial Group
GRI 102-21	Consulting stakeholders on economic, environmental, and social topics	123-127	Colonial Group
GRI 102-22 / EPRA-Gov-Board	Composition of the highest governance body and its committees	254-255, 114, 270, 274, IAGC 2020	Colonial Group
GRI 102-23	Chair of the highest governance body	255, IAGC 2020	Colonial Group
GRI 102-24/ EPRA-Gov-Selec	Nominating and selecting the highest governance body	254-269, IAGC 2020	Colonial Group
GRI 102-25/ EPRA-Gov-Col	Conflicts of interest	265-266, IAGC 2020	Colonial Group

Universal Standards

General contents	Description	Page(s)	Boundary
GRI 102-26	Role of highest governance body in setting purpose, values and strategy	254, 264-267, 271, 275	Colonial Group
GRI 102-27	Collective knowledge of highest governance body	IAGC 2020	Colonial Group
GRI 102-28	Evaluating the highest governance body's performance	265, IAGC 2020	Colonial Group
GRI 102-29	Identifying and managing economic, environmental and social impacts	88-90, 119-122	Colonial Group
GRI 102-30	Effectiveness of risk management processes	88-90	Colonial Group
GRI 102-31	Review of economic, environmental and social topics	88-90, 119-122	Colonial Group
GRI 102-32	Highest governance body's role in sustainability reporting	Colonial Group's Board of Directors	Colonial Group
GRI 102-33	Communicating critical concerns	123-127	Colonial Group
GRI 102-34	Nature and total number of critical concerns	No communications on critical concerns have been received regarding 2020	Colonial Group
GRI 102-35	Remuneration policies	278-299	Colonial Group
GRI 102-36	Process for determining remuneration	278-299	Colonial Group
GRI 102-37	Stakeholders' involvement in remuneration	278-299, IAGC 2020	Colonial Group
GRI 102-38	Annual total compensation ratio	This content is not presented for confidentiality reasons	Colonial Group
GRI 102-39	Percentage increase in annual total compensation ratio	This content is not presented for confidentiality reasons	Colonial Group
Stakeholder engagement			
GRI 102-40	List of stakeholder groups	123	Colonial Group
GRI 102-41	Collective bargaining agreements	210	Colonial Group
GRI 102-42	Identifying and selecting stakeholders	119-127	Colonial Group
GRI 102-43	Approach to stakeholder engagement	119-127	Colonial Group
GRI 102-44	Key topics and concerns raised	119-122	Colonial Group
Reporting practices			
GRI 102-45	Entities included in the consolidated financial statements	303, Financial Statements	Colonial Group
GRI 102-46	Defining report content and topic boundaries	119-122, 396-398	Colonial Group
GRI 102-47	List of material topics	119-122, 396-398	Colonial Group
GRI 102-48	Restatements of information	Have been indicated in each case through direct notes	Colonial Group
GRI 102-49	Changes in reporting	119-122	Colonial Group

Universal Standards

General contents	Description	Page(s)	Boundary
Report profile			
GRI 102-50	Reporting period	2020 calendar year	Colonial Group
GRI 102-51	Date of most recent report	2019 calendar year	Colonial Group
GRI 102-52	Reporting cycle	Annual	Colonial Group
GRI 102-53	Contact point for questions regarding the report	403	Colonial Group
GRI 102-54	Claims of reporting in accordance with the GRI Standards	396	Colonial Group
GRI 102-55	GRI content index	362-377	Colonial Group
GRI 102-56	External assurance	The content included in this index have been verified by an independent external third party, PricewaterhouseCoopers Auditores, S.L.	Colonial Group
Management approach			
GRI 103-1	Explanation of the material topic and its Boundary	119-122, 396-398	Colonial Group
GRI 103-2	The management approach and its components	365-377 See management approach for each of the thematic standards	Colonial Group
GRI 103-3	Evaluation of the management approach	119-122, 396-398	Colonial Group

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
CATEGORY - ECONOMIC				
Economic performance				
Generating value for shareholders	Management Approach		74-76	Colonial Group
	GRI 201-1	Direct economic value generated and distributed	63, 80-82, 233	Colonial Group
	GRI 201-2	Financial implications and other risks and opportunities due to climate change	116-118	Colonial Group
	GRI 201-3	Defined benefit plan obligations and other retirement plans	IARC 2020	Colonial Group
	GRI 201-4	Financial assistance received from government	No significant aid of this nature has been received.	Colonial Group
Market presence				
Equality and diversity	Management Approach		211-214	Colonial Group
	GRI 202-1	Ratios of standard entry-level wage by gender compared to local minimum wage	208	Colonial Group
	GRI 202-2	Proportion of senior management hired from the local community	27% of directors are foreigners.	Colonial Group
Indirect economic impacts				
Commitment to the local community	Management Approach		54-59	Colonial Group
	GRI 203-1	Infrastructure investments and services supported	12-14, 28-30, 54-59	Colonial Group
	GRI 203-2	Significant indirect economic impacts	No significant indirect economic impacts have been identified.	Colonial Group
Procurement practices				
Supply Chain Management	Management Approach		167-170	Colonial Group
	GRI 204-1	Proportion of spending on local suppliers	168	Colonial Group

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Anti-corruption				
Corporate Governance	Management Approach		302	Colonial Group
	GRI 205-1	Operations assessed for risks related to corruption	301-302	Colonial Group
	GRI 205-2	Communication and training about anti-corruption policies and procedures	302	Colonial Group
	GRI 205-3	Confirmed incidents of corruption and actions taken	There is no record of incidents of corruption.	Colonial Group
Anti-competitive behaviour				
Corporate Governance	Management Approach		300-302	Colonial Group
	GRI-206-1	Legal actions for anticompetitive behaviour, anti-trust and monopoly practices	There are no legal actions for anticompetitive behaviour.	Colonial Group
Taxation				
Corporate Governance	Management Approach		78	Colonial Group
	GRI-207-1	Tax approach	78	Colonial Group
	GRI-207-2	Tax governance, control and risk management	78-79	Colonial Group
	GRI-207-3	Stakeholder participation and management of tax concerns	80	Colonial Group
	GRI-207-4	Country-by-country reporting	35-36, 80-82, 194, Financial Statements.	Colonial Group
CATEGORY - ENVIRONMENT				
Materials				
Impaction reduction	Management Approach		170-172	Colonial Group
	GRI 301-1	Materials used by weight or volume	171-172	Colonial Group
	GRI 301-2	Recycled input materials used	171	Colonial Group
	GRI 301-3	Reclaimed products and their packaging materials	Not applicable to the Colonial business	

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Energy				
Responsible energy consumption and efficiency	Management Approach		136, 141-143	Colonial Group
	GRI 302-1	Energy consumption within the organisation	141, 378, 380, 386, 388-389	Group's own offices
	EPRA - Elec-Abs	Total energy consumption	378, 380, 386, 388	Own offices and leased offices in which there is control over consumption management and monotenant offices considered in the portfolio coverage
	EPRA - Elec-LfL	Like-for-like energy consumption	378, 380, 389	Properties considered Like-for-Like Sustainable
	EPRA - DH&C-Abs	Total district heating & cooling consumption	378, 380, 386	Own offices and leased offices in which there is control over consumption management and monotenant offices considered in the portfolio coverage
	EPRA - DH&C-LfL	Like-for-like total district heating & cooling consumption	378, 380,389	Properties considered Like-for-Like Sustainable
	EPRA - Fuels-Abs	Total fuel consumption	378, 380, 386, 388	Own offices and leased offices in which there is control over consumption management and monotenant offices considered in the portfolio coverage
	EPRA - Fuels-LfL	Like-for-like total fuel consumption	378, 380, 389	Properties considered Like-for-Like Sustainable
	GRI 302-2	Energy consumption outside the organisation	141, 378, 380, 386,389	Leased offices in which there is control over consumption management and monotenant offices considered in the portfolio coverage

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Responsible energy consumption and efficiency	GRI 302-3	Energy intensity	141-142, 378, 380, 386, 388-389	Own offices and leased offices in which there is control over consumption management, monotenant offices considered in the portfolio coverage and properties considered like-for-like
	GRI 302-4	Reduction of energy consumption	136, 141-142	Colonial Group
	GRI 302-5	Reductions in energy requirements of products and services	136, 141-142	Colonial Group
	CRE1 / EPRA - Energy-Int	Building energy intensity	141-142, 378, 380, 386, 388-389	Own offices and leased offices in which there is control over consumption management and monotenant offices considered in the portfolio coverage
Water				
Impaction reduction	Management Approach		147-150	Colonial Group
	GRI 303-1	Interaction with water	147, 150	Colonial Group
	GRI 303-5 / EPRA - Water-Abs	Total water consumption	147, 378, 380, 391	Own offices and leased offices in which there is control over consumption management and monotenant offices considered in the portfolio coverage
	EPRA - Water-LfL	Like-for-like water consumption	378, 380, 391	Properties considered like-for-Like Sustainable
	CRE2 / EPRA - Water-Int	Building water intensity	147,149, 391	Own offices and leased offices in which there is control over consumption management and monotenant offices considered in the portfolio coverage

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Impaction reduction	GRI 303-2	Managing spill-related impacts	It is not relevant for Colonial, as the water is for sanitary use and is discharged into the sewer system, complying with the established discharge parameters. The residual water discharged later is treated in Urban Wastewater Treatment Plants.	Colonial Group
	GRI 303-3	Water withdrawal	Colonial's water extraction is entirely fresh water from the urban network.	Colonial Group
	GRI 303-4	Water discharge	All water collected and consumed by Colonial is discharged into the public sewer system.	Colonial Group
Biodiversity				
Biodiversity conservation	Management Approach		185-188	Colonial Group
	GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Given that Colonial's assets are located in consolidated urban areas, no operations are carried out near protected areas or areas considered of great value for the biodiversity. Even so, the Group understands biophilia as an opportunity to reconnect with nature thanks to the architecture of buildings, thus promoting the protection of biodiversity in urban spaces.	Colonial Group

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Biodiversity conservation	GRI 304-2	Significant impacts of activities,products, and services on biodiversity	185-188 Colonial's activities do not generate significant impacts on biodiversity. However, the Group seeks to promote biodiversity in urban areas in its projects.	Colonial Group
	GRI 304-3	Habitats protected or restored	185-188	Colonial Group
	GRI 304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	this is not a tangible aspect for Colonial because its assets are located in consolidated urban areas.	Colonial Group
Emissions				
Emissions management and efficiency	Management Approach		144-146, 399-400	Colonial Group
	GRI 305-1/ EPRA - GHG - Dir - Abs	Direct (Scope 1) GHG emissions	144-146, 378, 380, 387- 388, 390	Own offices and leased offices in which there is control over consumption management and monotenant offices considered in the portfolio coverage
	GRI 305-2/ EPRA - GHG-Indir-Abs	Energy indirect (Scope 2) GHG emissions	144-146, 378, 380, 387- 388, 390	Own offices and leased offices in which there is control over consumption management and monotenant offices considered in the portfolio coverage
	CRE3 / EPRA - GHG - Int	GHG emissions intensity	145-146, 378, 380, 387- 388, 390	Properties considered Like-for-Like Sustainable
	GRI 305-3	Other indirect (Scope 3) GHG emissions	144-146, 387, 390	Own offices and leased offices in which there is control over consumption management and monotenant offices considered in the portfolio coverage

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Emissions management and efficiency	GRI 305-4	GHG emissions intensity	145-146, 378, 380, 387- 388, 390	Own offices and leased offices in which there is control over consumption management and monotenant offices considered in the portfolio coverage
	GRI 305-5	Reduction of GHG emissions	135, 144-146	Colonial Group
	GRI 305-6	Emissions of ozone-depleting substances (ODS)	Not applicable to the Colonial business	
	GRI 305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	Not applicable to the Colonial business	
Waste				
Waste management	Management Approach		151- 159	Colonial Group
	GRI 306-2/ EPRA Waste-Abs	Waste by type and disposal method	152-153, 378, 380, 384	Own offices in which there is control over consumption management
	EPRA Waste-LfL	Like-for-like of waste by type	154, 379-380, 385	Properties considered Like-for-Like Sustainable
	GRI 306-1, GRI 306-3, GRI 306-4 and GRI 306-5	Water discharge based on its quality and destination; significant spills; transportation of hazardous waste; bodies of water affected by water spills and/or runoff	Not applicable to the Colonial business	
Environmental compliance				
Corporate Governance	Management Approach		300-302	Colonial Group
	GRI 307-1	Non-compliance with environmental laws and regulations	No significant fines or penalties have been received, including significant fines or penalties for non-compliance with environmental matters.	Colonial Group
Supplier environmental assessment				
Supply Chain Management	Management Approach		167-170	Colonial Group
	GRI 308-1	New suppliers that were screened using environmental criteria	169-170	Colonial Group

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Supply Chain Management	GRI 308-2	Negative environmental impacts in the supply chain and actions taken	169-170	Colonial Group
CATEGORY - SOCIAL				
Employment				
Human Resources Management	Management Approach		192-200	Colonial Group
	GRI 401-1/ EPRA-Emp-Turnover	New employee hires and employee turnover	196, 392-393	Colonial Group (except Utopicus turnover))
	GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	209-210	Colonial Group
	GRI 401-3	Parental leave	212-213	Colonial Group
Labour-management relations				
Human Resources Management	Management Approach		210	Colonial Group
	GRI 402-1	Minimum notice periods regarding operational changes	Colonial follows warning periods under employment law and those set out in collective bargaining agreements applicable to each business. No minimum period has been specified as to warning at the corporate level.	Colonial Group
Occupational health and safety				
Occupational health and safety	Management Approach		215-222	Colonial Group
	GRI 403-1	Occupational health and safety management system	215-218	Colonial Group
	GRI 403-2	Hazard identification, risk assessment and research on incidents	215-221	Colonial Group
	GRI 403-3	Occupational health and safety	215-221	Colonial Group
	GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	215-218	Colonial Group

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Occupational health and safety	GRI 403-5	Worker training on occupational health and safety	In compliance with the law, all employees are trained in job-related risks and preventive measures.	Colonial Group
	GRI 403-6	Promotion of worker health	221-222	Colonial Group
	GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	219-221	Colonial Group
	GRI 403-8	Workers covered by an occupational health and safety management system	100% of employees. Only the coverage provided by the management system in company employees is reported.	Colonial Group Employees
	GRI 403-9/ EPRA-H&S-Emp	Work-related injuries	218, 392-393, this type of information is only available for company employees.	Colonial Group Employees
	GRI 403-10/ EPRA-H&S-Emp	Work-related ill health	218, 392-393, this type of information is only available for company employees.	Colonial Group Employees
Training and education				
Human Resources Management	Management Approach		201-206	Colonial Group
	GRI 404-1/ EPRA-Emp-Training	Average hours of training per year per employee	202-203, 392-393	Colonial Group
	GRI 404-2	Programmes for upgrading employee skills and transition assistance programmes	201-206	Colonial Group
	GRI 404-3/ EPRA-Emp-Dev	Percentage of employees receiving regular performance and career development reviews	207	Colonial Group
Diversity and equal opportunity				
Equality and diversity	Management Approach		211-214	Colonial Group
	GRI 405-1/ EPRA-Diversity-Emp	Diversity of governance bodies and employees	194-195, 214, 392-393	Colonial Group
	GRI 405-2/EPRA-Diversity-Pay	Ratio of basic salary and remuneration of women to men	208, 392-393	Colonial Spain

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Non-discrimination				
Equality and diversity	Management Approach		211-214	Colonial Group
	GRI 406-1	Incidents of discrimination and corrective actions taken	There have been no incidents of discrimination in the Colonial Group	
Freedom of association and collective bargaining				
Human Resources Management	Management Approach		210, 223-224	Colonial Group
	GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	In the Group's own operations and those of its suppliers the criteria of proximity are applied, with activity located in domestic territory (Spain and France), o there is minimal risk in this area.	Colonial Group
Child labour				
Respect for Human Rights	Management Approach		Not applicable to the Colonial business	
	GRI 408-1	Operations and suppliers at significant risk for incidents of child labour	In the Group's own operations and those of its suppliers the criteria of proximity are applied, with activity located in Spain and France, so there is minimal risk in this area.	
Forced or compulsory labour				
Respect for Human Rights	Management Approach		Not applicable to the Colonial business	
	GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	In the Group's own operations and those of its suppliers the criteria of proximity are applied, with activity located in Spain and France, so there is minimal risk in this area.	
Security practices				
Respect for Human Rights	Management Approach		Not applicable to the Colonial business	
	GRI 410-1	Security personnel trained in human rights policies or procedures	In the Group's own operations and those of its suppliers the criteria of proximity are applied, with activity located in Spain and France, so there is minimal risk in this area.	
Rights of indigenous peoples				
Respect for Human Rights	Management Approach		Not applicable to the Colonial business	
	GRI 411-1	Incidents of violations involving rights of indigenous peoples	In the Group's own operations and those of its suppliers the criteria of proximity are applied, with activity located in Spain and France, so there is minimal risk in this area.	

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Human rights assessment				
Respect for Human Rights	Management Approach		223-224	Colonial Group
	GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	In all Group's operations monitors the compliance with current legislation. The operations take place in Spain and France, where the risk in human rights is minimal.	Colonial Group
	GRI 412-2	Employee training on human rights policies or procedures	The training given periodically in Spain on Compliance, which includes training on the Ethical Code and Complaints Channel, covers relevant human rights aspects.	Colonial Spain
	GRI 412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	In every investment contract agreement, the Group monitors the compliance with current legislation. Every agreement and contract takes place in Spain or France, where the risk in humans rights is minimal.	Colonial Group
Local communities				
Commitment with local community	Management Approach		172-173, 228-233	Colonial Group
	GRI 413-1 EPRA-Comty-Eng	Operations with local community engagement, impact assessments, and development programs	1,3% of buildings. It should also be pointed out that Colonial made contributions, sponsorship and grants amounting to 431,905 Sponsorship page: 233.	Colonial Group
	GRI 413-2	Operations with significant actual and potential negative impacts on local communities	172-177, There are no significant negative impacts on local communities.	Colonial Group

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Supplier social assessment				
Supply Chain Management	Management Approach		167-168	Colonial Group
	GRI 414-1	New suppliers that were screened using social criteria	169-170	Colonial Group
	GRI 414-2	Negative social impacts in the supply chain and actions taken	167-170	Colonial Group
Public policy				
Corporate Governance	Management Approach		300-302	Colonial Group
	GRI 415-1	Political contributions	No contributions have been made to political parties	
Customer health and safety				
Customer satisfaction and management	Management Approach		219-221	Colonial Group
	GRI 416-1 EPRA-H&S-Asset	Assessment of the health and safety impacts of product and service categories	219-221. Only considers the assets that Colonial controls opperationnally.	Colonial Group
	GRI 416-2 EPRA-H&S-Comp	Incidents of non-compliance concerning the health and safety impacts of products and services	There have been no incidents of non-compliance.	Colonial Group
Marketing and labelling				
Environmental management systems	Management Approach		Not applicable to the Colonial business	
	GRI 417-1	Requirements for product and service information and labelling	Not applicable to the Colonial business	
	GRI 417-2	Incidents of non-compliance concerning product and service information and labelling	Not applicable to the Colonial business	
	GRI 417-3	Incidents of non-compliance concerning marketing communications	There have been no incidents of non-compliance.	Colonial Group
	CRE8 / EPRA-Cert-Tot	Type and number of schemes for certification of sustainability, classification and labelling of new construction, management and occupation	106, 160-166	Colonial Group

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Customer privacy				
Customer satisfaction and management	Management Approach		Not applicable to the Colonial business	
	GRI 418-1	Substantiated complaints regarding concerning breaches of customer privacy and losses of customer data.	No complaints were received.	Colonial Group
Socioeconomic compliance				
Corporate Governance	Management Approach		300-302	Colonial Group
	GRI 419-1	Non-compliance with laws and regulations in the social and economic area.	No significant fines or penalties were received.	Colonial Group

15.2. Environment

EPRA tables portfolio Environment

Indicator	EPRA Code	Unit of measurement	2019	Coverage	2020	Coverage	Change
Total electricity consumption	Elec-Abs	kWh	114,779,275	100%	115,953,146	100%	1%
		% from renewable sources	41%		65%		N/A
Like-for-like electricity consumption	Elec-LFL	kWh	105,627,356	100%	84,234,975	100%	–20%
Total heating & cooling consumption	DH&C-Abs	kWh	27,948,903	100%	22,577,739	100%	–19%
		% from renewable sources	57%		74%		N/A
Like-for-like heating & cooling consumption	DH&C-LFL	kWh	27,948,903	100%	21,276,584		–24%
Total fuel consumption	Fuels-Abs	kWh	7,017,124	100%	11,202,967	100%	60%
		% from renewable sources	0%		0%		N/A
Like-for-like fuel consumption	Fuels-LFL	kWh	4,913,137	100%	5,233,435		7%
Building energy intensity	Energy-Int	kWh/m²	222.99	100%	179.16		–20%
Direct GHG emissions (Scope 1)	GHG-Dir-Abs	tCO_2	1,999	100%	2,121	100%	6%
Indirect GHG emissions upon generating energy (Scope 2)	GHG-Indir- Abs	tCO_2 (market based)	6,018	100%	2,805	100%	–53%
		tCO_2 (location based)	9,472		7,609		–20%
GHG emissions intensity	GHG-Int	tCO_2/m^2	0.027	100%	0.022	100%	–19%
Total water consumption	Water-Abs	Total m³	307,300	100%	270,470	100%	–12%
Like-for-like water consumption	Water-LFL	m³	282,398	100%	205,230	100%	–27%
Building water intensity	Water-Int	m³/m²	0.46	100%	0.33	100%	–93%
Total weight of waste by disposal method	Waste-Abs	tonnes	3,931	67%	249,180	67%	6,240%
		% reuse	0.65%		5.02%		672%
		% recycled	68%		16.63%		–75%
		% compost	0.05%		0.00%		–100%
		% energy recovery	13.64%		0.64%		–95%
		% sent to incineration	2.42%		0.01%		–100%
		% other - landfill	14.54%		0.05%		–100%
		% other	0.89%		77.65%		8,625%

EPRA tables portfolio Environment

Indicator	EPRA Code	Unit of measurement	2019	Coverage	2020	Coverage	Change
Like-for-like weight of waste by disposal method	Waste-LFL	tonnes	1,957	74%	2,193	74%	12%
		% reuse	0.32%		0.26%		–18%
		% recycled	63.50%		41.01%		–35%
		% compost	0.101%		0.08%		–21%
		% energy recovery	19.67%		52.22%		165%
		% sent to incineration	4.85%		0.84%		–83%
		% other - landfill	9.94%		3.68%		–63%
		% other	1.62%		1.91%		18%
Type and number of like-for-like certified properties	Cert-LfL	% certified LFL portfolio	97%		100%		3%
Type and number of total certified properties	Cert-Tot	% certified portfolio	92%		93%		1%

EPRA tables of own offices Environment

Indicator	EPRA Code	Unit of measurement	2019	Coverage	2020	Coverage	Change
Total electricity consumption	Elec-Abs	kWh	799,045	100%	344,119	100%	–57%
		% from renewable sources	0%		0%		0%
Like-for-like electricity consumption	Elec-LFL	kWh	799,045	100%	344,119	100%	–57%
Total heating & cooling consumption	DH&C-Abs	kWh	N/A	100%	N/A	100%	N/A
		% from renewable sources	N/A		N/A		N/A
Like-for-like heating & cooling consumption	DH&C-LFL	kWh	N/A	100%	N/A	100%	N/A
Total fuel consumption	Fuels-Abs	kWh	149,915	100%	128,223	100%	–14%
		% from renewable sources	0		0		0
Like-for-like fuel consumption	Fuels-LFL	kWh	149,915	100%	128,223	100%	–14%
Building energy intensity	Energy-Int	kWh/m^2	182.42	100%	92.11	100%	–50%
Direct GHG emissions (Scope 1)	GHG-Dir-Abs	tCO_2	54	100%	33	100%	–39%
Indirect GHG emissions upon generating energy (Scope 2)	GHG-Indir-Abs	tCO_2 (location based)	59	100%	4	100%	–93%
		tCO_2 (market based)	N/A		N/A		N/A
GHG emissions intensity	GHG-Int	tCO_2/m^2	0.02	100%	0.01	100%	–67%
Total water consumption	Water-Abs	m^3	2,302	100%	1,438	100%	–38%
Like-for-like water consumption	Water-LFL	m^3	2,302	100%	1,438	100%	–38%
Building water intensity	Water-Int	m^3/m^2	443	100%	281	100%	–37%
Total weight of waste by disposal method	Waste-Abs	tonnes	47.63	100%	65.98	100%	39%
		% recycled	90-52%		32.85%		–64%
		% sent to incineration	0.00%		0.00%		0%
		% other	9.48%		67.15%		608%
Like-for-like weight of waste by disposal method	Waste-LFL	tonnes	47.63	100%	65.98	100%	39%
		% recycled	90.52%		32.85%		–64%
		% sent to incineration	0.00%		0.00%		0%
		% other	9.48%		67.15%		608%
Type and number of total certified properties	Cert-Tot	% certified portfolio	100%	100%	100%	100%	0%

Environmental certifications of Group properties

	Building name	HQE	BREEAM In-use PART 1	BREEAM In-use PART 2	ISO 50001	ISO 14001	LEED BD + C	BREEAM New Construction
BARCELONA								
1	Paseo de los Tilos, 2-6						Gold	
2	Av. Diagonal, 682		Very Good	Outstanding				
3	Av. Diagonal, 609-615		Very Good	Excellent				
4	Travessera de Gràcia, 11		Very Good	Outstanding			Gold	
5	Amigó 11-17		Very Good	Outstanding			Gold	
6	Av. Diagonal, 530		Very Good	Excellent	✓	✓		
7	Av. Diagonal, 409		Very Good	Excellent			Gold	
8	Via Augusta, 21-23		Very Good	Excellent				
9	Sant Cugat Nord		Excellent	Excellent				
10	Torre Marenostrum							
11	Av. Diagonal, 220-240, Glòries		Very Good	Excellent				
12	Illacuna		Very Good	Outstanding				
13	Torre BCN		Very Good	Excellent				
14	Parc Glòries						Platinum	
15	Travessera de Gràcia, 47-49							
16	Plaza Europa, 34							
17	Gal·la Placídia							
18	Av. Diagonal, 197		Good				Gold	
19	Park Cugat		Good				Silver	
20	Av. Diagonal, 525							
21	WittyWood (Llacuna, 42)							
22	Parc Glòries II (Sancho de Ávila, 110-130)							
MADRID								
1	P.º de Recoletos, 37-41		Very Good	Excellent				
2	Génova, 17		Very Good	Excellent				
3	P.º de la Castellana, 52		Very Good	Excellent	✓	✓		
4	P.º de la Castellana, 43		Very Good				Gold	
5	Miguel Ángel, 11		Very Good	Excellent				
6	José Abascal, 56		Very Good	Excellent				
7	Santa Engracia, 120		Good	Very Good				
8	Poeta Joan Maragall, 53		Good	Excellent				
9	Estébanez Calderón, 3-5						Platinum	
10	López de Hoyos, 35		Very Good	Excellent				
11	Príncipe de Vergara, 112-114						Gold	
12	Francisco Silvela, 42		Very Good	Outstanding				
13	Ortega y Gasset, 100							

Environmental certifications of Group properties

	Building name	HQE	BREEAM In-use PART 1	BREEAM In-use PART 2	ISO 50001	ISO 14001	LEED BD + C	BREEAM New Construction
14	Ramírez de Arellano, 37		Good					
15	Martínez Villergas, 49		Excellent	Excellent				
16	Alfonso XII, 62		Very Good	Outstanding				
17	José Abascal, 45		Very Good					
18	Serrano,73		Good					
19	Santa Hortensia, 26-28							
20	P.º de la Castellana, 163							
21	Arturo Soria, 336		Very Good					
22	Campus Méndez Álvaro							
23	Ramírez de Arellano, 15						Gold	
24	Manuel de Falla, 7		Good				Gold	
25	Sagasta, 27							
26	Sagasta, 31-33		Good				Silver	
27	Almagro, 9		Good				Gold	
28	Miguel Ángel, 23							
29	Velázquez-Padilla, 17							
30	Don Ramón de la Cruz, 82		Good				Platinum	
31	P.º de Recoletos, 27							
32	Virto - Francisca Delgado, 11		Good				Gold	
33	Cedro-Anabel Segura, 14						Gold	
34	Puerto de Somport, 8							
35	Puerto de Somport, 10-18							
36	Ribera de Loira, 28						Gold	
37	Tucumán							
38	Egeo		Good					
39	Josefa Valcárcel, 40 Bis						Platinum	
40	Josefa Valcárcel, 24							
41	J.I. Luca de Tena, 7							
42	Alcalá, 506							
PARIS								
1	6 Hanovre		Very Good	Very Good				
2	Ozone	✓	Very Good					
3	83 Marceau	Exceptional						
4	103 Grenelle	✓	Very Good	Excellent				
5	104-110 Haussmann		Very Good					
6	112 Wagram	✓	Excellent	Excellent				
7	131 Wagram		Very Good					

Environmental certifications of Group properties

Building name		HQE	BREEAM In-use PART 1	BREEAM In-use PART 2	ISO 50001	ISO 14001	LEED BD + C	BREEAM New Construction
8	176 Charles de Gaulle		Very Good	Excellent				
9	Edouard VII		Very Good	Excellent				
10	Galerie des Champs-Élysées		Very Good	Very Good				
11	Louvre Saint-Honoré		Very Good	Very Good				
12	Le Vaisseau							
13	Cézanne Saint-Honoré		Excellent	Excellent				
14	Rives de Seine		Very Good	Excellent				
15	Washington Plaza		Excellent	Very Good				
16	Condorcet		Very Good	Very Good				
17	90 Champs-Élysées		Very Good	Very Good				Good
18	#Cloud	Exceptional	Excellent				Gold	Excellent
19	Percier		Very Good	Very Good				
20	Emile Zola	Exceptional						

Waste by method of disposal. EPRA Waste-Abs & Waste-Lfl

Sustainability Indicators	Type of waste	Total DSW 2020 kg	Total DSW 2020 % of total
Waste - Abs GRI 306-2	**Hazardous waste**		
	Reuse	427	2.28%
	Recycling	14,981	80.06%
	Compost	0	0.00%
	Recovery (including energy)	99	0.53%
	Soil-soil improvement, landfills and drainage	0	0.00%
	On-site storage	1,975	10.56%
	Non-reusable hazardous waste	575	3.07%
	Incineration (not used)	43	0.23%
	Injection into wells (not reused)	0	0.00%
	Landfill (not reused)	52	0.28%
	Other disposal method	560	2.99%
	Total DSW generated	**18,712**	**100.00%**
	Non-hazardous waste		
	Reuse	12,496,200	5.02%
	Recycling	41,422,106	16.63%
	Compost	2,042	0.00%
	Recovery (including energy)	1,602,860	0.64%
	Soil-soil improvement, landfills and drainage	193,428,754	77.63%
	On-site storage	24,411	0.01%
	Non-reusable hazardous waste	5,182	0.00%
	Incineration (not used)	18,435	0.01%
	Injection into wells (not reused)	0	0.00%
	Landfill (not reused)	128,468	0.05%
	Other disposal method	32,728	0.01%
	Total DSW generated	**249,161,184**	**100.00%**

Waste by method of disposal. EPRA Waste-Abs & Waste-Lfl

Sustainability Indicators	Type of waste	Total DSW 2020 kg	Total DSW 2020 % of total
Waste - LfL GRI 306-2	**Hazardous waste**		
	Reuse	164	1.13%
	Recycling	11,251	77.82%
	Compost	0	0.00%
	Recovery (including energy)	91	0.63%
	Soil-soil improvement, landfills and drainage	0	0.00%
	On-site storage	1,753	12.13%
	Non-reusable hazardous waste	566	3.91%
	Incineration (not used)	23	0.16%
	Injection into wells (not reused)	0	0.00%
	Landfill (not reused)	50	0.35%
	Other disposal method	560	3.87%
	Total DSW generated	**14,457**	**100.00%**
	Non-hazardous waste		
	Reuse	5,604	0.26%
	Recycling	888,017	40.77%
	Compost	1,710	0.08%
	Recovery (including energy)	1,144,824	52.56%
	Soil-soil improvement, landfills and drainage	5,640	0.26%
	On-site storage	143	0.01%
	Non-reusable hazardous waste	4,965	0.23%
	Incineration (not used)	18,390	0.84%
	Injection into wells (not reused)	0	0.00%
	Landfill (not reused)	80,655	3.70%
	Other disposal method	28,138	1.29%
	Total DSW generated	**2,178,085**	**100.00%**

Energy consumption and GHG emissions

Energy consumption and GHG emissions 2020 - 2019

EPRA Energy-Int, EPRA GHG-Int
EPRA GHG-Dir-Abs & EPRA GHG-Indir-Abs

		Total 2020					Total 2019					Variance	
Sustainability indicators	Unit of measurement	Coverage	Cons. 2020	M² (real)	M² adjust.	Intens. 2020 Energy-Int (kWh/m²)	Coverage	Cons. 2019	M² (real)	M² adjust.	Intens. 2019 Energy-Int (kWh/m²)	Consumption	Intensity
Electric Consumption (*Elec-Abs*)	MWh	67	115,953	914,037	836,028	139	51	114,779	748,191	671,708	171	1%	–19%
Fuel Consumption (*Fuels-Abs*)	MWh	36	11,203	403,101	373,522	30	16	7,017	177,825	136,326	51	60%	–42%
Heating and cooling consumption (*DH&C-Abs*)	MWh	14	22,578	282,800	248,568	91	14	27,949	282,718	259,205	108	–19%	–16%
Green Energy Consumption (Photovoltaic)	MWh	1	51	20,451	20,451	2	1	40	20,451	20,369	2	27%	26%
Total Energy Consumption	**MWh**	**67**	**149,784**	**914,037**	**836,028**	**179**	**51**	**149,785**	**748,191**	**671,708**	**223**	**0%**	**–20%**

Note: 52,825 MWh of the electricity consumed in 2020 corresponds to communal areas and shared services, and 63,128 MWh to private areas. 54,563 MWh of the electricity consumed in 2019 corresponds to communal areas and shared services, and 60,216 MWh to private areas. Photovoltaic electricity (green energy) consumption represents 0.03% of the total, in line with previous years.
In some cases, the Group only has the control of the consumption of the common areas, so as part of the effort made to report total consumption, the Group has made an estimate of consumption data for tenants to whom it does not have access. Estimated data from private tenant areas (tenant consumption) represents between 24%-29% of total reported electricity and fuel consumption.
No estimation made for DH&C and fuels, as they are obtained through telemetry, manual readings and invoices.

Energy consumption and GHG emissions 2020 - 2019

EPRA Energy-Int, EPRA GHG-Int
EPRA GHG-Dir-Abs & EPRA GHG-Indir-Abs

Sustainability Indicators		Unit of measurement	Total 2020					Total 2019					Variance	
			Coverage	Cons. 2020	M² (real)	M² adjust.	Intens. 2020 GHG-Int ($KgCO_2e/m^2$)	Coverage	Cons. 2019	M² (real)	M² adjust.	Intens. 2019 GHG-Int ($KgCO_2e/m^2$)	Consumption	Intensity
Direct CO_2 emissions / Scope 1 *(GHG-Dir-Abs)*		$TeqCO_2$	23	2,121	253,111	229,171	9	21	1,999	240,398	197,621	10	6%	–9%
Indirect emissions / Scope 2 *(GHG-Indir-Abs)*	Market-based method	$TeqCO_2$	53	2,805	765,555	690,710	4	51	6,018	748,191	671,708	9	–53%	–55%
	Location-based method	$TeqCO_2$	53	7,609	765,555	690,710	11	51	9,472	748,191	671,708	14	–20%	–22%
Total emissions / Scopes 1 & 2	Market-based method	$TeqCO_2$	**55**	**4,426**	**781,469**	**706,624**	**7**	**53**	**8,017**	**758,431**	**681,948**	**12**	**–39%**	**–41%**
	Location-based method	$TeqCO_2$	**55**	**9,729**	**781,469**	**706,624**	**14**	**53**	**11,471**	**758,431**	**681,948**	**17**	**–15%**	**–18%**
Othe indirect CO_2 emissions (Scope 3)	Private areas	$TeqCO_2$	65	13,758	900,568	822,559	17	49	10,457	734,399	657,916	16	32%	5%
Total emissions / Scopes 1 & 2 & 3	**Market-based method**	**$TeqCO_2$**	**67**	**18,684**	**914,037**	**836,028**	**22**	**53**	**18,474**	**758,431**	**681,948**	**27**	**1%**	**–18%**
	Location-based method	**$TeqCO_2$**	**67**	**23,488**	**914,037**	**836,028**	**28**	**53**	**21,928**	**758,431**	**681,948**	**32**	**7%**	**–13%**

Note: 52,825 MWh of the electricity consumed in 2020 corresponds to communal areas and shared services, and 63,128 MWh to private areas. 54,563 MWh of the electricity consumed in 2019 corresponds to communal areas and shared services, and 60,216 MWh to private areas. Photovoltaic electricity (green energy) consumption represents 0.03% of the total, in line with previous years.
In some cases, the Group only has the control of the consumption of the common areas, so as part of the effort made to report total consumption, the Group has made an estimate of consumption data for tenants to whom it does not have access. Estimated data from private tenant areas (tenant consumption) represents between 24%-29% of total reported electricity and fuel consumption.
No estimation made for DH&C and fuels, as they are obtained through telemetry, manual readings and invoices.

Energy consumption and emissions in own offices

Sustainability Indicators	Unit of measurement	Coverage	Consumption 2020	Consumption 2019	Var.	M² 2020 adjusted	M² 2019 adjusted	2020 adjusted intensity (kWh/m²)	2019 adjusted intensity (kWh/m²)	Variance	Adjusted variance
Electricity Consumptiom	MWh	3	344	799	–57%	5,128	5,202	67	154	–56%	–56%
Fuel Consumptiom	MWh	2	128	150	–14%	3,096	3,096	41	48	–14%	–14%
Total Energy consumption	**MWh**	**3**	**472**	**949**	**–50%**	**5,128**	**5,202**	**92**	**182**	**–50%**	**–50%**

Sustainability Indicators	Unit of measurement	Coverage	Consumption 2020	Consumption 2019	Var.	M² 2020 adjusted	M² 2019 adjusted	2020 adjusted intensity ($kgCO_2$ e/ m²)	2019 adjusted intensity ($kgCO_2$ e/ m²)	Variance	Adjusted variance
Direct CO_2 emissions	$TeqCO_2$	2	33	54	–39%	3,096	3,096	11	18	–39%	–39%
Indirect CO_2 emissions	$TeqCO_2$	3	4	59	–93%	5,128	5,202	1	11	–93%	–93%
Direct & Indirect emissions	**$TeqCO_2$**	**3**	**37**	**114**	**–67%**	**5,128**	**5,202**	**7**	**22**	**–67%**	**–67%**

Energy consumption and emissions in leased buildings with control over consumption and monotenant offices considered in the portfolio coverage

EPRA Elec-LfL, EPRA Fuels LfL & EPRA DH&C-LfL.
EPRA GHG-Dir-Abs & EPRA GHG-Indir-Abs

Sustainability Indicators	Unit of measurement	Coverage	Consumption 2020	Consumption 2019	Chg.	M² 2020	M² 2020 adjusted	M² 2019	M² 2019 adjusted	2020 Intensity (kWh/m²)	2020 adjusted intensity (kWh/m²)	2019 Intensity (kWh/m²)	2019 adjusted intensity (kWh/m²)	Change	Adj. change
Electric Consumption *(Elec-LfL)*	MWh	45	84,235	105,627	–20%	672,408	618,816	671,661	628,080	125	136	157	168	–20%	–19%
Fuel Consumption *(Fuels-LfL)*	MWh	11	5,233	4,913	7%	114,111	105,693	114,111	105,050	46	50	43	47	7%	6%
Hot and Cold network consumption *(DH&C-LfL)*	MWh	14	21,277	27,949	–24%	282,800	248,568	282,718	259,205	75	86	99	108	–24%	–21%
Green Energy Consumption (Photovoltaic)	MWh	1	51	40	27%	20,451	20,451	20,451	20,369	2	2	2	2	27%	26%
Total Energy Consumption	**MWh**	**45**	**110,796**	**138,529**	**–20%**	**672,408**	**618,816**	**671,661**	**628,080**	**165**	**179**	**206**	**221**	**–20%**	**–19%**

Notes: These tables show the consumption and emissions generated in the Colonial buildings included in the sustainable like-for-like perimeter, following the recommendations of EPRA Best Practices on Sustainability Reporting. The calculation of like-for-like indicators has been made differently for each type of consumption (electricity, fuel and water), including those buildings in the calculation that have been operating continuously over the past two years (2019 and 2020) and for which full consumption data are available for these two years. Likewise, those assets in which the Group has control over the consumption of supplies as well as single-user assets are included, excluding properties that remain plots of land since they do not generate consumption.
The carbon footprint of Scope 1 and 2 has been calculated based on the energy consumption of buildings, leaks and recharges of refrigerant gases. Leaks of refrigerant gases are only reported in Spain.
For Scope 3, with the awareness that most of its emissions come from this area, work has continued on calculating new categories for this scope as previously discussed, always following the methodologies included in the GHG Protocol.
Of the electricity consumed like-for-like in 2020, 46,209 MWh corresponds to communal areas and shared services, and 38,026 MWh to private areas. 50,465 MWh of the electricity consumed like-for-like in 2019 corresponds to communal areas and shared services, and 55,163 MWh to private areas. Photovoltaic electricity (green energy) consumption represents 0.05% of the total, in line with previous years.

Energy consumption and emissions in leased buildings with control over consumption and monotenant offices considered in the portfolio coverage

EPRA Elec-LfL, EPRA Fuels LfL & EPRA DH&C-LfL.
EPRA GHG-Dir-Abs & EPRA GHG-Indir-Abs

Sustainability Indicators		Unit of measurement	Coverage	Consumption 2020	Consumption 2019	Chg.	M² 2020	M² 2020 adjusted	M² 2019	M² 2019 adjusted	2020 Intensity ($kgCO_2e/m^2$)	2020 adjusted intensity ($kgCO_2e/m^2$)	2019 Intensity ($kgCO_2e/m^2$)	2019 adjusted intensity ($kgCO_2e/m^2$)	Chg.	Adj. change
Direct CO_2 emissions / Scope 1 (GHG-Dir-Abs)		$TeqCO_2$	14	1,301	1,378	–6%	166,444	156,801	166,444	156,105	8	8	8	9	–6%	–6%
Indirect emissions / Scope 2 (GHG-Indir-Abs)	Market-based method	$TeqCO_2$	45	2,015	5,355	–62%	672,408	618,816	671,661	628,080	3	3	8	9	–62%	–62%
	Location-based method	$TeqCO_2$	45	6,553	8,464	–23%	672,408	618,816	671,661	628,080	10	11	13	13	–23%	–21%
Total emissions / Scopes 1 & 2	**Market-based method**	**$TeqCO_2$**	**45**	**3,315**	**6,732**	**–51%**	**672,408**	**618,816**	**671,661**	**628,080**	**5**	**5**	**10**	**11**	**–51%**	**–50%**
	Location-based method	**$TeqCO_2$**	**45**	**7,854**	**9,841**	**–20%**	**672,408**	**618,816**	**671,661**	**628,080**	**12**	**13**	**15**	**16**	**–20%**	**–19%**
Other indirect CO_2 emissions (Scope 3)	Private areas	$TeqCO_2$	43	4,549	8,714	–48%	658,616	605,024	657,869	614,288	7	8	13	14	–48%	–47%
Total emissions / Scopes 1 & 2 & 3	**Market-based method**	**$TeqCO_2$**	**45**	**7,864**	**15,446**	**–49%**	**672,408**	**618,816**	**671,661**	**628,080**	**12**	**13**	**23**	**25**	**–49%**	**–48%**
	Location-based method	**$TeqCO_2$**	**45**	**12,402**	**18,555**	**–33%**	**672,408**	**618,816**	**671,661**	**628,080**	**18**	**20**	**28**	**30**	**–33%**	**–32%**

Notes: These tables show the consumption and emissions generated in the Colonial buildings included in the sustainable like-for-like perimeter, following the recommendations of EPRA Best Practices on Sustainability Reporting. The calculation of like-for-like indicators has been made differently for each type of consumption (electricity, fuel and water), including those buildings in the calculation that have been operating continuously over the past two years (2019 and 2020) and for which full consumption data are available for these two years. Likewise, those assets in which the Group has control over the consumption of supplies as well as single-user assets are included, excluding properties that remain plots of land since they do not generate consumption.
The carbon footprint of Scope 1 and 2 has been calculated based on the energy consumption of buildings, leaks and recharges of refrigerant gases. Leaks of refrigerant gases are only reported in Spain.
For Scope 3, with the awareness that most of its emissions come from this area, work has continued on calculating new categories for this scope as previously discussed, always following the methodologies included in the GHG Protocol.
Of the electricity consumed like-for-like in 2020, 46,209 MWh corresponds to communal areas and shared services, and 38,026 MWh to private areas. 50,465 MWh of the electricity consumed like-for-like in 2019 corresponds to communal areas and shared services, and 55,163 MWh to private areas. Photovoltaic electricity (green energy) consumption represents 0.05% of the total, in line with previous years.

Water consumption 2020 - 2019

EPRA Water-Int

		Total 2020					Total 2019					Variance	
Sustainability Indicators	Unit of measurement	Coverage	Cons. 2020	M² (real)	M² adjust.	Intensity 2020 (Water-Int) (l/m²)	Coverage	Cons. 2019	M² (real)	M² adjust.	Intensity 2019 (Water-Int) (l/m²)	Consumption	Intensity
Water consumption *(Water-Abs)*	m³	65	270,740	893,917	814,503	332	51	307,300	748,191	671,708	457	–12%	–27%

Notes: Data consumption water is obtained through telemetry, manual readings and invoices.
0.6% of the water comes from recycled and reused water. The rest is supplied by water mains.

Water consumption and emissions in own offices

Sustainability Indicators	Unit of measurement	Coverage	Consumption 2020	Consumption 2019	Var.	M² 2020	M² 2019	2020 Intensity (l/m²)	2019 Intensity (l/m²)	Variance
Water consumption	m³	3	1,438	2,302	–38%	5,128	5,202	281	443	–37%

Water consumption and emissions in leased buildings with control over consumption and monotenant offices considered in the portfolio coverage

EPRA Water-LfL

Sustainability Indicators	Unit of measurement	Coverage	Cons. 2020	Cons. 2019	Var.	2020 M²	2020 Adjusted M²	2019 M²	2019 Adjusted M²	Intens. 2020 (l/m²)	2020 adjusted intensity (l/m²)	Intens. 2019 (l/m²)	2019 adjusted intensity (l/m²)	Var.	Adjusted variance
Water consumption *(Water-LfL)*	m³	45	205,230	282,398	–27%	668,840	614,320	671,661	628,080	307	334	420	450	–27%	–26%

Note: 0.8% of the LfL water comes from recycled and reused water. The rest is suplied by water mains.

15.3. Social and Governance

EPRA Social Indicators Table

Indicator	EPRA Code	Scope	Unit of measurement			2019	2020
Gender diversity	Diversity-Emp	Corporate operations	% of employees	Management	M	62%	59%
					F	38%	41%
				Managers	M	47%	46%
					F	53%	54%
				Admin.	M	29%	29%
					F	71%	71%
Remuneration by gender	Diversity-Pay	Corporate operations	Ratio(1)	Management		–3%	–6%
				Managers		22%	25%
				Admin.		11%	16%
Training and development	Emp-Training	Corporate operations	Average hours			29.0	22.1
			Average hours women			23.7	20.1
			Average hours men			37.1	25.2
			General management(2)			99.1	20.0
			Technical graduates and middle managers(2)			13.8	14.0
			Administrative(2)			25	22.7
Performance reviews	Emp-Dev	Corporate operations	% of total staff			32%	45%
New hires	Emp-Turnover	Corporate operations	Total number			76	31
		Corporate operations	Ratio			32.5%	13.5%
Turnover		Corporate operations	Total number			16	16
		Corporate operations	Ratio(2)			9.0%	9.0%
Frequency	H&S-Emp	Corporate operations	Per 200,000 hours worked			1.6	0.0
Rate of lost days		Corporate operations	Per 200,000 hours worked			52.97	0.0
Absenteeism rate		Corporate operations	Ratio			2.3%	2.5%
Number of fatal accidents		Corporate operations	Total number			0	0
Health and safety impact assessments	H&S-Asset	Office portfolio	% of properties			99%	99%
		Residential portfolio				N/A	N/A
Number of defaults	H&S-Comp	Office portfolio	Total number			0	0
		Residential portfolio				N/A	N/A

(1) Only includes Colonial Spain.
(2) Only includes Colonial Spain and SFL.

EPRA Tables Social and Governance

Indicator	EPRA Code	Scope	Unit of measurement		2019	2020
Gender diversity	Diversity-Emp	Corporate operations	% of employees	M	39%	38%
				F	61%	62%
Remuneration by gender	Diversity-Pay	Corporate operations	Ratio	Management	–3%	–6%
				Managers	22%	25%
				Admin.	11%	16%
Training and development	Emp-Training	Corporate operations	Average hours		29	22.1
Performance reviews	Emp-Dev	Corporate operations	% of total staff		32%	45%
New hires	Emp-Turnover	Corporate operations	Total number		76	31
		Corporate operations	Ratio		32.5%	13.5%
Turnover(1)		Corporate operations	Total number		16	16
		Corporate operations	Ratio		9.0%	9.0%
Frequency	H&S-Emp	Corporate operations	Per 200,000 hours worked		1.6	0.0
Rate of lost days		Corporate operations	Per 200,000 hours worked		52.97	0.0
Absenteeism rate		Corporate operations	Ratio		2.30%	2.50%
Number of fatal accidents		Corporate operations	Total number		0	0
Health and safety impact assessments	H&S-Asset	Office portfolio	% of properties		99%	99%
		Residential portfolio			N/A	N/A
Number of defaults	H&S-Comp	Office portfolio	Total number		0	0
		Residential portfolio			N/A	N/A
Programmes with the community	Comty-Eng	Office portfolio	% of properties		1.8%	1.3%
		Residential porafolio			N/A	N/A
Composition of the Board of Directors(2)	Gov-Board	Corporate	Total number of executive directors		2	2
			Total number of independent directors		6	4
			Average service		6.3	5.5
			Independent/non-executive members of governing bodies with competences related to social or environmental issues		2	4
Board of Directors nomination and selection process	Gov-Select	Corporate	Description		p.191-192. Section C IAGC 2019	Section 12.1 a). b) y c) of IAI
Conflicts of interest	Gov-Col	Corporate	Description		p. 203-204. Section D.6. IAGC 2019	Section 12.1 d) fo IAI

(1) The turnover data excludes Utopicus.
(2) Based on the competence matrix included in the report.

16
About the Report

Colonial's 2020 Integrated Annual Report incorporates the contents of the business strategy, corporate governance and current performance and future projections, and is the organisation's sixth publication in the area of Corporate Social Responsibility (CSR).

Characteristics of the Report

STANDARDS APPLIED WHEN PREPARING THE 2020 INTEGRATED ANNUAL REPORT

The Colonial Group prepared the 2020 Integrated Annual Report to include, in addition to the information included in the annual reports from previous years, all information on performance in Environmental, Social and Governance matters, as well as a comparison with 2019 to show the Company's progress.

To this effect, the Company used the Global Reporting Initiative (GRI) principles for preparing sustainability reports, the benchmark for CSR reports, and the new version of the EPRA sBPR (European Public Real Estate Association Sustainability Best Practices Recommendations) guidelines. Specifically, this "IAI 2020" has been prepared in accordance with the "Exhaustive" option of the GRI Standards. In this regard, Inmobiliaria Colonial carried out a study to be able to adapt itself to the best market practices in the area of reporting.

To prepare the report, first its materiality analysis was updated, covering all Environmental, Social and Governance (ESG) aspects that may affect the Company and, in particular, its stakeholders, paying special attention to the Company's commitments to them.

The main objective of the Integrated Annual Report is to inform all stakeholders of Colonial's involvement in CSR in 2020, along with its objectives for 2021.

Material aspect	Stakeholder	GRI Indicators	EPRA sBPR	Scope	Chapter
Environment					
1. Climate change	Company Clients	GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4 GRI 305-5 CRE3	GHG-Dir-Abs GHG-Indir-Abs GHG-Int	Interior and Exterior	8. Environmental sustainability
2. Impact reduction	Company Clients	GRI 301-1 GRI 301-2 GRI 303-1 GRI 303-3 GRI 303-4 GRI 303-5 CRE2	Water-Abs Water-LFL Water-Int	Interior	8. Environmental sustainability
3. Waste management	Company Clients Suppliers Employees	GRI 306-1 GRI 306-2 GRI 306-3 GRI 306-4 GRI 306-5	Waste-Abs Waste-LFL	Interior	8. Environmental sustainability
4. Energy efficiency	Company Clients	GRI 302-1 GRI 302-2 GRI 302-3 GRI 302-4 GRI 302-5 CRE1	Elec-Abs Elec-LFL DH&C-Abs DH&C-LFL Fuels-Abs Fuels-LFL Energy-Int	Interior	8. Environmental sustainability
5. Environmental management systems	Company Clients Suppliers Employees	GRI 417-3 CRE8	Cert-Tot	Interior	8. Environmental sustainability
6. Biodiversity conservation	Company	GRI 304-1 GRI 304-2 GRI 304-3 GRI 304-4		Interior and Exterior	8. Environmental sustainability
Commitment to the Community					
7. Society	Company	GRI 102-12 GRI 102-13 GRI 413-1 GRI 413-2	Comty-Eng	Interior and Exterior	10. Social contribution
8. Human Rights	Company	GRI 412-1 GRI 412-2 GRI 412-3		Interior and Exterior	9. Team of professionals
9. Sustainability management	Company	GRI 102-29 GRI 102-30 GRI 102-31 GRI 102-32		Interior and Exterior	7. Managing our impacts on ESG
Client relations					
10. Client management	Clients	GRI 102-43 GRI 102-44 GRI 416-1 GRI 416-2 GRI 418-1	H&S-Asset H&S-Comp	Interior and Exterior	11. Clients & users

Material aspect	Stakeholder	GRI Indicators	EPRA sBPR	Scope	Chapter
Team of professionals					
11. Health and safety	Employees	GRI 403-1 GRI 403-2 GRI 403-3 GRI 403-4 GRI 403-5 GRI 403-6 GRI 403-7 GRI 403-8 GRI 403-9 GRI 403-10	H&S-Emp H&S-Comp	Interior and Exterior	9. Team of professionals
12. Equality and diversity	Employees	GRI 202-1 GRI 202-2 GRI 405-1 GRI 405-2 GRI 406-1	Diversity-Emp Diversity-Pay	Interior	9. Team of professionals
13. Human Resources management	Employees	GRI 102-8 GRI 401-1 GRI 401-2 GRI 401-3 GRI 402-1 GRI 404-1 GRI 404-2 GRI 404-3 GRI 407-1	Emp-Training Emp-Dev Emp-Turnover	Interior	9. Team of professionals
Supply Chain					
14. Supply Chain	Suppliers	GRI 102-9 GRI 204-1 GRI 308-1 GRI 308-2 GRI 414-1 GRI 414-2		Interior and Exterior	8. Environmental sustainability
Stakeholder Engagement					
15. Stakeholder relations	Company Clients Employees Shareholders Investors			Interior and Exterior	7. Managing our impacts on ESG
Good governance					
16. Corporate governance	Company Clients Employees Shareholders Investors	GRI 102-9 GRI 204-1 GRI 308-1 GRI 308-2 GRI 414-1 GRI 414-2	Gov-Board Gov-Select Gov-Col	Interior	12. Governance
17. Risk management	Company Clients Employees Shareholders Investors	GRI 102-15 GRI 102-30		Interior	6. Risk management
Investor relations					
18. Investor relations	Shareholders and investors	GRI 201-1 GRI 201-2 GRI 201-3 GRI 201-4 GRI 207-1 GRI 207-2 GRI 207-3 GRI 207-4		Interior and Exterior	12. Governance

Coverage and Methodology applied

I. COVERAGE OF CONSUMPTION - SCOPE

In 2020, the Colonial Group made a major effort to increase the scope of consumption across its entire portfolio, extending its calculation of energy consumption to almost all assets, with the sole exception of those which are still at the project stage and thus have almost no energy consumption of any type.

If we consider the office assets in operation, in 2020, the Colonial Group almost met the target set out in its Business Plan, having within its reporting coverage more than 90% of the consumption of the assets under its financial control (close to 100% in Spain and 89% in France).

Coverage of consumption in the office portfolio in operation in value terms

	2020			BP Objective		
	Energy	Scope 1 & 2	Water	Energy	Scope 1 & 2	Water
Spain	98%	98%	97%	100%	100%	100%
France	89%	89%	89%	89%	89%	89%
Total	**92%**	**92%**	**92%**	**94%**	**94%**	**94%**

In **Barcelona**, information on the consumption of **19 assets** was reported in 2020, corresponding to 100% of the value of the Barcelona portfolio in operation. In **Madrid**, information on the consumption of **33 assets** was reported in 2020, corresponding to 97% of the value of the Madrid portfolio in operation.

In **Paris** information on the consumption of **15 assets** was reported in 2020, corresponding to 89% of the value of the Paris portfolio in operation.

Additional segmental analysis for our EPRA reporting is not applicable as all assets included in our data coverage are office properties.

II. APPLIED METHODOLOGY - CARBON FOOTPRINT

The information report on greenhouse gas (GHG) emissions has been prepared in accordance with the calculation methodology of the Greenhouse Gas Protocol (GHG Protocol) and World Resources Institute (WRI).

GHG emissions have been broken down into three scopes:

- **Scope 1**. These are **direct GHG emissions** that belong to or are controlled by the Group, which are released directly into the atmosphere.
  - Fuel consumption.
  - Fugitive emissions of refrigerant gases.
- **Scope 2**. These are **indirect GHG emissions** derived from electricity consumption and the generation of off-site heat consumed by Colonial.
  - Purchase of electricity for communal areas and shared services.
  - Cold and heat from district heating and cooling systems.
- **Scope 3. Other indirect GHG emissions** caused by Group activities but controlled by other organisations.
  - Electricity consumption in private areas.
  - Fuel and electricity consumption of single-user buildings.

GHG emissions are reported in tonnes of carbon dioxide equivalent (tCO_2e). Performance indicators (KPIs) are also included, considering the surface area consistent with occupancy, to measure the impact of each asset individually and at a Group level, with the aim of reducing GHG emissions.

The GHG emissions data for Scope 1 and 2 have been obtained based on data from energy consumption invoices and refrigerant gas recharge reports. For Scope 3 GHG emissions data, direct data is mainly derived from bills and meter readings in private areas. For part of the single-user assets within the reporting coverage, Scope 3 emissions have been obtained from energy ratio studies carried out by Colonial.

To calculate our carbon footprint and Scope 2 in particular, the market-based and location-based calculation methodologies have been used. The **"market-based"** methodology includes the emission factors of the electricity distribution companies (or the residual mix of emission factors when the information from the electricity company is not available). Following international best practices, in monitoring consumption Colonial prioritises the market-based method over location-based methodology, which despite being more sophisticated, more accurately reflects our performance in reducing dependence on carbon-based fuels when taking into account the specific characteristics of the company's asset portfolio, and shows the continuous efforts being made to reduce our carbon footprint and environmental impact, in this case through purchasing green energy.

The **"Location-based"** method calculates emissions taking into account the emission factors of the national electricity mix without reflecting the specific situations of Colonial's eco-efficiency policy, particularly in terms of energy supply.

Breakdown of consumption monitoring by building

Barcelona

	Building name	Electricity	Combustible	District heating & cooling	Water	CO_2 emissions	Like-for-like
1	Av. Diagonal, 530	✓	✓		✓	✓	
2	Av. Diagonal, 682	✓	NG		✓	✓	✓
3	Av. Diagonal, 609-615	✓	NG		✓	✓	✓
4	Via Augusta, 21-23	✓	NG		✓	✓	✓
5	Av. Diagonal, 409	✓			✓	✓	✓
6	Travessera de Gràcia, 11/ Amigó, 11-17	✓	NG		✓	✓	✓
7	Av. Diagonal, 197	✓	NG	✓	✓	✓	✓
8	Av. Diagonal 220-240, Glòries	✓			✓	✓	
9	Illacuna, 56	✓		✓	✓	✓	✓
10	Travessera de Gràcia, 47-49	✓	NG		✓	✓	
11	Pg. dels Til·lers, 2-6	✓			✓	✓	
12	Dau Retail	✓	NG		✓	✓	
13	Av. Diagonal, 525						
14	Torre BCN	✓	NG		✓	✓	✓
15	Sant Cugat Nord	✓	NG		✓	✓	✓
16	Park Cugat	✓	NG		✓	✓	✓
17	Parc Glòries	✓		✓	✓	✓	✓
18	Torre Marenostrum	✓			✓	✓	
19	Gal·la Placídia	✓	NG		✓	✓	
20	Parc Glòries II (Sancho de Ávila, 110-130)	✓	NG		✓	✓	
21	WittyWood (Llacuna, 42)						
22	Plaza Europa, 34						

NG: natural gas used at the building.

Madrid

	Building name	Electricity	Combustible	District heating & cooling	Water	CO_2 emissions	Like-for-like
1	P.º de la Castellana, 52	✓	NG		✓	✓	✓
2	P.º de la Castellana, 43	✓	NG		✓	✓	
3	P.º de Recoletos, 37-41	✓			✓	✓	✓
4	José Abascal, 56	✓	NG		✓	✓	✓
5	Génova, 17	✓	NG		✓	✓	✓
6	Santa Engracia, 120	✓	NG		✓	✓	✓
7	Poeta Joan Maragall, 53	✓	NG		✓	✓	✓
8	López de Hoyos, 35	✓	NG		✓	✓	✓
9	Miguel Ángel, 11	✓	NG		✓	✓	✓
10	José Abascal, 45	✓			✓	✓	✓
11	Alfonso XII, 62	✓			✓	✓	✓
12	Francisco Silvela, 42	✓			✓	✓	✓
13	Don Ramón de la Cruz, 82	✓			✓	✓	✓
14	Sagasta, 31-33	✓			✓	✓	✓
15	Serrano, 73	✓	NG		✓	✓	
16	Príncipe de Vergara, 112-114	✓	NG		✓	✓	✓
17	Estébanez Calderón, 3-5	✓	NG		✓	✓	✓
18	Almagro, 9	✓			✓	✓	
19	P.º de la Castellana, 163	✓	✓		✓	✓	
20	Miguel Ángel, 23						
21	Martínez Villergas, 49	✓			✓	✓	✓
22	Egeo	✓	NG		✓	✓	✓
23	Virto	✓	NG		✓	✓	
24	Ribera de Loira, 28	✓	NG		✓	✓	
25	Ramírez de Arellano, 15	✓			✓	✓	✓
26	Ramírez de Arellano, 37	✓			✓	✓	
27	Cedro						
28	Arturo Soria, 336	✓	NG		✓	✓	✓
29	Josefa Valcárcel, 40 Bis	✓	NG		✓	✓	
30	Alcalá, 506	✓	NG		✓	✓	
31	Tucumán	✓	NG			✓	
32	J.I. Luca de Tena, 7	✓				✓	
33	Manuel de Falla, 7	✓	NG		✓	✓	
34	Santa Hortensia, 26-28	✓	NG		✓	✓	
35	Josefa Valcárcel, 24	✓	NG		✓	✓	
36	Ortega y Gasset						
37	Sagasta, 27						
38	P.º de Recoletos 27						
39	Campus Méndez Álvaro						
40	Velázquez-Padilla, 17						
41	Puerto de Soport, 8						
42	Puerto de Soport, 10-18						

NG: natural gas used at the building.

Paris

	Building name	Electricity	Combustible	District heating & cooling	Water	CO_2 emissions	Like-for-like
1	6 Hanovre	✓		✓	✓	✓	✓
2	Ozone	✓		✓	✓	✓	✓
3	103 Grenelle	✓		✓	✓	✓	✓
4	112 Wagram	✓		✓	✓	✓	✓
5	131 Wagram	✓			✓	✓	✓
6	176 Charles de Gaulle	✓	NG		✓	✓	✓
7	Édouard VII	✓		✓	✓	✓	✓
8	Galerie des Champs-Élysées	✓		✓	✓	✓	✓
9	Louvre Saint Honoré	✓		✓	✓	✓	✓
10	Cézanne St Honoré	✓		✓	✓	✓	✓
11	Rives de Seine	✓			✓	✓	✓
12	Washington Plaza	✓			✓	✓	✓
13	96 Iéna						
14	104-110 Haussmann						
15	Le Vaisseau						
16	Condorcet						
17	90 Champs-Élysées	✓		✓	✓	✓	✓
18	#Cloud	✓		✓	✓	✓	✓
19	Percier	✓		✓	✓	✓	✓
20	Emile Zola						

NG: natural gas used at the building.

Corporate Publications

This report forms part of the transparency exercise undertaken by the Colonial Group and is made available along with five other reports published by Colonial providing information on the initiatives undertaken in 2020.

2020 Colonial Group Corporate Governance Report

http://www.inmocolonial.com/

2020 Annual Results

http://www.inmocolonial.com/

Résultats Annuels 2020

http://www.fonciere-lyonnaise.com/

2020 Non-Financial Information SFL

http://www.fonciere-lyonnaise.com/

Colonial Group Contacts

INMOBILIARIA COLONIAL

Avenida Diagonal, 532, 08006 Barcelona
Phone: 93 404 79 00
Website: www.inmocolonial.com

Investor Relations:
inversores@inmocolonial.com

Shareholders:
accionistas@inmocolonial.com

Rentals:
patrimoni@inmocolonial.com

Human Resources:
rrhh@inmocolonial.com

SFL SOCIÉTÉ FONCIÈRE LYONNAISE

42, rue Washington, 75008 Paris
Phone: +33 (0)1 42 97 27 00
Fax: +33 (0)1 42 97 27 26
Website: www.fonciere-lyonnaise.com

Locaparis:
www.locaparis.fr

AMF:
www.amf-france.org

17
Glossary & Alternative Performance Measures

17.1. Glossary

Earnings per share (EPS): Profit from the year attributable to the shareholders divided by the basic number of shares.

BD: Business District.

Market capitalisation: The value of the company's capital obtained from its stock market value. It is obtained by multiplying the market value of its shares by the number of shares in circulation.

CBD: Central Business District (prime business area). Includes 22@ market in Barcelona.

Property company: Company with rental property assets.

Portfolio (surface area) in operation: Property/surfaces with the capacity to generate rents at the closing date of the report.

EBIT: Calculated as the operating profit plus variance in fair value of property assets as well as variance in fair value of other assets and provisions.

EBITDA: Operating result before net revaluations, disposals of assets, depreciations, provisions, interests, taxes and exceptional items.

EPRA: European Public Real Estate Association: Association of listed European property companies that sets best market practices for the sector.

Free float: The part of share capital that is freely traded on the stock market and not controlled in any stable way by shareholders.

GAV excl. transfer costs: Gross Asset Value of the portfolio according to external appraisers of the Group, after deducting transfer costs.

GAV incl. transfer costs: Gross Asset Value of the portfolio according to external appraisers of the Group, before deducting transfer costs.

GAV Parent Company: Gross Asset Value of directly held assets + Value JV Plaza Europa + NAV of 81.7% stake in SFL + Value of treasury shares.

Holding: A company whose portfolio contains shares from a certain number of corporate subsidiaries.

IFRS: International Financial Reporting Standards, which correspond to the Normas Internacionales de Información Financiera (NIIF).

JV: Joint Venture (association between two or more companies).

Like-for-like valuation: Data that can be compared between one period and another (excluding investments and disposals).

LTV: Loan to Value (Net financial debt/GAV of the business).

EPRA Like-for-like rents: Data that can be compared between one period and another, excluding the following: 1) investments and disposals, 2) changes in the project and refurbishment portfolio, and 3) other extraordinary items, for example, indemnities from tenants in case of anticipated leave. Calculation based on EPRA Best Practices guidelines.

EPRA NTA: EPRA Net Tangible Assets (EPRA NTA) is a proportionally consolidated measure, representing the IFRS net assets excluding the mark-to-market on derivatives and related debt adjustments, the mark-to-market on the convertible bonds, the carrying value of intangibles as well as deferred taxation on property and derivative valuations. It includes the valuation surplus on trading properties and is adjusted for the dilutive impact of share options.

EPRA NDV: EPRA Net Disposal Value (EPRA NDV) represents NAV under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.

EPRA Cost Ratio: Administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income.

Physical Occupancy: Percentage: occupied square meters of the portfolio at the closing date of the report/surfaces in operation of the portfolio.

Financial Occupancy: Financial occupancy according to the calculation recommended by the EPRA (occupied surface areas multiplied by the market rental prices/surfaces in operation at market rental prices).

EPRA Vacancy: Vacant surface multiplied by the market rental prices/surfaces in operation at market rental prices. Calculation based on EPRA Best Practices guidelines.

Reversionary potential: This is the result of comparing the rental revenues from current contracts (contracts with current occupancy and current rents in place) with the rental revenues that would result from 100% occupancy at market prices, estimated by independent appraisers. Projects and refurbishments are excluded.

Projects underway: Property under development at the closing date of the report.

RICS: Royal Institution of Chartered Surveyors.

SFL: Société Foncière Lyonnaisse.

Take-up: Materialized demand in the rental market, defined as new contracts signed.

Valuation Yield: Capitalization rate applied by the independent appraisers in the valuation.

Yield on cost: Market rent 100% occupied/Market value at the start of the project net of impairment of value + invested capital expenditure.

Yield occupancy: 100%: Passing rents + vacant spaces rented at the market prices/market value.

EPRA net initial yield (NIY): Annualised rental income based on passing rents as at the balance sheet date, reduced by the non-recoverable expenses, divided by the market value, including transfer costs.

EPRA Topped-Up Net Initial Yield: EPRA Net Initial Yield, eliminating the negative impact of the lower rental income.

Gross Yield: Gross rents/market value excluding transfer costs.

Net Yield: Net rents/market value including transfer costs.

€m: In millions of euros.

17.2. Alternative performance measures

Alternative performance measure	Method of calculation	Definition/Relevance
EBIT (Earnings before interest and taxes)	Calculated as the "Operating profit" plus "Changes in the value of property investments" and the "Profit/(loss) due to changes in the value of assets".	Indicates the Group's capacity to generate profits, only taking into consideration its economic activity, less the effect of debt and taxes.
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	Calculated as the "Operating profit" adjusted by "Depreciation/Amortization" and "Net changes in provisions".	Indicates the Group's capacity to generate profits only taking into account its economic activity, eliminating allocations to depreciation/amortization, and the effect of debt and taxes.
Gross financial debt	Calculated as the total of all items under "Bank borrowings and other and other financial liabilities" and "Issues of debentures and similar securities", excluding "Interest" (accrued), "Origination fees" and "Other financial liabilities" from the consolidated statement of financial position.	Relevant figure for analysing the financial situation.
EPRA[1] NTA (EPRA Net Tangible Asset)	Calculated based on the Company's capital and reserves, adjusting certain items in accordance with EPRA recommendations.	Standard analysis ratio in the real estate sector and recommended by EPRA.
EPRA[1] NDV (EPRA Net Disposal Value)	Calculated adjusting the following items in the EPRA NTA: the market value of financial instruments, the market value of financial debt, the taxes that would be accrued with the sale of the assets at their market value, applying the tax credit recognized in the balance sheet, considering a going concern assumption.	Standard analysis ratio in the real estate sector recommended by EPRA.
Market value excluding transaction costs or Gross Asset Value (GAV) excluding Transfer costs	Measurement of the totality of the Group's asset portfolio carried out by independent appraisers of the Group, less transaction or transfer costs.	Standard analysis ratio in the real estate sector.
Market value including transaction costs or GAV including Transfer costs	Measurement of the totality of the Group's asset portfolio carried out by external appraisers of the Group, before deducting the transaction or transfer costs.	Standard analysis ratio in the real estate sector.

(1) EPRA (European Public Real Estate Association) or European Association of listed property companies which recommend the standards of best practices to be followed in the real estate sector. The method of calculation of these APMs is carried out following the indications established by EPRA.

Alternative performance measure	Method of calculation	Definition/Relevance
Like-for-like rental income	Amount of the rental income included in the item "Revenues" comparable between two periods. To obtain the calculation, the income from investments or disposals carried out in both periods are excluded, as well as the income deriving from assets included in the projects and refurbishments portfolio and other atypical adjustments (for example, penalties for early termination of rental contracts).	It enables a homogeneous comparison of the evolution of rental income of an asset or group of assets.
Like-for-like measurement	Market measurement (valuation) amount, excluding transaction costs, or market valuation, including transaction costs, comparable between two periods. To obtain the calculation, the rental income coming from investments or disposals carried out between both periods is excluded.	It enables a homogenous comparison of the evolution of the market valuation of the portfolio.
Loan to Value, Group or LTV Group	Calculated as the result of dividing the gross financial debt (reduced by the amount in the item "Cash and cash equivalents") by the market valuation including the transaction costs of the Group's asset portfolio plus the treasury shares of the Parent Company at Nav value.	It enables the analysis of the ratio between the net financial debt and the valuation of the Group's asset portfolio.
LTV Holding or LTV Colonial	Calculated as the result of dividing the gross financial debt (less the amount in the item "Cash and cash equivalents") of the Parent Company and 100% owned subsidiary companies by the market valuation, including transaction costs, of the parent company's asset portfolio and the EPRA NAV of all financial stakes in subsidiary companies.	It enables the analysis of the ratio between the net financial debt and the valuation of the parent company's asset portfolio.

18

Independent Limited Assurance Report PwC

A free translation from the original in Spanish

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent limited assurance report on the ESG Indicators

To the management of Inmobiliaria Colonial SOCIMI, S.A.:

We have carried out our work to provide limited assurance on the ESG (*Environmental, Social and Governance*) indicators contained in the 'GRI, EPRA BPR content' of the 2020 Integrated Annual Report (hereinafter 'ESG indicators') of Inmobiliaria Colonial SOCIMI, S.A. (the Parent company) and its subsidiaries (hereinafter, 'Inmobiliaria Colonial' or 'the Group') for the year ended 31st December 2020, prepared in accordance with the content proposed in the GRI Standards of the Global Reporting Initiative (GRI) (hereinafter, GRI Standards) and the Construction and Real Estate Sector Disclosures of the GRI G4 Guidelines (hereinafter, 'Construction and Real Estate Sector Disclosures').

Responsibility of the management

The management of Inmobiliaria Colonial is responsible for the preparation, content and presentation of the Integrated Annual Report, in accordance with the Exhaustive option of the GRI Standards and the Construction and Real Estate Sector Disclosures. Management's responsibility includes establishing, implementing and maintaining the internal control required to ensure that the ESG indicators are free from any material misstatement due to fraud or error.

The management of the Group is also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the ESG indicators is obtained.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA") which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system, which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialising in ESG indicators' reviews and, specifically, in information on economic, social and environmental performance.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

pwc

Our responsibility

Our responsibility is to issue a limited assurance report based on the work carried out. Our limited assurance engagement has been carried out in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000) (Reviewed), 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

In a limited assurance engagement, the procedures performed vary in terms of their nature and timing of execution, and are less extensive than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to management and several Inmobiliaria Colonial units that were involved in the preparation of the 2020 Integrated Annual Report, in the review of the processes for compiling and validating the information presented in the 2020 Integrated Annual Report, and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with Inmobiliaria Colonial's personnel from various units who have been involved in the preparation of the 2020 Integrated Annual Report.

- Analysis of the procedures used for obtaining and validating the data presented in the ESG indicators.

- Analysis of the Inmobiliaria Colonial's ESG indicators adaptation to the guidelines established by the GRI Standards for the preparation of sustainability reports and to the Construction and Real Estate Sector Disclosures.

- Verification, through sample testing, of the quantitative and qualitative information related to the ESG indicators of Inmobiliaria Colonial and its adequate compilation using data supplied by the Group's sources of information.

- Obtainment of a management representation letter from the management of Inmobiliaria Colonial.

pwc

Limited assurance conclusion

Based on the procedures performed and the evidence we have obtained, no matters have come to our attention which may lead us to believe that Inmobiliaria Colonial's ESG indicators for the year ended 31st December 2020, contain significant errors or have not been prepared, in all their significant matters, in accordance with the GRI Standards and the Construction and Real Estate Sector Disclosure.

Use and distribution

Our report is only issued to the Mmanagement of Inmobiliaria Colonial SOCIMI, S.A., in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than Inmobiliaria Colonial's management.

PricewaterhouseCoopers Auditores, S.L.

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Juan Ignacio Marull Guasch

June 14th, 2021

Additional information

Appendix 1.1. Consolidated balance sheet

Consolidated balance sheet - €m

Assets	2020	2019
Consolidated goodwill	0	0
Property investments	11,516	11,797
Other non-current assets	188	203
Non-current assets	**11,704**	**12,000**
Inventory	52	48
Debtors and other receivables	30	117
Other current assets	286	160
Assets available for sale	282	176
Current assets	**651**	**502**
Total assets	**12,355**	**12,502**

Liabilities	2020	2019
Equity	5,401	5,559
Minority interests	1,433	1,402
Net equity	**6,833**	**6,960**
Bond issues and other non-current issues	4,069	3,781
Non-current financial debt	294	457
Deferred tax	367	377
Other non-current liabilities	88	87
Non-current liabilities	**4,818**	**4,702**
Bond issues and other current issues	508	648
Current financial debt	62	6
Creditors and other payables	103	137
Other current liabilities	32	48
Current liabilities	**704**	**839**
Total equity & liabilities	**12,355**	**12,502**

Appendix 1.2. Historical series

Offices historical series breakdown[1]

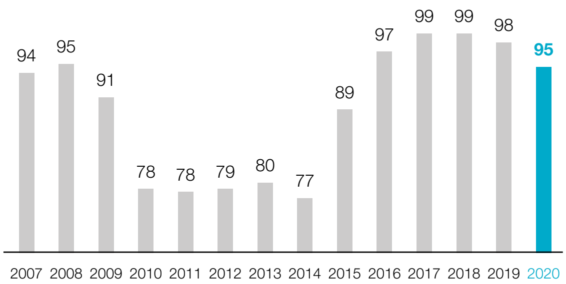
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Barcelona																	
Physical Offices Occupancy (%)	97%	100%	99%	94%	95%	91%	78%	78%	79%	80%	77%	89%	97%	99%	99%	98%	95%
Rental revenues (€m)	55	53	56	60	51	49	39	32	31	28	28	27	30	35	41	13	49
Net Rental Income (€m)	53	51	55	58	49	47	37	28	27	25	23	23	28	34	39	11	47
NRI / Rental revenues (%)	95%	96%	97%	97%	96%	97%	93%	88%	89%	89%	85%	85%	92%	96%	94%	88%	95%
Madrid																	
Physical Offices Occupancy (%)	93%	98%	99%	99%	94%	89%	88%	90%	75%	80%	89%	95%	97%	94%	87%	97%	96%
Rental revenues (€m)	37	44	68	70	56	50	47	45	44	35	32	35	43	52	94	25	103
Net Rental Income (€m)	34	42	66	66	52	46	42	41	40	30	28	31	38	46	83	19	93
NRI / Rental revenues (%)	93%	94%	96%	95%	92%	92%	90%	90%	90%	86%	85%	88%	88%	88%	88%	76%	91%
Paris																	
Physical Offices Occupancy (%)	97%	96%	98%	99%	98%	94%	87%	92%	94%	80%	85%	95%	97%	96%	98%	97%	93%
Rental revenues (€m)	157	153	162	170	182	183	175	152	150	149	152	169	198	196	194	47	180
Net Rental Income (€m)	147	145	153	162	171	173	162	141	138	137	139	155	188	185	183	43	172
NRI / Rental revenues (%)	94%	95%	95%	95%	94%	94%	93%	93%	92%	92%	92%	92%	95%	94%	94%	92%	95%

(1) Does not include logistics and others.

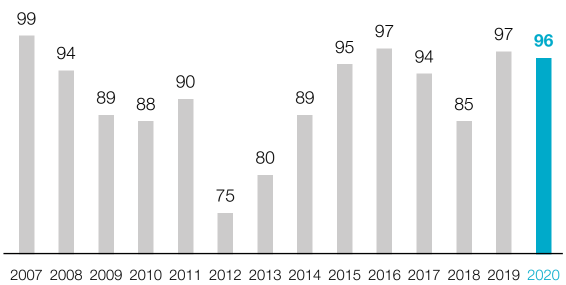
Evolution of physical office occupancy - Percentage

Office Occupancy[1] - Evolution of Colonial's Portfolio

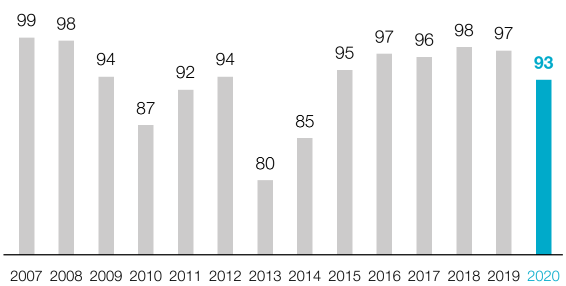
Barcelona



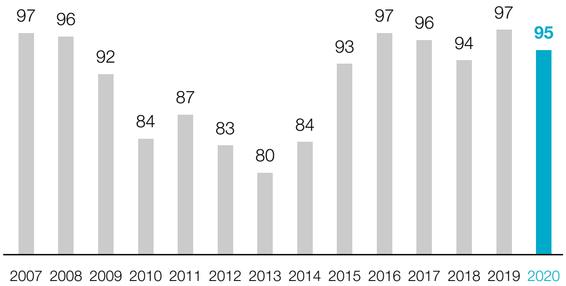
Madrid



Paris



Total



(1) Occupied surfaces /Surfaces in operation.

02. Consolidated Financial Statements 2020

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Consolidated financial statements for the year ended 31 December 2020, prepared in accordance with international financial reporting standards and consolidated directors' report

Translation of Consolidated financial statements for the year ended 31 December 2020, prepared in accordance with International Financial Reporting Standards and consolidated management report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

This version of our report is a free translation of the original, which will be prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor´s report on the consolidated annual accounts

To the shareholders of Inmobiliaria Colonial, SOCIMI, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Inmobiliaria Colonial, SOCIMI, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2020, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at 31 December 2020, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

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 judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Key audit matter	How our audit addressed the key audit matter
Valuation of Investment Property The Group has real estate assets which are recognised under the heading Investment property, at an amount of EUR 11,516,210 thousand at 31 December 2020, using the fair value model in accordance with IAS 40 Investment property, and represent 93% of total assets. Similarly, in 2020 the heading Variation in value of investment property reflects a loss of EUR 77,682 thousand in respect of these assets, having a significant impact on consolidated results for the year before tax. Information on the assets included in this heading is disclosed in Notes 4.4., 10 and 20.7 to the accompanying consolidated annual accounts. In order to obtain the fair value of these assets, the Group requests independent expert valuations. The fair value is determined according to the discounted cash flow method in accordance with standard market practice. These valuations are based on significant judgements and estimates. We therefore focused on this area given the materiality of investment property with respect to total assets and the effect of its valuation on the Group's results and the significant judgements and estimates assumed by Management. Changes in such assumptions could lead to a significant variation in the fair value of those assets and their impact on the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of financial position.	We obtained the valuations of all investment properties performed at year end by independent experts and assessed them in terms of the requirements of competence and independence and found no exceptions. We verified that the valuations were performed in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS) published by the International Standards Valuation Committee. In this regard, we held meetings with the valuers and our internal experts, verifying for a sample of those valuations the reasonableness of the variables used, such as the discount rate employed and the rental increase considered as well as other variables considered necessary in order to complete the valuations such as the final return, the term of the rental contracts and type and age of the buildings, their location and occupancy rate. Similarly, for a sample of assets, we verified through the sales and purchase deeds, the technical specifications used by the independent experts when determining the fair value of those assets. Lastly, we assessed the corresponding disclosures in Notes 4.4, 10 and 20.7 to the accompanying consolidated annual accounts. We consider that we have obtained sufficient audit evidence in the course of our work concerning the reasonableness of the valuation of the Group's investment properties.

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2020 financial year, the formulation of which is the responsibility of the Parent company's directors, and does not form an integral part of the consolidated annual accounts.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the consolidated management report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the certain information included in the Annual Corporate Governance Report, as referred to in the Auditing Act has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the consolidated management report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2020 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit committee for the consolidated annual accounts

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the aforementioned determine necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company'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 aforementioned directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee of the Parent company is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts 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 legislation governing the audit practice 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 annual accounts.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, 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 company's directors.

- Conclude on the appropriateness of the Parent company's directors' use 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 annual accounts 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 annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. 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 audit committee of the Parent company 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.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

We also provide the audit committee of the Parent company with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the aforementioned those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee of the Parent company, we determine those matters that were of most significance in the audit of the consolidated annual accounts 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.

Report on other legal and regulatory requirements

Report to the audit committee of the Parent company

The opinion expressed in this report is consistent with the content of our additional report to the audit committee of the Parent company dated 25 February 2021.

Appointment period

The General Ordinary Shareholders' Meeting at its meeting held on 14 June 2019 appointed PricewaterhouseCoopers Auditores, S.L. as auditors of the Group for a period of one year, for the year ended 31 December 2020.

Previously, we were appointed by resolution of the General Ordinary Shareholders' Meeting for a period of 3 years and we have audited the accounts continuously since the year ended 31 December 2017.

Services provided

Services provided to the Group for services other than the audit of the accounts are disclosed in note 25 to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Mireia Oranias Casajoanes (20973)

25 February 2021

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries (Colonial Group)

Consolidated statement of financial position at 31 December 2020 – Thousands of euros

Assets	Note	31 December 2020	31 December 2019
Intangible assets		4,633	4,900
Right-of-use assets	8	10,538	12,787
Property, plant and equipment	9	56,741	50,900
Investment property	10	11,516,120	11,797,117
Financial assets at amortised cost	11	29,047	33,585
Derivative financial instruments	16	287	25,379
Non-current deferred tax assets	19	418	448
Other non-current assets	13	86,635	74,443
Non-current assets		**11,704,419**	**11,999,559**
Inventories	12	52,409	48,196
Trade and other receivables	13	29,693	50,885
Financial assets at amortised cost		9	90
Tax assets	19	17,934	9,566
Cash and cash equivalents	15	268,553	216,781
Current assets		**368,598**	**325,518**
Assets classified as held for sale	**24**	**281,959**	**176,434**
Total assets		**12,354,976**	**12,501,511**

Notes 1 to 26 and the Appendix described in the notes to the consolidated financial statements are an integral part of the consolidated statement of financial position at 31 December 2020.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries (Colonial Group)

Consolidated statement of financial position at 31 December 2020 – Thousands of euros

Equity and liabilities	Note	31 December 2020	31 December 2019
Share capital		1,270,287	1,270,287
Share premium		1,491,280	1,513,749
Own shares		(24,440)	(6,179)
Other reserves		244,888	275,229
Retained earnings		2,418,533	2,505,512
Equity attributable to shareholders of the Parent	**14**	**5,400,548**	**5,558,598**
Non-controlling interests		**1,432,616**	**1,401,899**
Equity		**6,833,164**	**6,960,497**
Bank borrowings and other financial liabilities	15	264,342	442,358
Bonds and similar securities issued	15	4,068,760	3,781,442
Derivative financial instruments	16	19,775	2,782
Lease liabilities	8	10,058	12,262
Non-current deferred tax liabilities	19	366,989	381,701
Non-current provisions	18	1,680	1,499
Other non-current liabilities	17	85,898	80,340
Non-current liabilities		**4,817,502**	**4,702,384**
Bank borrowings and other financial liabilities	15	60,046	3,247
Bonds and similar securities issued	15	272,896	21,726
Issue of promissory notes	15	235,000	626,000
Derivative financial instruments	16	–	675
Lease liabilities	8	1,973	2,131
Trade and other payables	17	115,438	158,178
Tax liabilities	19	14,724	19,085
Current provisions	18	4,233	7,588
Current liabilities		**704,310**	**838,630**
Total equity and liabilities		**12,354,976**	**12,501,511**

Notes 1 to 26 and the Appendix described in the notes to the consolidated financial statements are an integral part of the consolidated statement of financial position at 31 December 2020.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries (Colonial Group)

Consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2020 – Thousands of euros

Income statement	Note	2020	2019
Revenue	20.1	341,669	354,514
Other income	20.2	4,982	9,617
Staff costs	20.3	(31,313)	(29,916)
Other operating expenses	20.4	(45,936)	(48,134)
Depreciation and amortisation		(7,142)	(6,940)
Net gains on sales of assets	20.5	1,614	19,924
Changes in value of investment property	20.7	(79,052)	873,699
Gains/(losses) on changes in value of assets due to impairment	20.6	543	(61,894)
Operating profit		**185,365**	**1,110,870**
Finance income	20.8	1,132	2,232
Finance costs	20.8	(121,690)	(98,320)
Profit before tax		**64,807**	**1,014,782**
Income tax expense	19	(1,990)	(22,259)
Consolidated net profit		**62,817**	**992,523**
Net profit for the year attributable to the Parent	5	2,387	826,799
Net profit attributable to non-controlling interests	14.8	60,430	165,724
Basic earnings per share (euros)	5	0.01	1.63
Diluted earnings per share (euros)	5	0.01	1.63

Notes 1 to 26 and the Appendix described in the notes to the consolidated financial statements are an integral part of the income statement and of the consolidated statement of comprehensive income for the year ended 31 December 2020.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries
(Colonial Group)

Consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2020 – Thousands of euros

Statement of comprehensive income	Note	2020	2019
Consolidated net profit		**62,817**	**992,523**
Other items of comprehensive income recognised directly in equity		**(42,933)**	**25,967**
Gains/(losses) on financial instrument hedges	14.5 and 16	(44,609)	23,583
Transfer to the statement of comprehensive income of financial instrument hedges	14.5 and 16	1,676	2,713
Tax effect on prior years' profit or loss	14.5 and 16	–	(329)
Consolidated comprehensive income		**19,884**	**1,018,490**
Comprehensive income for the year attributable to the Parent		(39,473)	851,888
Comprehensive income attributable to non-controlling interests		59,357	166,602

Notes 1 to 26 and the Appendix described in the notes to the consolidated financial statements are an integral part of the income statement and of the consolidated statement of comprehensive income for the year ended 31 December 2020.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries (Colonial Group)

Consolidated statement of changes in equity for the year ended 31 December 2020 – Thousands of euros

	Note	Share capital	Share premium	Own shares
Balance at 1 January 2019	**14**	**1,270,287**	**1,578,439**	**(5,606)**
Total recognised income and expense for the year		**–**	**–**	**–**
Transactions with shareholders:				
Own share portfolio		–	–	(3,395)
Distribution of profit (dividends)		–	(64,690)	–
Share-based remuneration payments		–	–	2,822
Changes in scope		–	–	–
Other changes		–	–	–
Balance at 31 December 2019	**14**	**1,270,287**	**1,513,749**	**(6,179)**
Total recognised income and expense for the year		**–**	**–**	**–**
Transactions with shareholders:				
Own share portfolio		–	–	(22,430)
Distribution of profit (dividends)		–	(22,469)	–
Share-based remuneration payments		–	–	4,169
Changes in scope		–	–	–
Other changes		–	–	–
Balance at 31 December 2020	**14**	**1,270,287**	**1,491,280**	**(24,440)**

The accompanying Notes 1 to 26 and the Appendix described in the notes to the consolidated financial statements are an integral part of the consolidated statement of changes in equity at 31 December 2020.

Other reserves	Retained earnings	Equity attributable to shareholders of the Parent	Non-controlling interests	Equity
272,283	1,695,019	4,810,422	1,290,382	6,100,804
25,089	**826,799**	**851,888**	**166,602**	**1,018,490**
–	–	(3,395)	–	(3,395)
3,631	(40,508)	(101,567)	(30,744)	(132,311)
3,498	(1,131)	5,189	417	5,606
(1,804)	(539)	(2,343)	(26,182)	(28,525)
(27,468)	25,872	(1,596)	1,424	(172)
275,229	2,505,512	5,558,598	1,401,899	6,960,497
(41,860)	**2,387**	**(39,473)**	**59,357**	**19,884**
–	–	(22,430)	–	(22,430)
8,787	(87,869)	(101,551)	(33,267)	(134,818)
2,732	(1,777)	5,124	598	5,722
–	–	–	4,053	4,053
–	280	280	(24)	256
244,888	2,418,533	5,400,548	1,432,616	6,833,164

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries
(Colonial Group)

Consolidated statement of cash flows for the year ended 31 December 2020 – Thousands of euros

Cash flows from operations	Note	2020	2019
1. Cash flows from operating activities			
Consolidated net profit		62,817	992,523
Adjustments to profit			
Depreciation and amortisation (+)	20.4	7,142	6,940
Provisions (+/–)		4,180	(6,960)
Changes in value of investment property (+/–)		79,052	(873,699)
Gains/(losses) on changes in value of assets due to impairment (+/–)		(543)	61,894
Other		594	3,870
Gains / (losses) on sale of investment property (+/–)	20.5	(1,614)	(19,924)
Net financial profit (+)		120,558	96,088
Income tax expense (+/–)		1,990	22,259
Adjusted profit		**274,176**	**282,991**
Taxes refunded / (paid) (+/–)		(29,786)	(2,549)
Interest received (+)		1,132	2,232
Increase/(decrease) in current assets and liabilities			
Inventories (+/–)		(3,753)	(1,425)
Increase / (decrease) in receivables (+/–)		18,190	(3,178)
Increase / (decrease) in payables (+/–)		(25,793)	40,656
Increase/(decrease) in other assets and liabilities (+/–)		(12,641)	3,080
Total net cash flows in operating activities		**221,525**	**321,807**
2. Cash flows from investing activities			
Investments in (–)			
Intangible assets		(2,552)	(4,456)
Property, plant and equipment	9	(7,846)	(9,133)
Investment property	10	(198,571)	(249,017)
Non–current financial assets and others		–	(30,247)
		(208,969)	**(292,853)**
Disposals of (+)			
Investment property and assets classified as held for sale	10 and 24	299,129	272,149
Financial assets	10	4,784	–
		303,913	**272,149**
Total net cash flows from investing activities		**94,944**	**(20,704)**

Notes 1 to 26 and the Appendix described in the notes to the consolidated financial statements are an integral part of the consolidated statement of cash flows for the year ended 31 December 2020.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries
(Colonial Group)

Consolidated statement of cash flows for the year ended 31 December 2020 – Thousands of euros

Cash flows from operations	Note	2020	2019
3. Cash flows from financing activities			
Dividends paid (–)	14	(134,818)	(132,311)
Debt repayment (–)	15	(1,179,280)	(361,042)
Interest paid (+/–)	20.8	(131,044)	(88,437)
Redemption of financial instruments (–)	20.8	(3,147)	(4,743)
Own share transactions (+/–)	14.4 and 14.5	(23,050)	(3,395)
		(1,471,339)	**(589,928)**
Obtainment of new financing (+)	15	1,204,353	438,500
Other proceeds/(payments) for current financial investments and other (+/–)		2,289	(1,187)
		1,206,642	**437,313**
Total net cash flows in financing activities		**(264,697)**	**(152,615)**
4. Net increase/decrease in cash and cash equivalents			
Cash flow for the year		**51,772**	**148,488**
Cash or cash equivalents at beginning of year	**15**	**216,781**	**68,293**
Cash or cash equivalents at end of year	**15**	**268,553**	**216,781**

Notes 1 to 26 and the Appendix described in the notes to the consolidated financial statements are an integral part of the consolidated statement of cash flows for the year ended 31 December 2020.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2020

1. Colonial Group Business Activity

Inmobiliaria Colonial, S.A. (hereinafter, “the Company”) was formed as public limited company in Spain for an indefinite period on 8 November 1956. Its registered office is located at Paseo de la Castellana, 52 de Madrid.

On 29 June 2017, the Parent’s General Shareholders’ Meeting resolved to adopt the REIT tax system. On 30 June 2017, the Parent submitted a request to the tax authorities to be included in the REIT tax system, applicable as of 1 January 2017.

The Parent’s purpose, as set out in its articles of association, is as follows:

- the acquisition and development of urban properties for lease;
- the ownership of interests in the share capital of listed real estate investment companies (REITs) or other non-resident entities in Spain with the same corporate purpose, which are subject to a regime similar to that established for REITs in relation to the obligatory profit distribution policy stipulated by law or the bylaws;
- the ownership of interests in the share capital of other resident or non-resident entities in Spain, the main corporate purpose of which is the acquisition of urban properties earmarked for lease, which are subject to the regime established for REITs in relation to the obligatory profit distribution policy stipulated by law or the bylaws and meet the investment requirements stipulated for these companies; and
- the ownership of shares or equity interests in collective real estate investment undertakings governed by Law 35/2003, of 4 November, on collective investment undertakings or any law that may replace it in the future.

In addition to the economic activity relating to the main corporate purpose, the Parent may also carry on any other ancillary activities, i.e., those that they generate income representing less than 20%, taken as a whole, of its income in each tax period, or those that may be considered ancillary activities under the legislation applicable at any time, including, in any case, the management, restoration and operation of properties and the performance of all manner of studies, reports, appraisals, valuations and surveys; and in general, the provision of real estate consulting and advisory services, property asset management, development and marketing services, and technical assistance through contracts with other public or private companies or entities.

Activities that by law are attributable exclusively to special purpose vehicles are expressly excluded from its corporate purpose.

All activities included in the corporate purpose will be carried out as authorised by current legislation at any given time, expressly excluding its own activities that are exclusively granted by prevailing legislation to natural persons or legal persons other than this parent Company.

The Parent may also carry out the aforementioned activities, in full or in part, indirectly through ownership interests in other companies with an identical or similar corporate purpose.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries (“the Group”) carries out its activities in Spain (mainly in Barcelona and Madrid) and in France (Paris) through the group of which the parent is Société Foncière Lyonnaise, S.A (“SFL subgroup” or “SFL” for the subsidiary).

Inmobiliaria Colonial, SOCIMI, S.A. has been listed on the Spanish electronic trading system and Stock Exchange since 19 June 2017, when it was included on the benchmark stock market index, the IBEX-35.

In 2020, the Parent maintains the credit rating obtained from *Standard & Poor’s Rating Credit Market Services Europe Limited*, “BBB+” at long term and “A-2” at short term, both with a stable outlook. In addition, the Parent retains the rating obtained from Moody’s “Baa2” with a stable outlook. In 2020 2020, the subsidiary SFL also maintained its credit rating of “BBB+” with a stable outlook, and the “A-2” short-term credit rating.

In view of the business activity carried on by the Group, it does not have any environmental expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these explanatory notes. However, the Group does apply an active environmental policy in relation to urban processes of construction and maintenance and the preservation of its property portfolio.

2. Basis of presentation of the consolidated financial statements

2.1 BASIS OF PRESENTATION

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (EU-IFRSs) as adopted by the European Union, taking into account all mandatory accounting policies, standards and measurement bases, the Spanish Code of Commerce, the Spanish Limited Liability Companies Law, the Spanish Securities Markets Law and other applicable commercial law, as well as the regulations laid down by the Spanish National Securities Market Commission (CNMV), to present fairly the Group's consolidated equity and financial position at 31 December 2020 and its comprehensive income from operations, the changes in its consolidated equity and its consolidated cash flows for the year then ended.

The consolidated financial statements of Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries for the year ended 31 December 2020, were prepared from the accounting records kept by the Parent and by the other Group companies, and they were authorised for issue by the Parent's directors at the Board of Directors' meeting held on 25 February 2020.

However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements at 31 December 2020 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify the policies and bases used and to make them compliant with EU-IFRS.

In order to present on a consistent basis the various items that make up the consolidated financial statements, the accounting principles and measurement bases used by the Parent were applied to all the companies included in the scope of consolidation.

The Group's consolidated financial statements for the year ended 31 December 2019 were approved by the Parent's General Shareholders' Meeting held on 30 June 2020.

2.2 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group's consolidated financial statements are presented in accordance with EU-IFRS, pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002. In Spain, the obligation to present consolidated financial statements under European IFRS is also regulated in final provision eleven of Law 62/2003, of 30 December, on tax, administrative and social measures.

The main accounting principles and measurement bases adopted by the Group are detailed in Note 4.

Standards and interpretations effective this year

New accounting standards 2020 came into force in 2020 and were, accordingly, taken into account when preparing these consolidated financial statements. These new standards are as follows:

- IAS 1 (Amendment) and IAS 8 (Amendment) "Definition of materiality (or relative importance)"
- IFRS 9 (Amendment), IFRS 7 (Amendment) and IAS 39 (Amendment) "Interest rate benchmark reform"
- IFRS 3 (Amendment), "Definition of a business"
- Amendments of the references to the conceptual framework in the IFRS
- IFRS 16 (Amendment) "COVID-19-Related Rent Concessions"

These standards were taken into account with effect from 1 January 2020, and their impact on these consolidated financial statements was not material.

Standards and interpretations issued and not in force that can be adopted in advance

At the date of authorisation for issue of these consolidated financial statements, the following standards, amendments or interpretations were published by the IASB and the *IFRS Interpretations Committee*, but have not yet come into force, although they can be adopted in advance:

- IFRS 4 (Amendment) "Extension of the temporary exemption from the application of IFRS 9"

- IFRS 9 (Amendment), IAS 39 (Amendment), IFRS 7 (Amendment), IFRS 4 (Amendment) and IFRS 16 (Amendment), "Interest rate benchmark reform": Phase 2"

The amendments will be applied to the years beginning from 1 January 2021, although early adoption is permitted.

The Parent's directors have reviewed the potential impacts of the future application of these standards and consider that their entry into force will not have a material effect on the consolidated financial statements.

Standards and interpretations issued and not in force or approved by the European Union

At the date of authorisation for issue of these consolidated financial statements, the following standards, amendments or interpretations were published by the IASB and the *IFRS Interpretations Committee* but had not yet come into force, and are subject to adoption by the European Union:

- IFRS 10 (Amendment) and IAS 28 (Amendment), "Sales or contributions of assets between an investor and its associate/joint ventures"

- IFRS 17, "Insurance contracts"

- IFRS 17 (Amendment) "Amendments to IFRS 17"

- IAS 1 (Amendments) "Classification of liabilities as current or non-current"

- IAS 16 (Amendment) "Property, plant and equipment - Proceeds before intended use"

- IAS 37 (Amendment) "Onerous contracts – Cost of fulfilling a contract"

- IFRS 3 (Amendment) "Reference to the Conceptual Framework"

- Annual improvements to IFRS. 2018-2020 cycle: The following amendments will be applied to the years beginning from 1 January 2022

  - IFRS 1 "First-Time Adoption of IFRSs". IFRS 1 allows an exemption if a subsidiary adopts IFRSs at a date later than its parent. This amendment allows entities that have taken this exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRSs.

  - IFRS 9 "Financial instruments". The amendment addresses which costs should be included in the 10% test for derecognition of financial liabilities. Costs or fees may be paid to third parties or to the lender. According to the amendment, costs or fees paid to third parties will not be included in the 10% test.

  - IFRS 16 "Leases". Illustrative Example 13 accompanying IFRS 16 has been amended to remove the illustration of lessor payments in relation to lease improvements, thereby removing any potential confusion about the treatment of lease incentives.

  - IAS 41 "Agriculture"

- NIC 1 (Amendment) "Disclosure of accounting policies"

- IAS 8 (Amendment) "Definition of accounting estimates"

The application of new standards, amendments and interpretations will be considered by the Group once they have been ratified and adopted, as the case may be, by the European Union.

The Parent's directors have reviewed the potential impacts of the future application of these standards and consider that their entry into force will not have a material effect on the consolidated financial statements.

2.3 FUNCTIONAL CURRENCY

These financial statements are presented in the Group's functional currency, the euro, as this is the currency of the main economic area in which the Group operates.

2.4 RESPONSIBILITY FOR THE INFORMATION PROVIDED AND ACCOUNTING ESTIMATES AND JUDGEMENTS

The information in these consolidated financial statements is the responsibility of the Parent's directors. Management of the Parent has made estimates based on objective data in order to quantify certain assets, liabilities, income, expenses and commitments reported herein. These estimates and criteria relate to the following:

- The market value of properties for own use, investment properties and inventories (Notes 9, 10 and 12).

  The market value was obtained from the appraisals periodically made by independent experts. These valuations were performed at 31 December 2020 and 2019 in accordance with the methods described in Notes 4.3, 4.4 and 4.21.

- Estimation of expected credit loss (Notes 4.6.6 and 13).

- Measurement of deferred tax liabilities recognised in the consolidated statement of financial position (Notes 4.14 and 19).

- Measurement of assets classified as held for sale (Notes 4.20 and 24).

- The measurement and impairment of goodwill (Note 7).

- Market value of derivative financial instruments (Notes 4.12, 4.22 and 16).

Although these estimates were made on the basis of the best available information at the date of authorising these consolidated financial statements for issue, events that take place in the future might make it necessary to change these estimates (upwards or downwards). Changes in accounting estimates would be applied prospectively and would be recognised in the consolidated income statement.

2.5 BASIS OF CONSOLIDATION

The accompanying consolidated financial statements were prepared from the accounting records of Inmobiliaria Colonial, SOCIMI, S.A., and of the companies controlled by it, whose financial statements were prepared by the management of each Group company. The Parent is considered to have effective control in the circumstances outlined below.

The results of the subsidiaries acquired or sold during the year are included in consolidated income from the effective date of acquisition and are no longer included from the date of disposal, as appropriate.

All accounts receivable and payable and other transactions between the consolidated companies have been eliminated on consolidation.

Where necessary, the financial statements of the subsidiaries are adjusted to ensure uniformity with the accounting policies applied by the Parent. All subsidiaries have the same reporting date as the Parent, i.e., 31 December.

The interest of non-controlling shareholders is established in proportion to the fair values of the identifiable assets and liabilities recognised. Non-controlling interests in:

- Investees' equity: recognised in equity under "Non-controlling interests" in the consolidated statement of financial position.

- Profit or loss for the year: recognised under "Net profit attributable to non-controlling interests" in the consolidated income statement.

All Group companies were fully consolidated, as outlined below:

- Subsidiaries are fully consolidated and are considered to be all entities in which the Group directly or indirectly controls the financial and operating policies such that power is exercised over the investee. This is generally accompanied by an ownership interest of more than half of an entity's voting rights. In addition, to evaluate whether the Group controls another entity, it considers the power over the investee; the exposure or rights to variable returns of the investment; and the ability to use this power over the investee to affect the amount of the investor's returns. When evaluating whether the Group exercises control over an entity, the existence and the effect of any potential voting rights, both those held by the Parent and by third parties, are taken into consideration, provided they are of a substantive nature.

- Subsidiaries are accounted for using the acquisition method. The acquisition cost is the fair value of the assets delivered, the equity instruments issued and the liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and identifiable liabilities and contingencies incurred in a business combination are measured initially at fair value at the acquisition date, regardless of the effect of non-controlling interests. When the acquisition cost is higher than the fair value of the Group's interest in the identifiable net assets acquired, the difference is recognised as goodwill. If the acquisition cost is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement (details of the companies consolidated at 31 December 2020 and 2019 are included in the Appendix).

The accompanying consolidated financial statements do not include the tax effect, if any, of transferring the reserves of the consolidated companies to the Parent's equity, since it is considered that these reserves will be used to finance the operations of each company and any potential distributions will not represent a significant additional tax cost.

2.6 CHANGES IN THE SCOPE OF CONSOLIDATION

2020 The following changes occurred in the scope of consolidation in 2020:

- On 2 July 2020, the Parent acquired 50% of the share capital of the subsidiary Wittywood, S.L., owner of the land located in Barcelona, by subscribing to the capital increase performed by the company amounting to 3 thousand euros plus 4,644 thousand euros of share premium. The shares have been paid-in in full.

- On 29 July 2020, the Parent set up and subscribed to all shares of the subsidiary Inmocol One, S.A.U. amounting to 60 thousand euros, and to shares of the subsidiaries Inmocol Two, S.L.U. and Inmocol Three, S.L.U., amounting to 3 thousand euros each.

The 2019 following changes occurred in the scope of consolidation in 2020:

- On 20 February 2019, the subsidiary Utopicus Innovación Cultural, S.L. increased capital by offsetting the loan signed on 8 October 2018 with the Parent, through the issue of 4,547 shares of 1 euro par value each, plus a share premium of 4,995 thousand euros. The capital increase was fully subscribed by the Parent for an amount of 4,999 thousand euros. As a result of the transaction, the Parent now holds 89.48% of the capital of Utopicus.

- On 30 April 2019, the Parent acquired 45% of the share capital of the subsidiary Torre Marenostrum, S.L. ("Torre"), owner of an office building located in Barcelona. Prior to this acquisition, the Parent held 55% of Torre's shares and with this operation it became the sole shareholder of Torre. The acquisition cost amounted to 28,525 thousand euros.

- On 29 July 2019, the subsidiary Utopicus Innovación Cultural, S.L. carried out two capital increases, (i) the first by offsetting the loan signed on 29 July 2019 through the issue of 8,986 shares of 1 euro par value each plus a share premium of 4,991 thousand euros and (ii) a second capital increase through the issue of 19,770 shares of 1 euro par value each plus a share premium of 10,980 thousand euros. Both capital increases were fully subscribed by the Parent for 5,000 thousand euros and 11,000 thousand euros, respectively. As a result of these operations, the Parent acquired 96.81% of the share capital of the subsidiary.

Also, in 2019, the Parent carried out the merger by absorption of the subsidiaries Axiare Properties, S.L.U., Axiare Investigación, Desarrollo e Innovación, S.L.U., Chamaleon (CEDRO), S.L.U., Venusaur, S.L.U., Colonial Invest, S.L.U., Hofinac Real Estate, S.L.U., Fincas y Representaciones, S.A.U., Colonial Arturo Soria, S.L.U. and LE Offices Egeo, S.A.U., Danieltown Spain, S.L.U., Moorage Inversiones 2014, S.L.U., Almacenes Generales Internacionales, S.A.U., Soller, S.A.U. and Axiare Investments, S.L.U. and Torre Marenostrum, S.L.U.

At 31 December 2020, the subsidiaries Colonial Tramit, S.L.U., Inmocol One, S.A.U., Inmocol Two, S.L.U., Inmocol Three, S.L.U, SAS SB2, SAS SB3 and SCI SB3 were dormant. At 31 December 2019, the subsidiaries Colonial Tramit, S.L.U., SAS SB2, SAS SB3 and SCI SB3 were dormant.

2.7 COMPARISON OF INFORMATION

The information contained in these notes to the consolidated financial statements for 2020 is presented, for comparison purposes, with the information for 2019.

The Parent's Directors reclassified certain consolidated financial statement headings to obtain financial statements in line with the ESEF taxonomy and thereby avoid, as far as possible, the use of the extended taxonomies, which will favour the comparison of the Group's financial information.

The reclassifications made are summarised as follows:

- The items used were adapted under "Equity attributable to shareholders of the Parent" to those proposed by the ESEF taxonomy. Note 14 includes the details of the items forming each of the new paragraphs.

Thousands of euros

Equity and liabilities	31 December 2019	1 January 2020
Share capital	1,270,287	1,270,287
Share premium	1,513,749	1,513,749
Reserves of the Parent	186,822	–
Consolidated reserves	1,735,202	–
Valuation adjustments recognised in equity – financial instruments	22,403	–
Other equity instruments	9,515	–
Own shares	(6,179)	(6,179)
Other reserves	–	275,229
Retained earnings	–	2,505,512
Profit/(loss) for the year	826,799	–
Equity attributable to shareholders of fthe Parent (Note 14)	**5,558,598**	**5,558,598**

- The amount of the lease incentives granted to the Group's lessees (Note 4.15.3 and 13.3) maturing at long term were reclassified to "Non-current assets - Other non-current assets" in the consolidated statement of financial position. Also, the amount of the lease incentives received from the subsidiary Utopicus maturing at long term were reclassified to "Non-current liabilities" in the consolidated statement of financial position.

- The consolidated income statement headings "Variations in value of real estate investments" and "Gains/(losses) on changes in value of assets due to impairment" were reclassified as part of operating profit. Also, capitalised finance costs were reclassified to the "Finance costs" heading in the consolidated income statement.

- Lastly, the item arising from cash flows from operating activities was modified, to consolidated net profit instead of operating profit, and all the necessary adjustments were made to accounting profit to obtain the net cash flows from operating activities.

All these reclassifications were included, both for the 2020 and for 2019, for the purposes of providing a comparison between both of them.

2.8 GROUPING OF ITEMS

Certain items in the consolidated statement of financial position, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows are grouped together in order to facilitate comprehension. However, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

2.9 CORRECTION OF ERRORS

No significant errors were detected in the preparation of the consolidated financial statements that would have made it necessary to restate the amounts included in the consolidated financial statements for 2019.

2.10 COVID-19 HEALTH CRISIS

The COVID pandemic is significantly affecting the economy in general, both on our domestic and global markets.

Economic activity was interrupted from the second quarter of 2020 by the different waves, hence Colonial's priority at all times has been the health and safety of all our teams, customers and suppliers.

In this context, Colonial is offering all services with the maximum standards of security and quality.

Our activity remains stable and the year-end results reflect the strength of the Colonial's portfolio and the resilience of its business model.

Since the beginning of the crisis, Colonial's management team has implemented a series of measures to strengthen the Group's position in the face of a complex scenario. The following highlights are notable to date:

March	April	May	Juny	July	September	October/ November	December/ January
▸ Implementation of COVID-19 protocol within our buildings	▸ Increased liquidity through the signature of €200m sustainable loan	▸ Rating agencies S&P and Moody's confirm credit rating BBB+ and Baa2	▸ Pre-letting of Marceau Goldman Sachs	▸ Solid Q2 20 results	▸ Sale of 2 secondary assets in Barcelona	▸ €500m Bond Issuance Colonial ▸ €300m Liability Management	▸ Sales of assets €413m with premium on GAV
▸ Disposal of 2 non-core assets with >20% premium	▸ More than 3,000 sq m signed +10% *vs* ERV +50% released spread	▸ €500m of bond issuance increasing liquidity above €2,500m	▸ Agreements 1st wave fully reached with clients in Spain	▸ €500m of bond issuance SFL	▸ €161m Liability Management at SFL level	▸ Signing of a new "Credit facility" financing line of €1,000m	▸ Solid 2020 Annual Results
▸ Postponement of capex program €60m (Méndez Álvaro)		▸ Release of Q1 results, with vacancy rate at 2%	▸ Stable dividend of 20€Cts./ share approved by AGM	▸ Logistics Disposal ▸ Settlement of Call Option signed in 2019		▸ Solid Q3 20 Results	

Recognition at fair value of investment property

The Group recognises its investment property at fair value through profit or loss under "Changes in value of investment property" in the income statement (see Note 20.5). This fair value is determined on a half-yearly basis, taking as reference values the valuations performed by independent third-party experts (Jones Lang LaSalle and CB Richard Ellis Valuation in Spain, and CBRE and Cushman & Wakefield, in France), so that at the end of each half year, the fair value reflects the market conditions of the investment properties at that date.

In Note 4.4 in reference to the measurement standard for investment properties, is the sensitivity of the measurement to modifications of a quarter of a point of rates of return.

Bank borrowings and other financial liabilities, Bonds and similar securities issued and Emissions of promissory notes

The lending operations referred to in the table above are described in Note 15.

Rental income

As indicated previously, in 2020, the Group granted rebates and deferrals to its tenants.

Rebates represented 4.5% of revenue in 2020, of which 6,118 thousand euros was recognised, in this year, in the consolidated income statement, and the remainder is pending inclusion in the coming years (Note 4.15.2).

Deferrals granted amounted to 19,505 thousand euros, of which 13,559 thousand had already been collected at 31 December 2020.

3. Distribution of Parent's profit

Based on the loss per the Parent's income statement for the year ended 31 December 2020 of -27,010 thousand euros, the result will be distributed to retained earnings.

The Parent's Board of Directors will submit a proposed distribution of dividends totalling 0.20 euros per share for approval at the General Shareholders' Meeting, which would give rise to a total maximum dividend of 101,623 thousand euros based on the current number of outstanding shares, through the refund of the share premium. The definitive amount of the dividend will be determined prior to its distribution based on the treasury shares held by the Parent (Note 14.6 and 14.7).

In the past five years, the Parent has distributed the following dividends:

Thousands of euros

	2015	2016	2017	2018	2019
Dividends distributed	47,833	62,749	77,619	101,567	101,551

4. Measurement bases

The main measurement bases used to prepare the consolidated financial statements, in accordance with EU-IFRS and the interpretations in force when these consolidated financial statements were prepared, are as follows:

4.1 BUSINESS COMBINATIONS

Business combinations are accounted for by applying the acquisition method.

The cost of the business combination is allocated at the acquisition date by recognising, at fair value, all assets, liabilities and contingent liabilities of the acquired entity that meet the criteria for recognition established in IFRS 3. The excess of the cost of a business combination over the acquiree's allocated assets, liabilities and contingent liabilities is recognised as goodwill, which, accordingly, represents advance payments made by the Colonial Group for future economic benefits generated by the assets of the acquiree that are not individually and separately identifiable and recognisable.

The negative difference, if any, between the cost of the business combination and the allocation to assets, liabilities and contingent liabilities of the acquired entity is recognised as a gain or loss in the year in which it arises.

If a business combination is achieved in stages, the acquirer remeasures its previously held equity interest in the acquiree at fair value at the acquisition date and recognises any resulting gain or loss in the consolidated statement of comprehensive income or under other consolidated comprehensive income, where appropriate.

Impairment of goodwill

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently in the event of supervening facts or changes in circumstances indicating that it may have become impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and value in use. For the purposes of assessing impairment losses, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

4.2 INTANGIBLE ASSETS

As a general rule, intangible assets are initially measured at their acquisition or production cost. They are then measured at cost less the corresponding accumulated amortisation and, where applicable, less any impairment losses. These assets are amortised over their useful life.

4.3 PROPERTY, PLANT AND EQUIPMENT

Property for own use, in addition to other property, plant and equipment, are recognised at acquisition cost less any accumulated depreciation and any impairment.

Historical cost includes expenses directly attributable to the acquisition of the properties. Possible impairment losses on properties are recorded in accordance with the same measurement assumptions as those described in Note 4.4.

Subsequent costs are capitalised or recognised as a separate asset only when it is probable that the future benefits associated with ownership of the asset will flow to the Group and its cost can be determined reliably. Other maintenance and upkeep expenses are charged to the consolidated income statement in the year incurred.

Group companies depreciate property, plant and equipment for own use and other items using the straight-line method and distribute asset costs throughout the estimated useful life. The breakdown of the useful life of property for own use located in Spain and France is as follows:

Years of estimated useful life

	Spain	France
Property for own use:		
Buildings	50	50
Facilities	10 to 15	10 to 15
Other property, plant and equipment	4 to 10	5 to 50

Gains or losses arising on the disposal (Note 20.5) or derecognition of an asset (Note 20.7) from this heading are determined as the difference between the sale price and its carrying amount and are recognised in the consolidated income statement.

4.4 INVESTMENT PROPERTY

“Investment property” in the consolidated statement of financial position reflects the values of land, buildings and other constructions held to either earn rent or to obtain capital gain from their future sale due to increases in their respective market prices.

Investment property is stated at its fair value at the end of the reporting period and is not subject to annual depreciation.

Profit or loss arising from changes in the fair value of investment property is included in the profit of the period in which it occurs and recognised under “Changes in value of investment property” in the consolidated income statement (Note 20.7).

Assets are transferred from investment property in progress to investment property when they are ready for use. The classification of an investment property to investment property in progress takes place only when the rehabilitation or renovation project will exceed one year in length.

When the Group recognises as an increase in fair value of an investment property the cost of an asset that replaces another already included in such amount, the Group reduces the value of the property by the fair value of the asset replaced, recognising the impact under “Gains/(losses) on changes in value of assets due to impairment” in the consolidated income statement (Note 20.6). In those cases in which the fair value of the substituted asset cannot be identified, the latter will be recognised by increasing the property’s fair value and it will subsequently be revalued frequently by taking the appraisals performed by independent experts as a reference, in accordance with the Appraisal and Valuation Standards issued by the Royal Institute of Chartered Surveyors (RICS) of the United Kingdom, and the International Valuation Standards (IVS) issued by the International Valuation Standards Committee (IVSC).

In accordance with IAS 40, the Group calculates the fair value of its investment property on a regular basis. Fair value is determined based on valuations performed by independent third-party experts (hierarchy of the level 3 fair value) at the date of preparation of the consolidated statement of financial position (Jones Lang LaSalle and CB Richard Ellis Valuation in Spain for 2020 and 2019 and in France CB Richard Ellis Valuation and Cushman & Wakefield for 2020 and 2019) so that, at the end of each period, the fair value reflects the market conditions for the investment property items at that date. The valuation reports prepared by independent experts contain only the standard warnings and/or disclaimers concerning the scope of the findings of the appraisals carried out, referring to the comprehensiveness and accuracy of the information provided by the Group.

The Discounted Cash Flow (hereinafter, “DCF”) method was primarily used to determine the market value of the Group’s investment property in 2020 and 2019 .

The DCF method applied over a 10-year horizon is used, in accordance with current market practices, unless the specific characteristics of the investment suggest another course of action. The cash flow is considered throughout the period on a monthly basis to reflect increases in the CPI, the timetable for future rent reviews, the maturity of operating leases, etc.

With regard the increases in the CPI, the generally accepted forecasts are normally adopted.

Given that the appraiser does not know with certainty whether there will be periods of vacancy in the future, nor their duration, their forecasts are prepared based on the quality and location of the building, and they will generally adopt an average lease period if there is no information about the future intentions of each tenant. The assumptions determined in relation to the periods of vacancy and other factors are explained in each valuation.

The resulting profitability or *Terminal Capitalisation Rate* (hereinafter, "TCR") adopted in each case refers not only to the market conditions forecast at the end of each cash flow period, but also to the rental conditions that are expected to be maintained and the physical location of the property, taking into account any possible improvements planned for the property and included in the analysis.

With regard to acceptable discount rates, conversations are regularly held with various institutions to assess their attitude towards different investment rates. This general consensus, together with the data on any sales made and market forecasts relating to variations in the discount rates, serve as starting points for the appraisers to determine the appropriate discount rate in each case.

The properties were assessed individually, considering each of the lease agreements in force at the end of the reporting period. Buildings with unlet floor space were valued on the basis of future estimated rental income, net of an estimated letting period.

The most relevant key inputs of this method for the purposes of sensitivity analysis are the determination of net income and the rate of return, especially as it is a 10-year discounted cash flow model. The remaining variables considered, although they are taken into consideration to determine the fair value, are considered not to be key; hence, no quantitative information is included, nor is it appropriate to sensitise it, since the reasonable changes that may occur therein would not lead to a significant change in the fair values of the assets.

The estimated yields are mainly determined by the type, age and location of the properties, by the technical quality of the asset, as well as the type of tenant and occupancy rate, etc.

The detail of the yields considered, and other assumptions used in determining future cash flows in 2020 and 2019, are set out in the tables below:

Gross

Yields (%) – Offices	31 December 2020	31 December 2019
Barcelona – Prime Yield		
Portfolio in operation	4.37	4.35
Total portfolio	4.38	4.37
Madrid – Prime Yield		
Portfolio in operation	4.24	4.27
Total portfolio	4.27	4.30
Paris – Prime Yield		
Portfolio in operation	3.03	3.14
Total portfolio	3.01	3.02

Assumptions made at 31 December 2020

Rent increases (%) – Offices	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter
Barcelona					
Portfolio in operation	–1.75	1.0	3.5	4.5	2.75
Total portfolio	–1.75	1.0	3.5	4.5	2.75
Madrid					
Portfolio in operation	–2.0	0.75	4.0	5.0	3.0
Total portfolio	–2.0	0.75	4.0	5.0	3.0
Paris					
Portfolio in operation	0.0	0.5	1.0	1.5	1.5
Total portfolio	0.0	0.5	1.0	1.5	1.5

Assumptions made at 31 December 2019

Rent increases (%) – Offices	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter
Barcelona					
Portfolio in operation	3.0	3.0	3.0	3.0	2.25
Total portfolio	3.0	3.0	3.0	3.0	2.25
Madrid					
Portfolio in operation	3.0	3.0	3.0	3.0	2.5
Total portfolio	3.0	3.0	3.0	3.0	2.5
Paris					
Portfolio in operation	1.5	1.5	1.5	1.5	1.5
Total portfolio	1.5	1.5	1.5	1.5	1.5

The assumptions of the estimated rent rise used by the appraisers to determine the value of the Barcelona and Madrid asset portfolio underwent an adjustment due to COVID-19, although this variation is offset in subsequent years.

In addition, developments in progress were valued using the dynamic residual method as the best approximation. This method begins with an estimate of the income yielded by the developed and fully leased property; from this value, development, planning, construction and demolition costs, professional fees, permit and marketing costs, borrowing costs and development profit, among other items, are then deducted, in order to arrive at a price that a developer might pay for the asset under development.

A change of one-quarter of one point in yields would have the following impact on the valuations used by the Group at 31 December 2020 and 2019, to determine the value of its investment property: property, plant and equipment for own use, investment property, inventories and assets classified as held for sale:

Thousands of euros

Sensitivity of valuations to a change of one quarter of a point in yields	Measurement	Decrease of one quarter of a point	Increase of one quarter of a point
December 2020	12,020,024	912,800	(780,310)
December 2019	12,196,429	878,506	(755,998)

A reconciliation between the valuations used by the Group and the carrying amounts of the headings of the consolidated statement of financial position where the valued assets are recognised, is as follows:

Thousands of euros

	31 December 2020	31 December 2019
Headings of the consolidated statement of financial position		
Property, plant and equipment - Own use	37,494	36,973
Investment property (Note 10)	11,515,620	11,796,117
Inventory (Note 12)	52,409	48,196
Assets classified as held for sale (Note 24)	281,959	176,434
Lease incentives (Note 13)	81,493	86,733
Lease rights acquired	1,002	3,994
Total headings of the consolidated statement of financial position	**11,969,977**	**12,148,447**
Unrealised gains on assets recognised under IAS 16	39,568	37,726
Unrealised gains on other assets	10,479	4,256
Outstanding payments	–	6,000
Measurement	**12,020,024**	**12,196,429**

The income earned in 2020 and 2019 from the lease of investment properties amounted to 341,669 and 354,514 thousand euros (Note 20.1) and is recognised under “Revenue” in the consolidated income statement.

In addition, the bulk of repair and maintenance expenses incurred by the Colonial Group in connection with the operation of its investment properties is passed on to the respective tenants (Note 4.18).

4.5 IMPAIRMENT OF PLANT, PROPERTY AND EQUIPMENT

At each reporting date, the Group assesses the carrying amounts of its property, plant and equipment to determine if there are indications that the assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of the fair value of the asset less costs to sell or otherwise dispose of the asset and value in use. Where the asset does not generate cash inflows that are independent of those from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount; however, the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

4.6 INVESTMENTS AND OTHER FINANCIAL ASSETS

Classification

The Group classifies its financial assets in the following measurement categories:

- assets subsequently measured at fair value (either through profit or loss or other comprehensive income), and
- assets measured at amortised cost.

The classification depends on the entity’s business model for managing financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are recorded in the income statement or in other comprehensive income. For investments in equity instruments not held for trading, this depends on whether the Group made an irrevocable election at initial recognition to account for the investment in equity at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when it changes its business model to manage those assets.

Recognition and derecognition

Conventional purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group undertakes to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets expire or are transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

On initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset that is not at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition of the financial asset. The transaction costs of financial assets recognised at fair value through profit and loss are recognised as an expense in the income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are only the payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and on the characteristics of the asset's cash flows. There are three measurement categories in which the Group classifies its debt instruments:

- Amortised cost: Assets held for the collection of contractual cash flows when those cash flows represent only principal and interest payments are measured at amortised cost. Interest income on these financial assets is included in interest income in accordance with the effective interest rate method. Any gain or loss arising when they are derecognised is recognised directly in profit and loss. Impairment losses are presented as a separate line item in the income statement.

- Fair value through other comprehensive income: Assets held for the collection of contractual cash flows and for the sale of financial assets, when the cash flows from the assets represent only principal and interest payments, are measured at fair value through other comprehensive income. Changes in the carrying amount are taken to other comprehensive income, except for the recognition of impairment losses, interest income and exchange gains or losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit and loss and recognised in financial expenses. Interest income on these financial assets is included in interest income in accordance with the effective interest rate method. Exchange gains and losses are presented under finance costs and impairment charges are presented as a separate line item in the income statement.

- Fair value through profit or loss: Assets that do not meet the criteria for measurement at amortised cost or at fair value through other comprehensive income are recognised at fair value through profit or loss. A gain or loss on a debt investment that is subsequently recognised at fair value through profit or loss is recognised in profit or loss and presented net in the income statement within finance costs in the year it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. When Group management has chosen to present gains and losses in the fair value of investments in equity in other comprehensive income, there is no subsequent reclassification of gains and losses in the fair value to income following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive the payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in finance costs in the income statement, where applicable. Impairment losses (and reversals of impairment losses) on investments in equity measured at fair value through other comprehensive income are not presented separately from other changes in fair value.

Impairment losses

The Group evaluates on a prospective basis the expected credit losses associated with its assets at amortised cost and at fair value through other comprehensive income. The method applied for impairment depends on whether there has been a significant increase in credit risk.

For trade receivables, given the composition of the Group's portfolio, which is made up of companies of acknowledged prestige and proven financial solvency, the low history of losses from debtor balances over the last 10 years, including the years of financial crisis, the Group has considered that the expected impairment of these financial assets is immaterial (Note 13).

4.7 RECEIVABLES

Trade receivables are measured at their recoverable amount, i.e. net, where applicable, of the allowances recognised to cover past-due balances where circumstances reasonably warrant their consideration as doubtful debts.

4.8 CASH AND CASH EQUIVALENTS

This heading includes bank deposits, carried at the lower of cost or market value.

Financial investments that are readily convertible into a known amount of cash and that are not subject to any significant risk of changes in value are deemed to be cash equivalents.

Bank overdrafts are not considered to be cash and cash equivalents.

4.9 OWN EQUITY INSTRUMENTS

An equity instrument represents a residual interest in the assets of the Parent after deducting all of its liabilities.

Equity instruments issued by the Parent are recognised in equity at the proceeds received, net of direct issue costs.

Any treasury shares of the Parent acquired during the year are recognised directly as a deduction from equity at the value of the consideration paid. Any gains or losses on the acquisition, sale, issue or retirement of own equity instruments are recognised directly in equity and not in the consolidated income statement.

4.10 PROVISIONS AND CONTINGENT LIABILITIES

When preparing the consolidated financial statements, the Parent's directors make a distinction between:

- Provisions: creditor balances covering obligations arising as a consequence of past events which could give rise to liabilities at the Group companies, the nature of which is certain but the amount and timing of which cannot be determined, and

- 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 consolidated companies.

The 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, but are disclosed in Note 18.

Provisions, which are quantified taking into consideration the best information available concerning the consequences of the events on which they are based, and which are revised at each reporting close, are recognised in order to cover the specific and likely risks for which they were originally recognised, and are fully or partially reversed if and when said risks cease to exist or are reduced.

4.11 EMPLOYEE BENEFITS

Termination benefits

Under current Spanish legislation, the Group is required to pay termination benefits to employees terminated under certain conditions. Severance payments which can be reasonably quantified are recorded as an expense in the year in which the decision to terminate the contract is taken and a valid expectation regarding termination is transmitted to third parties. At 31 December 2020 and 2019, the Parent has not recorded any provision for this item.

Pension obligations

In 2020 and 2019, the Parent assumed a commitment with executive directors and a member of senior management to make a defined contribution to an external pension plan, which meets the requirements established by Royal Decree 1588/1999, of 15 October.

At 31 December 2020 and 2019, the SFL Subgroup had several defined benefit pension plans. Defined benefit obligations are calculated on a regular basis by independent actuarial experts. The actuarial assumptions used to calculate these liabilities are adapted to the situation and to applicable French legislation, in accordance with IAS 19. The actuarial cost recorded in the consolidated statement of comprehensive income in relation to these plans is the sum of the service costs for the period, the interest expense and actuarial gains and losses. At 31 December 2020, net liabilities for defined benefits amounted to 1,215 thousand euros (1,018 thousand euros at 31 December 2019).

Share-based payments

The Group recognises the goods and services received as an asset or an expense, depending on their nature, when they are received, along with an increase in equity if the transaction is settled using equity instruments or the corresponding liability if the transaction is settled at an amount based on the value of the equity instruments.

In the case of transactions settled with equity instruments, both the services rendered and the increase in equity are measured at the fair value of the services received, unless that of the equity instruments transferred is more reliable, by reference to the grant agreement date. If, on the other hand, they are settled in cash, the goods and services received and the corresponding liability are recognised at the fair value of the goods and services received as of the date on which the recognition requirements are met. In the case of the plans described in Note 21, it was decided to measure them at the amount of the equity instruments transferred.

4.12 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses financial derivatives to manage its exposure to variations in interest rates. All derivative financial instruments, whether or not they are designated as hedging instruments, are carried at fair value, market value in the case of listed securities, or using option valuation methods or discounted cash flow analysis for non-listed securities. The fair value of the derivative financial instruments is determined based on the valuations made by independent experts (Solventis A.V., S.A. in 2020 and 2019).

The following measurement base was used to recognise each of the following:

- Cash flow hedges: fair value gains or losses arising on transactions which classify for hedge accounting are recognised, net of taxes, directly in other consolidated comprehensive income, under “Gains/(losses) on hedging instruments”, until the underlying or expected transaction occurs, at which point they are reclassified, where appropriate, to “Finance costs” or “Finance income” in the consolidated income statement. Any valuation gains and losses on the ineffective portion of the hedge are recognised directly as financial profit or loss in the consolidated income statement.

- Treatment of financial instruments that are not allocated to a specific liability and do not qualify for hedge accounting: gains or losses arising from the restatement at fair value of these financial instruments are recognised directly as financial profit or loss in the consolidated income statement.

In accordance with IFRS 13, the Group estimated its own credit risk and that of the counterparty in the measurement of its derivative portfolio.

Hedge accounting is discontinued when a hedging instrument expires or is sold or exercised, or when the hedge no longer qualifies for hedge accounting. Accumulated gains or losses on hedge instruments recognised in other consolidated comprehensive income remain under this heading until the related transaction is performed. Once the related cash flow occurs, any cumulative gain or loss recognised in other consolidated comprehensive income is transferred to consolidated profit or loss for the year. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other consolidated comprehensive income is transferred to consolidated net profit or loss for the year.

Prospective and retrospective testing for hedging instrument effectiveness is carried out on a monthly basis:

- Retrospective tests measure how effectively the derivative instrument would have hedged the liability over its life, using historical interest rates to date.

- Prospective tests measure the instrument’s expected effectiveness on the basis of forward interest rates as published by Bloomberg at the measurement date. This is adjusted monthly from the inception of the hedge on the basis of the historical interest rates already established.

The method used to determine the effectiveness of hedging instruments consists of calculating the statistical correlation between the benchmark interest rates at each measurement date for the derivative and the related hedged liability, taking into consideration that the hedging instrument is considered effective if this statistical correlation is between 0.80 and 1.

The Group’s use of financial derivatives is governed by a set of approved risk management policies and hedges.

4.13 CURRENT/NON-CURRENT

The ordinary operating cycle is defined as the period from the acquisition of the assets used to carry on the Group's lines of business to the date that they are turned into cash or cash equivalents.

The Group's main business is its rentals business, for which it is considered that the normal cycle of its operations corresponds to the calendar year; hence, assets and liabilities maturing at less than one year are classified as current and those maturing at over one year are classified as non-current.

Bank borrowings are classified as non-current if the Group has the irrevocable right to make payments after twelve months from the end of the reporting period.

4.14 INCOME TAX EXPENSE

General regime

The expense for Spanish corporate income tax and similar taxes applicable to consolidated foreign operations is recognised in the consolidated statement of comprehensive income, except when the tax expense is generated by a transaction whose gains or losses are taken directly to equity, in which case the corresponding tax is also recognised in equity.

Income tax expense is the sum of the tax payable on profit for the year and the variation in recognised deferred tax assets and liabilities.

Corporate income tax expense for the year is calculated based on taxable profit for the year, which differs from the net profit or loss presented in the consolidated statement of comprehensive income because it excludes certain taxable profit and deductible expenses from prior years, as well as other exempt items. The Group's current tax liabilities are calculated using tax rates that have been enacted or substantively enacted by the reporting date.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised in the consolidated statement of financial position to the extent that it has become probable that they will be recovered through future taxable profits. In accordance with IAS 12, changes in deferred tax assets and liabilities caused by changes in tax rates or tax laws are recognised in the consolidated income statement for the year in which these changes are approved.

In accordance with IAS 12, when measuring deferred tax liabilities the Group reflects the tax consequences that would arise from the manner in which the carrying amount of its assets is expected to be recovered or settled. In this regard, for deferred tax liabilities that arise from investment properties that are measured using the IAS 40 fair value model, there is a rebuttable presumption that their carrying amount will be recovered through their sale. Consequently, the deferred tax liabilities arising from the Group's investment properties located in Spain were calculated by applying a tax rate of 25%, less any existing tax credits not recognised at 31 December 2020. The effective tax calculation rate was therefore 18.75%.

Until 31 December 2016, the Parent was the head of a group of companies filing consolidated tax returns under tax group no. 6/08.

REIT regime

Effective as of 1 January 2017, the tax system of the Parent and the majority of its Spanish subsidiaries is governed by Law 11/2009, of 26 October, as amended by Law 16/2012, of 27 December, governing listed real estate investment trusts (REITs). Article 3 establishes the investment requirements of this type of company, namely:

1. REITs must have invested at least 80% of the value of their assets in urban properties earmarked for lease, in land to develop properties to be earmarked for that purpose, provided that development begins within three years following their acquisition, and in equity investments in other companies referred to in Article 2.1 of the aforementioned Law.

   The value of the asset is calculated based on the average of the quarterly individual balance sheets of the year. To calculate this value, the REIT may opt to substitute the carrying amount for the fair value of the items contained in these balance sheets, which will apply to all the balance sheets of the year. Any money or collection rights arising from the transfer of the aforementioned properties or investments made in the year or in prior years will not be included in the calculation unless, in the latter case, the reinvestment period referred to in Article 6 of the aforementioned Law has expired.

   This percentage must be calculated on the average of the consolidated balances if the company is the parent of a group, in accordance with the criteria established in Article 42 of the Spanish Commercial Code, regardless of its place of residence and of the obligation to formally prepare consolidated financial statements. Such a group must be composed exclusively of the REITs and the other entities referred to in Article 2.1 of the aforementioned Law.

2. Similarly, at least 80% of the rental income from the tax period corresponding to each year, excluding the rental income arising from the transfer of the ownership interests and the properties used by the company to achieve its main corporate purpose, once the holding period referred to below has elapsed, should be obtained from the lease of properties and dividends or shares of profits arising from the aforementioned investments.

   This percentage must be calculated based on the consolidated balances if the company is the parent of a group, in accordance with the criteria established in Article 42 of the Spanish Commercial Code, regardless of its place of residence and of the obligation to formally prepare consolidated financial statements. Such a group must be composed exclusively of the REITs and the other entities referred to in Article 2.1 of the aforementioned Law.

3. The properties included in the REIT's assets should remain leased for at least three years. The time during which the properties have been made available for lease will be included in calculating this term, with a maximum of one year.

The term will be calculated:

a) For properties that are included in the REIT's assets before the company avails itself of the regime, from the beginning of the first tax period in which the special tax regime set forth in this Law is applied, provided that the property is leased or offered for lease at that date. Otherwise, the following shall apply.

b) For properties developed or acquired subsequently by the REIT, from the date on which they were leased or made available for lease for the first time.

c) In the case of shares or ownership interests in the companies referred to in Article 2.1 of this Law, they should be retained on the asset side of the REIT's balance sheet for at least three years following their acquisition or, as appropriate, from the beginning of the first tax period in which the special tax regime set forth in this Law is applied.

As established in transitional provision one of Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December, governing listed real estate investment companies, these companies may opt to apply the special tax regime under the terms and conditions established in Article 8 of this Law, even if it does not meet the requirements established therein, provided that such requirements are met within two years after the date of the option to apply that regime.

Failure to meet this condition will require the REIT to file income tax returns under the general tax regime from the tax period in which the aforementioned condition is not met. The REIT will also be obliged to pay, together with the amount relating to the aforementioned tax period, the difference between the amount of tax payable under the general tax regime and the amount paid under the special tax regime in the previous tax periods, including any applicable late-payment interest, surcharges and penalties.

The corporate income tax rate for REITs is set at 0% However, where the dividends that the REIT distributes to its shareholders holding an ownership interest equal to or exceeding 5% are exempt from tax or are subject to a tax rate lower than 10%, at the main office of this shareholder, the REIT shall be subject to a special charge of 19%, which shall be considered to be the income tax charge, on the amount of the dividend distributed to these shareholders. If applicable, this special charge must be paid by the REIT within two months after the dividend distribution date.

SIIC regime – SFL subgroup

Since 1 January 2003, the SFL subgroup companies have filed tax returns under the French tax regime applicable to listed real estate investment companies ("the SIIC regime"). This regime enabled the assets allocated to the rental business to be recognised at market value at the date on which it availed itself of this tax regime, currently subject to a tax rate of 19% ("exit tax"), payable within a period of four years, on the capital gains recognised.

This regime affects only real estate activities and is not applicable to companies engaged in sales and services, such as Segpim, S.A. and Locaparis SAS in the SFL subgroup, to properties under finance leases (unless the lease is cancelled early) or to the subgroups and investees in conjunction with third parties.

This regime affords the SFL subgroup an exemption from taxes on earnings generated from its rental business and on capital gains obtained from the sale of properties, provided that 95% of profit from that activity and 70% of the capital gains obtained from property sales of companies under this regime are distributed each year in the form of dividends.

On 30 December 2006, a new amendment to the SIIC regime ("SIIC 4") was approved, which established, among other provisions, that dividends paid annually to shareholders that directly or indirectly hold more than 10% of the share capital of a SIIC and that are exempt from tax or subject to a tax rate that is less than two-thirds of the standard French income tax rate would be subject to a 20% levy, payable by the SIIC. This provision applies to the dividends distributed from 1 July 2007 onwards. At 31 December 2007, the Parent notified SFL that dividends distributed from 1 July 2007 would be taxed in Spain at a rate of over 11.11% as a result of the partial waiver of the exemption for these dividends. As a result, the 20% tax withheld at source described above was not applicable.

After the Parent adhered to the REIT regime, the 20% tax withheld at source was no longer applicable, provided the significant shareholders comply with their minimum tax obligations in accordance with SIIC regulations.

4.15 INCOME AND EXPENSE

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

However, in accordance with the accounting principles established in the EU-IFRS conceptual framework, the Group recognises revenue when it is earned together with all the necessary associated expenses. The sale of goods is recognised when the goods have been delivered and ownership transferred.

Interest income is accrued on a time proportion basis, according to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts the future cash receipts estimated over the expected life of the financial asset from the asset's carrying amount.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established, i.e. when shareholders at the Annual General Meetings of the subsidiaries approve the distribution of the corresponding dividend.

Property leases

In accordance with IFRS 16, leases are classified as finance leases whenever their terms imply that substantially all the risks and rewards incidental to ownership of the leased asset have been transferred to the lessee. Other leases are classified as operating leases. In this regard, at 31 December 2020 and 2019, all the Group's leases qualified as operating leases.

Property leases - Lessor

Revenue from operating leases is recognised as income on a straight-line basis over the term of the lease, and the initial direct costs incurred in arranging these operating leases are taken to the consolidated income statement on a straight-line basis over the minimum term of the lease agreement.

The minimum term of a lease is considered to be the time elapsed from the start of the lease to the first option for renewing the lease.

In relation to the amendment to IFRS 16 as a result of the situation generated by the pandemic, the Parent has considered the aid granted to the lessees as amendments to the initial contract recognising them as a lease incentive, except for those cases of a minor amount, in which they were recognised directly against the consolidated income statement, as a reduction of revenue.

Specific lease terms and conditions: lease incentives

Lease agreements include certain specific conditions linked to incentives or rent-free periods offered by the Group to its clients. The Group recognises the aggregate cost of incentives granted as a reduction in rental income of the lease. The effects of the rent-free periods are recognised during the minimum term of the lease on a straight-line basis.

Indemnity payments made by lessees to cancel their leases prior to their minimum termination date are also recognised as income in the consolidated income statement on the date on which they become due and payable to the Group.

Property leases - Lessee

Leases are recognised as a right-of-use asset and the corresponding liability is posted on the date on which the leased asset is available for use by the Group. Each lease payment is allocated between liabilities and interest expense. The financial expense is charged to profit or loss over the term of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The right-of-use asset is amortised over the shorter of the asset's useful life or the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including fixed payments in substance), less any incentive for lease receivables,
- variable lease payments that depend on an index or rate,
- amounts the lessee is expected to pay as residual value guarantees,
- the exercise price of a call option if the lessee is reasonably certain that it will exercise the option, and
- penalty payments on termination of the lease if the term of the lease reflects the exercise by the lessee of that option.

Lease payments are discounted using the interest rate implied in the lease. If that rate cannot be determined, the incremental rate of borrowing is used, being the rate that the lessee would have to pay to borrow the necessary funds to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost which includes the following:

- the amount of the initial measurement of the lease liability,
- any lease payments made on or before the start date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Payments under short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a term of 12 months or less.

In relation to the amendment to IFRS 16 as a result of the situation generated by the pandemic, the Parent has considered the aid received from the lessors of spaces leased by its subsidiary Utopicus as if it were a variable lease payment, recognising its impact directly against the consolidated income statement.

4.16 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of investment property or inventory (Notes 10 and 12), which require preparation during a significant 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.

4.17 CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)

The following terms are used in the consolidated statement of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to insignificant risk of changes in value.
- Operating activities: the principal revenue-producing activities and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.
- Financing activities: non-operating activities that result in changes in the size and composition of equity and liabilities.

4.18 COSTS PASSED ON TO LESSEES

In accordance with EU-IFRS, the Group does not consider the costs incurred by lessees from its investment properties as revenue and they are recognised, less the corresponding costs, in the consolidated income statement. The amount passed on for these items in 2020 and 2019 amounted to 63,202 and 64,155 thousand euros, respectively.

Direct operating expenses associated with investment properties that generated rental income in 2020 and 2019, included under “Operating profit” in the consolidated income statement, amount to 88,182 and 91,726 thousand euros, respectively, before being reduced by the costs passed on to lessees. Expenses incurred in connection with investment properties that did not generate rental income were not material.

4.19 TRANSACTIONS WITH RELATED PARTIES

All the Group's transactions with related parties are at arm's length. Transfer prices are adequately supported, and consequently the Parent's directors consider that no significant risks exist in this respect from which significant liabilities could arise in the future.

4.20 ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale are measured at the lower of their carrying amount in accordance with applicable measurement rules and fair value less costs to sell.

Non-current assets are classified as held for sale if it is estimated that their carrying amounts will be recovered through a sale rather than through continuing use. This condition is met when the sale of the asset is considered highly probable, the asset is in condition to be sold immediately and the sale is expected to be fully realised within a period of no more than twelve months from its classification as a held-for-sale asset.

The Colonial Group classifies non-current assets as held for sale when the Board of Directors or Executive Committee has officially approved the disposal and the sale is considered highly probable within a period of twelve months.

4.21 INVENTORIES

Inventories, consisting of land, developments under construction and finished developments, are measured at acquisition cost or execution cost.

Execution cost includes direct and indirect construction costs in addition to the expenses incurred in financing the construction work while in progress, as long as the construction work takes longer than one year.

Prepayments made in connection with call options on properties are recognised as inventory prepayments and it is assumed that expectations regarding the conditions enabling their exercise will be met.

The Group records inventory impairment provisions, as appropriate, when market value is lower than carrying amount.

The market value is frequently determined through appraisals performed by independent experts (Jones Lang LaSalle), in accordance with the Appraisal and Valuation Standards issued by the Royal Institute of Chartered Surveyors (RICS) of the United Kingdom, and the International Valuation Standards (IVS) issued by the International Valuation Standards Committee (IVSC).

Developments in progress were valued using the dynamic residual method as the best approximation. This method begins with an estimate of the income yielded by the developed and fully leased property; from this value, development, planning, construction and demolition costs, professional fees, permit and marketing costs, borrowing costs and development profit, among other items, are then deducted, in order to arrive at a price that a developer might pay for the asset under development.

4.22 FAIR VALUE HIERARCHY

Financial assets and liabilities measured at fair value are classified according to the following hierarchy established in IFRS 7 and IFRS 13:

- Level 1: Inputs are based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Inputs are based on quoted prices for similar assets or liabilities in active markets (not included in level 1), prices quoted for identical or similar assets or liabilities in markets that are not active, techniques based on valuation models for which all relevant inputs are observable in the market or can be corroborated by observable market data.

- Level 3: In general, inputs are unobservable and reflect estimates based on market assumptions to determine the price of the asset or liability. Unobservable data used in the valuation models are significant in the fair values of the assets and liabilities.

In accordance with IFRS 13, the Group estimated the bilateral credit risk in order to reflect both its own risk and the counterparty risk on the fair value of its derivatives (Note 4.12). Credit risk at 31 December 2020 and 2019 was not considered to be material.

The detail of the Group's financial assets and liabilities measured at fair value according to the aforementioned levels is as follows:

31 December 2020 – Thousands of euros

	Level 1	Level 2	Level 3
Assets			
Derivative financial instruments:			
Classified as hedges	–	287	–
Not classified as hedges	–	–	–
Total assets (Note 16)	**–**	**287**	**–**
Liabilities			
Derivative financial instruments:			
Classified as hedges	–	19,775	–
Not classified as hedges	–	–	–
Total liabilities (Note 16)	**–**	**19,775**	**–**

31 December 2019 – Thousands of euros

	Level 1	Level 2	Level 3
Assets			
Derivative financial instruments:			
Classified as hedges	–	25,379	–
Not classified as hedges	–	–	–
Total assets (Note 16)	**–**	**25,379**	**–**
Liabilities			
Derivative financial instruments:			
Classified as hedges	–	1,792	–
Not classified as hedges	–	1,665	–
Total liabilities (Note 16)	**–**	**3,457**	**–**

5. Earnings per share

Basic earnings per share are calculated by dividing earnings for the year attributable to shareholders of the Parent (after tax and non-controlling interests) by the weighted average number of shares outstanding during that year.

At 31 December 2020 and 2019, there were no instruments that may have had a diluting effect on the Parent's average number of ordinary shares.

The Parent's long-term remuneration plan is paid annually. Payments in 2020 and 2019 are made through the delivery of shares that the Parent holds in treasury shares beforehand. Such deliveries of shares do not have a significant or material effect on diluted earnings per share.

Thousands of euros

	2020	2019
Consolidated profit for the year attributable to shareholders of the Parent:	**2,387**	**826,799**
	No. of shares	**No. of shares**
Weighted average number of ordinary shares (in thousands)	507,139	507,661
	Euros	**Euros**
Basic earnings per share:	0.01	1.63
Diluted earnings per share:	0.01	1.63

6. Segment reporting

6.1 SEGMENTATION CRITERIA

Segment reporting is organised, first, on the basis of the Group's business segments, and, secondly, by geographical segment.

The business lines described below have been defined in line with the Colonial Group's organisational structure at 31 December 2020 and 2019, which has been used by the Group's management to analyse the financial performance of the various operating segments.

The rentals segment (or traditional business) includes activities associated with office rentals, while the flexible business segment includes the activities associated with coworking or flexible office spaces.

6.2 BASIS AND METHODOLOGY FOR BUSINESS SEGMENT REPORTING

The segment information below is based on monthly reports prepared by Group management, generated using the same computer application that prepares all of the Group's accounting data.

Segment revenue comprises revenue directly attributable to each segment, as well as gains from the sale of investment properties. Segment revenue excludes both interest and dividend income.

Segment expenses comprise operating expenses directly attributable to each segment and losses on the sale of investment properties. Allocated expenses do not include interest, the income tax expense or general administrative expenses incurred in the provision of general services that are not directly allocated to any business segment.

Segment assets and liabilities are those directly related to the segment's operating activities. The Group has no set criteria for allocating borrowings or equity by business segment. Borrowings are attributed in full to the "Corporate Unit".

Segment information for these businesses is as follows:

2020 segment reporting – Thousands of euros

	Rentals (Traditional business)							
	Barcelona	Madrid	Paris	Remainder	Total rentals	Flexible Business	Corporate unit	Total Group
Income								
Revenue (Note 20.1)	46,559	102,952	182,424	2,776	334,711	6,958	–	**341,669**
Other income (Note 20.2)	4	2	3,999	–	4,005	–	977	**4,982**
Gains on sales of assets (Note 20.5)	340	718	–	556	1,614	–	–	**1,614**
Changes in value of investment property (Note 20.7)	(82,232)	(166,993)	176,526	(6,353)	(79,052)	–	–	**(79,052)**
Gains/(losses) on changes in value of assets due to impairment (Note 20.6)	(248)	(194)	–	–	(442)	(46)	1,031	**543**
Operating profit/(loss)	(38,477)	(72,783)	351,080	(5,958)	233,862	1,360	(49,857)	**185,365**
Financial profit (Note 20.8)	–	–	–	–	–	–	(120,558)	**(120,558)**
Profit before tax	–	–	–	–	–	–	64,807	**64,807**
Consolidated net profit	–	–	–	–	–	–	62,817	**62,817**
Net profit attributable to non-controlling interests (Note 14.6)	–	–	–	–	–	–	(60,430)	**(60,430)**
Net profit/(loss) attributable to shareholders of the Parent (Note 5)	–	–	–	–	–	–	2,387	**2,387**

The most significant transactions between segments in the year 2020 were as follows:

Thousands of euros

	Traditional Business	Flexible Business	Corporate Unit	Total Group
Income				
Revenue (Note 20.1)	6,917	–	–	**6,917**
Operating profit/(loss)	–	(6,917)	–	**(6,917)**

None of the Group's customers represented more than 10% of income from ordinary activities.

Thousands of euros

	Rentals (Traditional business)							
	Barcelona	Madrid	Paris	Remainder	Total rentals	Flexible Business	Corporate unit	Total Group
Assets								
Goodwill	–	–	–	–	–	–	–	**–**
Intangible assets, right-of-use assets, property, plant and equipment, investment property, assets classified as held for sale and inventories (Notes 8, 9, 10, 12 and 24)	1,417,910	3,050,837	7,345,231	38,923	11,852,901	24,788	44,711	**11,922,400**
Financial assets	8,855	17,766	514	313	27,448	1,680	268,768	**297,896**
Other non-current assets	–	–	–	–	–	–	87,053	**87,053**
Trade receivables and other current assets	–	–	–	–	–	–	47,627	**47,627**
Total assets	**1,426,765**	**3,068,603**	**7,345,745**	**39,236**	**11,880,349**	**26,468**	**448,159**	**12,354,976**

Thousands of euros

	Rentals (Traditional business)							
	Barcelona	Madrid	Paris	Remainder	Total rentals	Flexible Business	Corporate unit	Total Group
Liabilities								
Bank borrowings and other financial liabilities (Notes 15)	–	–	–	–	–	–	324,388	**324,388**
Bonds and similar securities issued (Note 15)	–	–	–	–	–	–	4,341,656	**4,341,656**
Emission trade bills (Note 15)	–	–	–	–	–	–	235,000	**235,000**
Derivative financial instruments (Note 16)	–	–	–	–	–	–	19,775	**19,775**
Lease liabilities (Note 8)	–	–	–	–	–	–	12,031	**12,031**
Operating liabilities (suppliers and payables)	–	–	–	–	–	–	115,438	**115,438**
Other liabilities	–	–	–	–	–	–	473,524	**473,524**
Total liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**5,521,812**	**5,521,812**

Thousands of euros

	Rentals (Traditional business)							
	Barcelona	Madrid	Paris	Remainder	Total rentals	Flexible Business	Corporate unit	Total Group
Other information								
Investments in non-current assets, intangible assets, property, plant and equipment, investment property, inventories and assets classified as held for sale	34,549	60,166	119,912	1	214,628	6,266	2,816	**223,710**
Depreciation and amortisation	(29)	(1,516)	–	–	(1,545)	(2,796)	(2,801)	**(7,142)**
Expenses that do not entail outflows of cash other than the depreciation and amortisation for the year:								
Changes in provisions (Note 20.4)	(94)	(151)	(888)	(14)	(1,147)	(419)	2,483	**917**
Changes in value of investment property (Note 20.7)	(82,232)	(166,993)	176,526	(6,353)	(79,052)	–	–	**(79,052)**
Gains/(losses) on changes in value of assets due to impairment (Note 20.6)	(248)	(194)	–	–	(442)	(46)	1,031	**543**

2019 segment reporting – Thousands of euros

	Rentals (Traditional business)							
	Barcelona	Madrid	Paris	Remainder	Total rentals	Flexible Business	Corporate unit	Total Group
Income								
Revenue (Note 20.1)	46,466	97,925	198,710	5,928	349,029	5,485	–	**354,514**
Other income (Note 20.2)	6	53	7,403	–	7,462	–	2,155	**9,617**
Gains on sales of assets (Note 20.5)	3,949	9,569	–	6,406	19,924	–	–	**19,924**
Changes in value of investment property (Note 20.7)	171,813	176,502	526,889	(1,505)	873,699	–	–	**873,699**
Gains/(losses) on changes in value of assets due to impairment (Note 20.6)	(27)	(35)	(3)	–	(65)	(391)	(61,438)	**(61,894)**
Operating profit/(loss)	218,504	271,066	722,659	10,588	1,222,817	169	(112,116)	**1,110,870**
Financial profit (Note 20.8)	–	–	–	–	–	–	(96,088)	**(96,088)**
Profit before tax	–	–	–	–	–	–	1,014,782	**1,014,782**
Consolidated net profit	–	–	–	–	–	–	992,523	**992,523**
Net profit attributable to non-controlling interests (Note 14.6)	–	–	–	–	–	–	(165,724)	**(165,724)**
Net profit/(loss) attributable to shareholders of the Parent (Note 5)	–	–	–	–	–	–	826,799	**826,799**

The most significant transactions between segments in the year 2019 were as follows:

Thousands of euros

	Traditional Business	Flexible Business	Corporate Unit	Total Group
Income				
Revenue (Note 20.1)	3,272	–	–	**3,272**
Operating profit/(loss)	–	(3,272)	–	**(3,272)**

None of the Group's customers represented more than 10% of income from ordinary activities.

Thousands of euros

	Rentals (Traditional business)							
	Barcelona	Madrid	Paris	Remainder	Total rentals	Flexible Business	Corporate unit	Total Group
Assets								
Goodwill	–	–	–	–	–	–	–	**–**
Intangible assets, right-of-use assets, property, plant and equipment, investment property, assets classified as held for sale and inventories (Notes 8, 9, 10, 12 and 24)	1,529,294	3,399,970	7,046,253	49,576	12,025,093	22,258	42,983	**12,090,334**
Financial assets	1,617	4,477	8,225	(314)	14,005	1,695	260,135	**275,835**
Other non-current assets	–	–	–	–	–	–	74,891	**74,891**
Trade receivables and other current assets	–	–	–	–	–	–	60,451	**60,451**
Total assets	**1,530,911**	**3,404,447**	**7,054,478**	**49,262**	**12,039,098**	**23,953**	**438,460**	**12,501,511**

Thousands of euros

	Rentals (Traditional business)							
	Barcelona	Madrid	Paris	Remainder	Total rentals	Flexible Business	Corporate unit	Total Group
Liabilities								
Bank borrowings and other financial liabilities (Notes 15)	–	–	–	–	–	–	445,605	**445,605**
Bonds and similar securities issued (Note 15)	–	–	–	–	–	–	3,803,168	**3,803,168**
Emission trade bills (Note 15)	–	–	–	–	–	–	626,000	**626,000**
Derivative financial instruments (Note 16)	–	–	–	–	–	–	3,457	**3,457**
Lease liabilities (Note 8)	–	–	–	–	–	–	14,393	**14,393**
Operating liabilities (suppliers and payables)	–	–	–	–	–	–	158,178	**158,178**
Other liabilities	–	–	–	–	–	–	490,213	**490,213**
Total liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**5,541,014**	**5,541,014**

Thousands of euros

	Rentals (Traditional business)							
	Barcelona	Madrid	Paris	Remainder	Total rentals	Flexible Business	Corporate unit	Total Group
Other information								
Investments in intangible assets, property, plant and equipment, investment property and inventories	129,710	71,376	60,297	622	262,005	2,338	3,236	**267,579**
Depreciation and amortisation	(25)	(1,733)	(492)	–	(2,250)	(2,497)	(2,193)	**(6,940)**
Expenses that do not entail outflows of cash other than the depreciation and amortisation for the year:								
Changes in provisions (Note 20.4)	25	235	47	(2)	305	(85)	6,740	**6,960**
Changes in value of investment property (Note 20.7)	171,813	176,502	526,889	(1,505)	873,699	–	–	**873,699**
Gains/(losses) on changes in value of assets due to impairment (Note 20.6)	(27)	(35)	(3)	–	(65)	(391)	(61,438)	**(61,894)**

7. Goodwill

The goodwill recognised at 31 December 2018 arose from the business combination with Axiare Patrimonio SOCIMI, S.A. and its subsidiaries, and was allocated to a single cash-generating unit, which corresponded to the structured portfolio of property assets acquired through the business combination with Axiare Patrimonio SOCIMI, S.A.

The Parent considered that the change in value recorded for the structured portfolio acquired through the business combination with Axiare Patrimonio SOCIMI, S.A. after the date of the acquisition of control represents the materialisation of the expectations existing at the date of this business combination.

The Parent's directors considered that the most reasonable way to measure the cash flows relating to the structured portfolio of assets acquired (property assets) and compare them on a like-for-like basis with the valuations of the properties performed by independent expert appraisers was to use the same time horizon as that used by the appraisers to value the properties, i.e., a time horizon of 10 years in accordance with standard market practice. Likewise, the value expectations of the Parent's directors were based on their extensive experience in the real estate industry and on the high quality of the assets in the portfolio and of its customers, expressed by high levels of occupancy and loyalty, thus enabling them to make reasonable estimates over a ten-year period.

In 2019, the amount of the goodwill had been impaired in full.

8. Leases

The subsidiary Utopicus rents several offices as a lessee. Rental contracts are normally made for fixed terms of 4 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. Leases do not impose covenants, but the leased assets cannot be used as collateral for loans.

8.1 RIGHT-OF-USE ASSETS

Thousands of euros

	31 December 2020	31 December 2019
Property, plant and equipment	10,538	12,787
Right-of-use assets	**10,538**	**12,787**

8.2 DEFERRED TAXES RELATING TO RIGHTS OF USE

Thousands of euros

	31 December 2020	31 December 2019
Deferred tax assets relating to rights of use (Note 19)	333	369
Deferred taxes relating to rights of use	**333**	**369**

8.3 LEASE LIABILITIES

Thousands of euros

	31 December 2020	31 December 2019
Non-current lease liabilities	10,058	12,262
Current lease liabilities	1,973	2,131
Lease liabilities	**12,031**	**14,393**

8.4 OPERATING LEASES AS LESSEE

The subsidiary Utopicus has agreed under contract the following minimum lease payments with the lessors in accordance with the contracts in force, taking into account the impact of expenses, future CPI increases and other agreed rent updates:

Thousands of euros

	2020	2019
Up to 12 months	3,222	2,152
Between 1 and 5 years	8,385	5,150
More than 5 years	1,172	276
Total minimum operating lease payments - as lessee	**12,779**	**7,578**

These amounts relate to the leases signed by the subsidiary Utopicus for the premises where it carries out its business.

8.5 IMPACTS ON CONSOLIDATED INCOME STATEMENT

The impacts on the consolidated income statement are presented in the following table:

Thousands of euros

	31 December 2020	31 December 2019
Depreciation and amortisation	(1,430)	(1,682)
Finance costs (Note 20.8)	(622)	(819)
Total	**(2,052)**	**(2,501)**

9. Property, plant and equipment

The changes in this caption of the consolidated statement of financial position have been the following:

Thousands of euros

	Properties for own use	Other property, plant and equipment	Total
Balance at 31 December 2018	**37,632**	**5,700**	**43,332**
Acquisition cost	*44,789*	*13,553*	*58,342*
Accumulated depreciation and amortisation	*(3,859)*	*(7,853)*	*(11,712)*
Accumulated impairment	*(3,298)*	–	*(3,298)*
Additions	6,657	2,476	9,133
Depreciation charge	(1,079)	(1,392)	(2,471)
Disposals	(187)	(115)	(302)
Transfers	70	(70)	–
Impairment losses (Note 20.7)	1,208	–	1,208
Balance at 31 December 2019	**44,301**	**6,599**	**50,900**
Acquisition cost	*51,280*	*15,684*	*66,964*
Accumulated depreciation and amortisation	*(4,889)*	*(9,085)*	*(13,974)*
Accumulated impairment	*(2,090)*	–	*(2,090)*
Additions	5,283	2,542	7,825
Depreciation charge	(1,496)	(1,443)	(2,939)
Disposals	(89)	(34)	(123)
Transfers	–	–	–
Impairment losses (Note 20.7)	1,078	–	1,078
Balance at 31 December 2020	**49,077**	**7,664**	**56,741**
Acquisition cost	*56,446*	*17,864*	*74,310*
Accumulated depreciation and amortisation	*(6,357)*	*(10,200)*	*(16,557)*
Accumulated impairment	*(1,012)*	–	*(1,012)*

At 31 December 2020 and 2019, the Group used two floors of the building located at Avenida Diagonal, 530, in Barcelona, one floor of the building located at Paseo de la Castellana, 52, in Madrid, and one floor of the building located at 42, rue Washington in Paris for its own use, while the rest of these buildings are rented out. The cost of buildings earmarked for the Group's own use is recognised under "Properties for own use".

At 31 December 2020, it was necessary to recognise a reversal of the impairment of assets amounting to 1,078 thousand euros, determined on the basis of valuations by independent experts (Note 4.3). In 2019, a reversal impairment loss was recognised on assets of 1,208 thousand euros.

10. Investment property

The changes in this caption of the statement of financial position were:

Thousands of euros

	Investment property	Investment property in progress	Prepayments for assets	Total
Balance at 31 December 2018	**10,497,556**	**585,577**	**–**	**11,083,133**
Additions	155,137	97,761	1,000	**253,898**
Disposals (Note 20.5)	(641)	(17,321)	–	**(17,962)**
Transfers (Notes 9,12 and 24)	(567,859)	203,250	–	**(364,609)**
Changes in value (Note 20.7)	831,407	11,250	–	**842,657**
Balance at 31 December 2019	**10,915,600**	**880,517**	**1,000**	**11,797,117**
Additions	40,187	162,251	–	**202,438**
Additions to scope (Note 2.6)	–	4,157	–	**4,157**
Disposals (Note 20.5)	(131,918)	–	(500)	**(132,418)**
Transfers (Note 24)	(259,011)	(18,481)	–	**(277,492)**
Changes in value (Note 20.7)	(35,520)	(42,162)	–	**(77,682)**
Balance at 31 December 2020	**10,529,338**	**986,282**	**500**	**11,516,120**

10.1 MOVEMENTS IN 2020

In 2020, the Parent executed one of the purchase options on a property plant in Madrid amounting to 5,086 thousand euros, including expenses, and which led to a drop in the advance payment recognised in 2019 for 500 thousand euros.

The other additions in 2020 related to investments in property assets, both in development and in operation, amounting to 197,352 thousand euros, including 10,047 thousand euros of capitalised finance costs.

On 2 July 2020, the Parent acquired 50% of the share capital of the subsidiary Wittywood, S.L., leading to an inclusion in the scope of 4,157 thousand euros (see Note 2.6).

Disposals in 2020, totalling 146,800 thousand euros, gave rise to a gain of 8,478 thousand euros, including indirect sale costs (Note 20.5). The transactions related to the sale of a flat and property in Madrid, two properties in Barcelona and a hotel in Almeria.

In addition, in 2020, disposals were made due to replacements, for a total amount of 439 thousand euros.

In 2020, three properties were reclassified to the "Assets classified as held for sale" heading in the consolidated statement of financial position, totalling 277,492 thousand euros (Note 24).

10.2 MOVEMENTS IN 2019

In 2019, the Parent acquired a property in Barcelona and the floor of a building in Madrid, for a total of 108,868 thousand euros. It also signed two purchase options for two floors on the same building in Madrid, which resulted in a prepayment of 1,000 thousand euros.

The other additions in 2019 related to investments in property assets, both in development and in operation, amounting to 144,030 thousand euros, including 4,882 thousand euros of capitalised finance costs.

Disposals in 2019, totalling 22,950 thousand euros, gave rise to a gain of 3,873 thousand euros, including indirect sale costs (Note 20.5). The main transactions were sale of premises in Madrid, premises in Tenerife and land in Barcelona.

In addition, in 2019, disposals were made due to replacements, for a total amount of 62 thousand euros.

In 2019, 19 properties were reclassified to the "Assets classified as held for sale" heading in the consolidated statement of financial position, totalling 364,609 thousand euros (Note 24).

10.3 CHANGES IN VALUE OF INVESTMENT PROPERTY

"Changes in value of investment property" in the consolidated income statement includes the profit from the revaluation of investment property, giving rise to a loss of 77,682 thousand euros in 2020 (842,657 thousand euros profit in 2019) (Note 20.7), respectively, in accordance with the independent expert appraisals at 31 December 2020 and 2019 (Note 4.4).

10.4 CAPITALISED FINANCIAL COSTS

Capitalised borrowing costs, plus the cost of investment property, are itemised in the following table (Note 20.9):

Thousands of euros

	Capitalised in the period	Average interest rate
2020		
Inmobiliaria Colonial, SOCIMI, S.A.	4,570	2.22%
SFL Subgroup	5,477	1.43%
Total 2020	**10,047**	
2019		
SFL subgroup	4,882	1.44%
Total 2019	**4,882**	

10.5 OTHER INFORMATION

The total surface area (above and under-ground) of investment property and projects under development is as follows:

Total surface area (sq m) of investment property

	Investment property		Investment property in progress (**)		Total	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Barcelona (*)	365,412	407,916	47,196	25,179	412,608	433,095
Madrid	592,013	554,978	210,391	166,556	802,404	721,534
Rest of Spain	63,150	199,159	23,557	24,741	86,707	223,900
Paris (*)	344,291	356,215	84,489	86,003	428,780	442,218
	1,364,866	**1,518,268**	**365,633**	**302,479**	**1,730,499**	**1,820,747**

(*) In 2020 and 2019, this heading included 100% of the surface area of Washington Plaza (property belonging to the SCI Group company Washington, a company in which SFL has a 66% ownership interest), of the Haussmann, Champs Élysées, 82-88 and Champs Élysées, 90 properties (belonging to the Parholding Subgroup, in which SFL has a ownership 50% interest), and of the Torre Europa, 46-48 property (belonging to Inmocol Torre Europa, S.A., in which the Parent has a 50% interest). In addition, in 2020, land was included at calle Llacuna, 42 (belonging to Wittywood, S.L., in which the Parent has a 50% interest).
(**) The surface area of 20,776 sq m of the subsidiary Peñalvento is not included since the asset is classified under "Inventories" (see Note 12), nor were 39,879 sq m of surface area (99,153 sq m in 2019) of real estate assets recorded under "Assets classified as held for sale".

At 31 December 2020, the Group had pledged assets as collateral for mortgage loans with a carrying amount of 1,176,881 thousand euros to secure debts amounting to 272,780 thousand euros (Note 15.7). At 31 December 2019, the above amounts amounted to 1,189,474 and 274,860 thousand euros, respectively.

11. Non-current financial assets

The changes in this caption of the consolidated statement of financial position have been the following:

Thousands of euros

	31 December 2019	Inclusions	Disposals	31 December 2020
Deposits and guarantees given	33,585	1,496	(6,034)	29,047
Total financial assets at amortised cost	**33,585**	**1,496**	**(6,034)**	**29,047**

Thousands of euros

	31 December 2018	Inclusions	Disposals	31 December 2019
Deposits and guarantees given	31,863	1,722	–	33,585
Total financial assets at amortised cost	**31,863**	**1,722**	**–**	**33,585**

11.1 DEPOSITS AND GUARANTEES GIVEN

Long-term deposits and guarantees basically comprise deposits made with the official bodies in each country for deposits collected from lessees, in accordance with prevailing legislation.

12. Inventories

The composition of this caption in the consolidated statement of financial position is as follows:

Thousands of euros

	31 December 2020	31 December 2019
Beginning balance	**48,196**	**46,587**
Additions	4,213	1,609
Ending balance	**52,409**	**48,196**

Inventories correspond to the office building that the Group is developing for a third party. The Group received a total of 28,287 thousand euros in prepayments (see Note 17) (21,215 thousand euros at 31 December 2019).

The capitalised borrowing cost in 2020 amounted to 460 thousand euros, with an average interest rate of 2.22% (184 thousand euros at an average interest rate of 2.12% in the year 2019).

13. Trade and other receivables and Other non-current assets

The composition of this current asset heading in the consolidated statement of financial position is as follows:

Thousands of euros

	31 December 2020		31 December 2019	
	Current	Non-Current	Current	Non-Current
Trade receivables for sales and services	12,945	–	14,403	–
Trade receivables for sale of properties	648	–	14,070	–
Accrual of lease incentives	21,690	59,803	20,523	66,210
Other receivables (Note 13.4)	90,380	–	91,034	–
Other assets	138	26,832	318	8,233
Impairment of receivables				
Trade receivables for sales and services	(10,635)	–	(3,990)	–
Other receivables (Note 13.4)	(85,473)	–	(85,473)	–
Total trade and other receivables	**29,693**	**86,635**	**50,885**	**74,443**

13.1 TRADE RECEIVABLES FOR SALES AND SERVICES

This item mainly includes amounts receivable from customers of the Group's rentals business, with monthly, quarterly or annual billing periods, and there were no past-due balances at 31 December 2020 and 2019.

At 31 December 2020 and 2019, no significant unprovisioned past-due balances existed.

13.2 TRADE RECEIVABLES FOR SALES OF PROPERTIES

In 2020, the Parent received a deferred payment for the sale of an asset in 2019, amounting to 13,750 thousand euros. This amount was secured by the purchasers through the arrangement of a top-ranking mortgage on the property sold in favour of the Parent.

13.3 ACCRUAL OF LEASE INCENTIVES

This includes the amount of the incentives in the operating lease agreements (rent-free periods, etc.) that the Group offers its customers, which are recognised in the consolidated income statement during the minimum lease term.

In 2020, 5,823 thousand euros was transferred to "Assets classified as held for sale" in the consolidated statement of financial position, relating to the accrual of lease incentives for the three properties classified for sale (Nota 24).

13.4 OTHER RECEIVABLES

At 31 December 2020 and 2019, "Other Receivables" includes mainly the amounts owed by Nozar, S.A. as a result of the termination of the purchase contracts entered into in July 2007 for failure to comply with the conditions precedent, including the interest accrued to date.

Nozar, S.A. continues to be involved in insolvency proceedings. Consequently, at 31 December 2020 and 2019, the accompanying consolidated statement of financial position includes the impairment loss for the entire amount of trade receivables due from that company.

14. Equity

14.1 SHARE CAPITAL

Consequently, the Company's share capital at 31 December 2020 and 2019 comprised 508,114,781 fully subscribed and paid up shares with a par value of 2.5 euros each.

Based on the reports on the number of corporate investments to the Spanish National Securities Markets Commission, CNMV, the Parent's indirect and direct significant shareholders at 31 December 2020 and 2019, were as follows:

	31 December 2020		31 December 2019	
	Number of shares(*)	% ownership	Number of shares(*)	% ownership
Name or corporate name of the shareholder:				
Qatar Investment Authority (**)	102,675,757	20.21%	102,675,757	20.21%
Finaccess Group	80,028,647	15.75%	80,028,647	15.75%
Inmo S.L.	29,002,980	5.71%	29,002,980	5.71%
Aguila Ltd.	28,880,815	5.68%	28,880,815	5.68%
PGGM Vermongensbeheer B.V.	25,438,346	5.01%	25,438,346	5.01%
BlackRock Inc	15,343,358	3.02%	15,343,358	3.02%

* Does not include certain financial instruments linked to shares of the Parent.
** Qatar Investment Authority is responsible for managing 21,782,588 shares of the Parent owned by DIC Holding, LLC.

At 31 December 2020 and 2019, Aguila Ltd. and BlackRock Inc. had formally obtained financial instruments associated with the Parent's shares that, in the event the instruments are exercised, could give rise to an additional interest in the share capital of Colonial. These financial instruments do not and cannot involve the issue of new shares of the Parent.

The Parent is not aware of any other significant shareholdings.

The shareholders at the Annual General Meeting held on 24 May 2018 resolved to authorise the Board of Directors to issue, on behalf of the Parent and on one or more occasions and for a maximum period of 5 years, bonds convertible into new shares of the Parent or other similar securities that may give the right, directly or indirectly, to subscribe the Parent's shares, with the express power to exclude the pre-emption right of the shareholders up to a maximum of 20% of the share capital, and to increase share capital by the amount necessary to meet the conversion. The total maximum amount of the issue or issues of the securities that may be performed under this authorisation may not exceed a combined amount of 500,000 thousand euros or its equivalent in another currency.

Additionally, on 14 June 2019, the shareholders at the Parent's Annual General Meeting resolved to authorise the Board of Directors, in accordance with Article 297.1 b) of the Spanish Companies Law, to increase the share capital through monetary contributions by up to half the amount of the share capital, within a maximum period of five years, on one or more occasions and at the time and by the amount it deems appropriate. Within the maximum amount indicated, the Board of Directors is empowered to exclude the pre-emption right up to a maximum of 20% of the share capital.

14.2 SHARE PREMIUM

In 2019, the amount of the share premium was reduced by 64,690 thousand euros as a result of the dividend distribution resolution approved by the General Shareholders' Meeting on 14 June 2019.

At 30 June 2020, the General Shareholders' Meeting resolved and paid out dividends with a charge to the share premium in the amount of 22,469 thousand euros.

14.3 OWN SHARES

The number of the Parent's own shares and their acquisition cost were as follows:

	31 December 2020		31 December 2019	
	No. of shares	Thousands of euros	No. of shares	Thousands of euros
Free tranche	3,131,110	22,546	349,366	4,301
Liquidity contracts	229,500	1,894	229,500	1,878
Ending balance	**3,360,610**	**24,440**	**578,866**	**6,179**

Own shares – Free tranche

The number of the Parent's own shares and their acquisition cost were as follows:

	31 December 2020		31 December 2019	
	No. of shares	Thousands of euros	No. of shares	Thousands of euros
Beginning balance	**349,366**	**4,301**	**543,260**	**3,748**
Buyback plan 2019	–	–	300,000	3,375
Buyback plan 2020	3,000,000	21,042	–	–
Delivery of incentives plan shares (Note 21)	(395,116)	(4,169)	(493,894)	(2,822)
Other acquisitions	176,860	1,372	–	–
Other disposals	–	–	–	–
Ending balance	**3,131,110**	**22,546**	**349,366**	**4,301**

Share buyback plan of the Parent

On 30 June 2020, the Parent decided to carry out a share buyback programme. A maximum of 3,000,000 shares could be acquired, equivalent to 0.59% of the Parent's share capital as of that date. On 10 December 2020, the Parent terminated the share buyback plan early.

On 10 December 2019, the Parent resolved to carry out a share buyback programme. A maximum of 300,000 shares could be acquired, equivalent to 0.059% of the Parent's share capital as of that date. On 18 December 2019, the Parent terminated the share buyback plan early.

Deliveries of Parent shares deriving from the long-term incentives plan

Every year, the Parent settles the obligations to comply with the previous year's plan through the delivery of shares to the beneficiaries of the remuneration plan, once it has assessed the degree of attainment of the indicators included therein (Note 21.1).

Liquidity contracts

The Parent enters into liquidity contracts to enhance the liquidity of its transactions and the regularity of its listed share price.

The number of the Parent's own shares under liquidity contracts and their acquisition cost were as follows:

	31 December 2020		31 December 2019	
	No. of shares	Thousands of euros	No. of shares	Thousands of euros
Beginning balance	**229,500**	**1,878**	**229,500**	**1,858**
Liquidity contract dated 11 July 2017	–	16	–	20
Ending balance	**229,500**	**1,894**	**229,500**	**1,878**

Liquidity contract dated 11 July 2017

On 11 July 2017, the Parent entered into a new liquidity contract to enhance the liquidity of its transactions and the regularity of its listed share price as provided for under CNMV Circular 1/2017, of 26 April. The contract is valid for 12 months. The contract has been suspended.

14.4 OTHER RESERVES

The table below shows details of the consolidated statement of financial position item "Other reserves" and of the changes in these reserves in the year.

Thousands of euros

	Legal reserve	Other reserves	Measurement of financial instrument hedges	Share-based payments	Transactions with non-controlling interests	Total
At 1 January 2019	**42,349**	**169,441**	**(2,078)**	**6,180**	**56,391**	**272,283**
Revaluation – gross	–	–	22,787	–	–	**22,787**
Deferred tax	–	–	–	–	–	**–**
Reclassification to profit – gross	–	–	2,686	–	–	**2,686**
Deferred tax	–	–	(384)	–	–	**(384)**
Other comprehensive income	–	–	25,089	–	–	**25,089**
Transfer to/from retained earnings	3,631	(27,468)	–	–	–	**(23,837)**
Transactions with owners in their capacity as such:						
Share-based payments (Note 21)	–	–	–	3,498	–	**3,498**
Transactions with non-controlling interests	–	–	(608)	–	(1,196)	**(1,804)**
At 31 December 2019	**45,980**	**141,973**	**22,403**	**9,678**	**55,195**	**275,229**

Thousands of euros

	Legal reserve	Other reserves	Measurement of financial instrument hedges	Share-based payments	Transactions with non-controlling interests	Total
At 1 January 2020	**45,980**	**141,973**	**22,403**	**9,678**	**55,195**	**275,229**
Revaluation – gross	–	–	(43,536)	–	–	**(43,536)**
Deferred tax	–	–	–	–	–	**–**
Non-controlling interest in revaluation – gross	–	–	–	–	–	**–**
Deferred tax	–	–	–	–	–	**–**
Reclassification to profit – gross	–	–	1,676	–	–	**1,676**
Deferred tax	–	–	–	–	–	**–**
Other comprehensive income	–	–	(41,860)	–	–	**(68,684)**
Transfer to/from retained earnings	8,787	–	–	–	–	**8,787**
Transactions with owners in their capacity as such:						
Share-based payments (Note 21)	–	–	–	2,732	–	**2,732**
Transactions with non-controlling interests	–	–	–	–	–	**–**
At 31 December 2020	**54,767**	**141,973**	**(19,457)**	**12,410**	**55,195**	**244,888**

Legal reserve

Under the Consolidated Spanish Companies Law, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital.

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase. Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, this reserve may only be used to set off losses and provided no other sufficient reserves are available for this purpose.

Other reserves

At 31 December 2020, the Parent had 169,439 thousand euros of restricted reserves. Also, this item includes the merger reserve generated by the operations described in Note 1, with a receivable balance of 27,468 thousand euros.

14.5 RETAINED EARNINGS

The changes in retained earnings are as follows:

Thousands of euros

	2020	2019
Balance at 1 January	**2,505,512**	**1,695,019**
Net profit for the year (Note 5)	2,387	826,799
To legal reserve	(8,787)	(3,631)
Transfer to/from other reserves (Note 14.4)	–	27,468
Other items of comprehensive income recognised directly in retained earnings:		
Losses due to transactions using own shares	(1,777)	(1,131)
Dividends	(79,082)	(36,877)
Other gains/(losses)	280	(2,135)
Balance at 31 December	**2,418,533**	**2,505,512**

Losses from transactions with own shares relate to deliveries of own shares to the beneficiaries of the long-term incentives plan (Note 21.1), calculated as the difference between the carrying amount of the shares delivered and the amount of the obligation assumed by the Parent (Note 4.11).

14.6 NON-CONTROLLING INTERESTS

The changes in this caption of the consolidated statement of financial position have been the following:

Thousands of euros

	Torre Marenostrum, S.L.	Inmocol Torre Europa, S.A.	Utopicus Subgroup	SFL Subgroup	Wittywood, S.L.	Total
Balance at 31 December 2018	**26,576**	**11,600**	**101**	**1,252,105**	**–**	**1,290,382**
Profit/(loss) for the year	314	10	(435)	165,835	–	**165,724**
Dividends and other	–	1,000	365	(30,268)	–	**(28,903)**
Changes to scope (Note 2.6)	(26,726)	–	544	–	–	**(26,182)**
Financial instrument hedges	(164)	–	–	1,042	–	**878**
Balance at 31 December 2019	**–**	**12,610**	**575**	**1,388,714**	**–**	**1,401,899**
Profit/(loss) for the year	–	(1,163)	(266)	61,524	335	**60,430**
Dividends and other	–	–	–	(32,692)	(1)	**(32,693)**
Changes to scope (Note 2.6)	–	–	–	–	4,053	**4,053**
Financial instrument hedges	–	–	–	(1,073)	–	**(1,073)**
Balance at 31 December 2020	**–**	**11,447**	**309**	**1,416,473**	**4,387**	**1,432,616**

The breakdown of the items included in “Dividends and other” is as follows:

Thousands of euros

	31 December 2020	31 December 2019
Dividend paid by the SFL subgroup to non-controlling interests	(22,466)	(22,445)
Dividend paid by Washington Plaza to non-controlling interests	(10,801)	(8,299)
Other	574	1,841
Total	**(32,693)**	**(28,903)**

The SFL subgroup has the following shareholders agreements with Prédica:

- Agreement at SCI Washington, in which SFL holds 66%. In the event of a change of control of SFL, Prédica may consent to the change of control, or acquire or sell all of the shares and current accounts held by SFL in the common subsidiary, at a price agreed between the parties or at market value.
- Agreement at Parholding, in which SFL holds 50%. In the event of a change of control of SFL, Prédica may consent to the change of control, or acquire or sell all of the shares and current accounts held by SFL in the common subsidiary, at a price agreed between the parties or at market value.

Summarised financial information on the main subsidiaries with non-controlling interests

The following table shows the summarised financial information for the main subsidiaries with non-controlling interests:

Subsidiary – Thousands of euros

	% non-controlling	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Ordinary income	Profit/ (loss) for the year	Total comprehensive income	Cash flows
Grupo SFL	18%	7,130,570	360,223	1,723,126	570,699	182,424	296,351	290,369	(43,081)
Inmocol Torre Europa	50%	16,775	5,463	–	568	–	(93)	(93)	3,550

15. Bank borrowings and other financial liabilities, bonds and similar securities issued and emissions of promissory notes

The detail, by type of debt and maturity, of these headings in the consolidated statement of financial position is as follows:

31 December 2020 – Thousands of euros

	Current	Non-current						
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Older than 5 years	Total non-current	Total
Bank borrowings:								
Loans	6,433	194,999	75,700	–	–	–	270,699	**277,132**
Interest	1,247	–	–	–	–	–	–	**1,247**
Debt arrangement costs	(2,303)	(2,132)	(1,855)	(1,385)	(985)	–	(6,357)	**(8,660)**
Total debts with credit institutions	**5,377**	**192,867**	**73,845**	**(1,385)**	**(985)**	**–**	**264,342**	**269,719**
Other financial liabilities:								
Current accounts	52,168	–	–	–	–	–	–	**52,168**
Current account interest	27	–	–	–	–	–	–	**27**
Other financial liabilities	2,474	–	–	–	–	–	–	**2,474**
Total other financial liabilities	**54,669**	**–**	**–**	**–**	**–**	**–**	**–**	**54,669**
Total debts with credit institutions and other financial liabilities	**60,046**	**192,867**	**73,845**	**(1,385)**	**(985)**	**–**	**264,342**	**324,388**
Issue of debentures and similar securities:								
Issuing bonds	249,700	289,600	306,200	493,300	1,000,000	2,000,000	4,089,100	**4,338,800**
Interest	28,420	–	–	–	–	–	–	**28,420**
Debt arrangement costs	(5,224)	(4,991)	(4,595)	(4,335)	(3,113)	(3,306)	(20,340)	**(25,564)**
Total issue of debentures and similar securities	**272,896**	**284,609**	**301,605**	**488,965**	**996,887**	**1,996,694**	**4,068,760**	**4,341,656**
Issues of promissory notes	235,000	–	–	–	–	–	–	**235,000**
Total emission trade bills	**235,000**	**–**	**–**	**–**	**–**	**–**	**–**	**235,000**
Total	**567,942**	**477,476**	**375,450**	**487,580**	**995,902**	**1,996,694**	**4,333,102**	**4,901,044**

31 December 2019 – Thousands of euros

	Current	Non-current						
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Older than 5 years	Total non-current	Total
Bank borrowings:								
Loans	2,080	2,080	195,000	75,700	125,000	–	397,780	**399,860**
Interest	895	–	–	–	–	–	–	**895**
Debt arrangement costs	(2,242)	(2,179)	(1,618)	(1,227)	(264)	–	(5,288)	**(7,530)**
Total debts with credit institutions	**733**	**(99)**	**193,382**	**74,473**	**124,736**	**–**	**392,492**	**393,225**
Other financial liabilities:								
Current accounts	–	49,866	–	–	–	–	49,866	**49,866**
Current account interest	23	–	–	–	–	–	–	**23**
Other financial liabilities	2,491	–	–	–	–	–	–	**2,491**
Total other financial liabilities	**2,514**	**49,866**	**–**	**–**	**–**	**–**	**49,866**	**52,380**
Total debts with credit institutions and other financial liabilities	**3,247**	**49,767**	**193,382**	**74,473**	**124,736**	**–**	**442,358**	**445,605**
Issue of debentures and similar securities:								
Issuing bonds	–	350,000	350,000	500,000	600,000	2,000,000	3,800,000	**3,800,000**
Interest	26,302	–	–	–	–	–	–	**26,302**
Debt arrangement costs	(4,576)	(4,542)	(4,220)	(3,672)	(3,303)	(2,821)	(18,558)	**(23,134)**
Total issue of debentures and similar securities	**21,726**	**345,458**	**345,780**	**496,328**	**596,697**	**1,997,179**	**3,781,442**	**3,803,168**
Issues of promissory notes	626,000	–	–	–	–	–	–	**626,000**
Total emission trade bills	**626,000**	**–**	**–**	**–**	**–**	**–**	**–**	**626,000**
Total	**650,973**	**395,225**	**539,162**	**570,801**	**721,433**	**1,997,179**	**4,223,800**	**4,874,773**

Changes in net financial debt in the year 2020, arising from other cash flows, are presented in the following table:

Thousands of euros

	31 December 2019	Cash flows	31 December 2020
Loans	399,860	(122,728)	277,132
Issue of promissory notes	626,000	(391,000)	235,000
Issuing bonds	3,800,000	538,800	4,338,800
Gross financial debt (nominal gross debt)	**4,825,860**	**25,072**	**4,850,932**
Cash and cash equivalents	(216,781)	(51,772)	(268,553)
Net financial debt	**4,609,079**	**(26,700)**	**4,582,379**

15.1 ISSUES OF THE PARENT'S STRAIGHT BONDS

The detail of the issues of standard debentures made by the parent company is as follows:

Thousands of euros

Issue	Duration	Maturity	Fixed coupon payable annually	Issue amount	31 December 2020	31 December 2019
05-06-15	8 years	06-2023	2.728%	500,000	306,200	500,000
28-10-16	8 years	10-2024	1.450%	600,000	493,300	600,000
10-11-16	10 years	11-2026	1.875%	50,000	50,000	50,000
28-11-17	8 years	11-2025	1.625%	500,000	500,000	500,000
28-11-17	12 years	11-2029	2.500%	300,000	300,000	300,000
17-04-18	8 years	04-2026	2.000%	650,000	650,000	650,000
14-10-20	8 years	10-2028	1.350%	500,000	500,000	–
Total issues					**2,799,500**	**2,600,000**

In October 2020, under the EMTN "European Medium Term Note" programme, the Parent made a new issue of straight bonds with a total nominal amount of 500,000 thousand euros, an annual coupon of 1.35%, maturing in October 2028, and an issue price of 99.609% of its nominal amount.

Debentures have been admitted for trading in the Main Securities Market of the Irish Stock Exchange.

Likewise, in October 2020, the Parent repaid early a part of the outstanding balances of the bond issues (Liability Management) maturing in June 2023 and October 2024, totalling 193,800 thousand euros and 106,700 thousand euros, respectively.

At 31 December 2020 and 2019, the fair value of the bonds issued by the Parent was 2,987,681 and 2,784,774 thousand euros, respectively.

European Medium Term Note Programme

On 5 October 2016, the parent company registered an EMTN (European Medium Term Note) programme on the Irish Stock Exchange amounting to 3,000,000 thousand euros, extendable to 5,000,000 thousand euros, with a validity of 12 months. On 19 December 2019, the CNMV approved the registration of the renewal and extension to 5,000,000 thousand euros in the official records of the Fixed Income Base Prospectus (Euro Medium Term Note Programme) of the parent company.

Compliance with financial ratios

These straight bonds currently establish the obligation to comply, at 30 June and 31 December of each year, with a financial ratio, whereby the value of the non-collateralised asset of the Group in the consolidated statement of financial position at each of these dates must at least be equal to the financial debt not collateralised. At 31 December 2020 and 2019 the aforementioned ratio had been met.

15.2 ISSUANCE OF STRAIGHT SFL BONDS

The detail of the issues of non-convertible debentures made by SFL is as follows:

Thousands of euros

Issue	Duration	Maturity	Fixed coupon payable annually	Issue amount	31 December 2020	31 December 2019
20-11-14	7 years	11-2021	1.875%	500,000	249,700	350,000
16-11-15	7 years	11-2022	2.250%	500,000	289,600	350,000
29-05-18	7 years	05-2025	1.500%	500,000	500,000	500,000
05-06-20	7 years	06-2027	1.500%	500,000	500,000	–
Total issues					**1,539,300**	**1,200,000**

These bonds constitute non-subordinated debentures and without any preference among them and have been admitted to trading on the Euronext Paris regulated market.

In June 2020, SFL carried out a new straight bonds issue for a nominal amount of 500,000 thousand euros, maturing in June 2027, with an annual coupon of 1.50% and an issue price of 99.579% of its nominal value.

Likewise, in September 2020, SFL repaid a part of the outstanding balances of the bond issues early (Liability Management) maturing in November 2021 and November 2022, totalling 100,300 thousand euros and 60,400 thousand euros, respectively.

At 31 December 2020 and 2019, the fair value of the bonds issued by SFL was 1,615,147 and 1,254,542 thousand euros, respectively.

15.3 ISSUE OF PROMISSORY NOTES BY THE PARENT

The parent company registered a European Commercial Paper programme on the Irish Stock Exchange in December 2018 for a maximum limit of 300,000 thousand euros with a short-term maturity, subsequently extended to 500,000 thousand euros. At 31 December 2020 current issues stood at 70,000 thousand euros (239,500 thousand euros at 31 December 2019).

15.4 ISSUING PROMISSORY NOTES BY SFL

In September 2018, the subsidiary company SFL registered a short-term promissory note issuance programme (NEU CP) for a maximum amount of 500,000 thousand euros, with the issues in effect at 31 December 2020 and 2019 of 165,000 and 386,500 thousand euros, respectively.

15.5 SYNDICATED FINANCING OF THE PARENT

The detail of the parent company's syndicated financing is detailed in the following table:

Thousands of euros

		31 December 2020		31 December 2019	
	Maturity	Limit	Nominal drawn down	Limit	Nominal drawn down
Credit policy	03-2022	–	–	375,000	–
Credit policy	12-2023	–	–	500,000	–
Credit policy	11-2025	500,000	–	–	–
Credit facility (extendable annually over two years until 2027)	11-2025	500,000	–	–	–
Total parent company syndicated financing		**1,000,000**	**–**	**875,000**	**–**

In November 2020, the Parent signed a new credit facility amounting to 1,000,000 thousand euros to substitute the two credit facilities maturing in March 2022 and December 2023, with a total limit of 875,000 thousand euros and against which no amount has been drawn down. The new credit facility is structured into two tranches of 500,000 thousand euros each, maturing in 2025, extendable in the second tranche until 2027. This facility has the status of sustainable since its margin is tied to the rating obtained by the GRESB agency.

The fixed interest rate is variable with a margin referenced to the EURIBOR.

Compliance with financial ratios

At 31 December 2020 and 2019, the Parent was complying with all financial ratios.

15.6 SFL SYNDICATED FINANCING

The detail of SFL's syndicated financing is detailed in the following table:

Thousands of euros

		31 December 2020		31 December 2019	
	Maturity	Limit	Nominal drawn down	Limit	Nominal drawn down
Credit policy	06-2024	390,000	–	390,000	–
Total SFL syndicated financing		**390,000**	**–**	**390,000**	**–**

The fixed interest rate is variable with a margin referenced to the EURIBOR.

Compliance with financial ratios

At 31 December 2020 and 2019, SFL was complying with the financial ratios provided in its respective financing contracts.

15.7 SECURED MORTGAGE LOANS

The details of secured mortgage loans that the Group holds on certain real estate investments is presented in the following table:

Thousands of euros

	31 December 2020		31 December 2019	
	Mortgage debt	Asset market value	Mortgage debt	Asset market value
Investment property (Note 10.5)	272,780	1,189,729	274,860	1,194,435
Total secured mortgage loans	**272,780**	**1,189,729**	**274,860**	**1,194,435**

The Parent holds a "sustainable loan" amounting to 75,700 thousand euros, whose margin will vary according to the rating the Parent obtains in ESG (environment, social and corporate governance) from the GRESB sustainability agency.

Additionally, the SFL Subgroup held fixed-rate mortgage debt at 31 December 2020 and 2019 totalling 197,080 thousand euros and 199,160 thousand euros, respectively.

Compliance with financial ratios

The Group's secured mortgage loans are subject to compliance with various financial ratios. At 31 December 2020 and 2019, the Group complies with the financial ratios demanded in its mortgage loan agreements.

15.8 OTHER LOANS

The Group holds bilateral loans that are not secured by a mortgage that must comply with various ratios. The total limits and balances provided are detailed below:

Thousands of euros

			31 December 2020		31 December 2019	
	Company	Maturity	Limit	Nominal drawn down	Limit	Nominal drawn down
BECM	SFL	07-2023	150,000	–	150,000	–
BNP Paribas	SFL	05-2021	–	–	100,000	–
BNP Paribas	SFL	05-2025	150,000	–	–	–
CADIF	SFL	06-2023	175,000	–	175,000	–
Banque Postale	SFL	06-2024	75,000	–	75,000	–
Société Générale	SFL	10-2025	100,000	–	100,000	–
Bankinter	Colonial	07-2024	–	–	50,000	50,000
CaixaBank	Colonial	07-2024	–	–	75,000	75,000
Total other loans			**650,000**	**–**	**725,000**	**125,000**

In December 2020, the Parent cancelled two loans with Bankinter and CaixaBank amounting to 50,000 thousand euros and 75,000 thousand euros, respectively.

Likewise, in 2020, SFL repaid early its loan with BNPP maturing in May 2021 with a limit of 100,000 thousand euros, and it formalised another loan with the same entity BNPP, with a limit of 150,000 thousand euros, maturing in May 2025.

Compliance with financial ratios

All loans are subject to compliance with certain financial ratios, on a quarterly basis for the Parent and semi-annually for SFL.

At 31 December 2020 and 2019, the Parent and SFL was complying with the financial ratios provided in their respective loan agreements.

15.9 OTHER FINANCIAL LIABILITIES – CURRENT ACCOUNTS WITH SHAREHOLDERS

At 31 December 2020 and 2019, the subsidiary SCI Washington holds a current account with its shareholder of 49,866 thousand euros, respectively. Likewise, the Parholding Subgroup also holds a current account with the same shareholder which, at 31 December 2020, amounted to 2,302 thousand euros (against which no amount had been drawn down at 31 December 2019). These current accounts accrue an additional margin over the three-month Euribor.

15.10 GUARANTEES DELIVERED

At 31 December 2020, the Grupo had provided guarantees to official bodies, customers and suppliers in the amount of 9,121 thousand euros (55,271 thousand euros at 31 December 2019).

Of the total collateral provided, the main guarantee granted, amounting to 4,803 thousand euros, corresponds to commitments acquired by the company Asentia. In this regard, the Parent and Asentia have signed an agreement whereby, if any of the guarantees are executed, Asentia must compensate the Parent for any loss incurred within a maximum period of 15 days.

In 2020, the Parent released various bank guarantees totalling 48,762 thousand euros, mainly formed by 30,300 thousand euros as a guarantee delivered for the acquisition of a property in Barcelona in 2019 (Note 17.2) and 18,259 thousand euros for the recovery of the guarantees delivered in favour of the option holder for the two purchase options on seven logistics properties (Note 24.1.2).

15.11 CASH AND CASH EQUIVALENTS

At 31 December 2020 and 2019 said heading includes cash and cash equivalents amounting to 268,553 and 216,781 thousand euros, respectively, of which, at 31 December 2020 and 2019, 1,777 thousand euros had been pledged or were for restricted use only.

15.12 DEBT ARRANGEMENT COSTS

In 2020 and 2019, the Group recognised 5,872 thousand euros and 5,569 thousand euros in the consolidated income statement, respectively, corresponding to the amortised costs during the year.

15.13 FINANCING INTEREST

The average interest rate of the Group in 2020 was 1.88% (1.75% in 2019) or 2.14% including the accrual of fees (2.02% in 2019). The average interest rate of the Group's debt at 31 December 2020 (spot) is 1.70% (1.63% at 31 December 2019).

The amount of accrued interest pending payment recorded in the consolidated statement of financial position amounts to:

Thousands of euros

	31 December 2020	31 December 2019
Obligations	28,420	26,302
Bank borrowings	1,247	895
Other financial liabilities - Current accounts	27	23
Total	**29,694**	**27,220**

15.14 CAPITAL MANAGEMENT AND RISK MANAGEMENT POLICY

Companies that operate in the real estate sector require a significant level of investment to guarantee the development of their projects and the growth of their business through the acquisition of real estate in equity and/or land.

The Group's financial structure requires its sources of financing to be diversified in entities as well as products and maturity, with the objective of ensuring its companies continue to be profitable businesses and being able to maximise shareholder return.

15.15 FINANCIAL RISK MANAGEMENT POLICY

The Group efficiently manages financial risks with the objective of having an adequate financial structure that allows high levels of liquidity to be maintained as well as minimising financing costs, reducing volatility due to capital changes and ensuring compliance with its business plans.

- Interest-rate risk: The risk management policy has the objective of limiting and controlling the impact of variations in interest rates on the result and cash flows, maintaining the level of indebtedness and the overall cost of debt in line with the Group's credit rating.

  To achieve this objective, interest rate hedging instruments are contracted, if necessary, to cover possible financial cost fluctuations. The Group's policy is to contract instruments that comply with the provisions of the accounting regulations to be considered as efficient accounting coverage, and thus record its market value variations directly in the Group's other consolidated result. At 31 December 2020, the percentage of debt covered or at a fixed rate with respect to total debt stood at 95% in Spain and 96% in France (87% and 90%, at 31 December 2019, respectively).

- Liquidity risk: In order to manage liquidity risk and meet the diverse needs for funds, based on the annual treasury budget, the Group monitors the treasury forecasts monthly.

  The Group considers the following mitigating factors for liquidity risk management: (i) the generation of recurring cash in the businesses on which the Group bases its activity; (ii) the ability to renegotiate and obtain new financing facilities based on long-term business plans and (iii) the quality of the Group's assets.

  Occasionally there may be excess cash making it possible to have undrawn credit facilities or highly liquid deposits with no risk. At 31 December 2020, the Group has sufficient financing facilities to meet its short-term maturities. The Group does not arrange high-risk financial products as a method of investing cash surpluses.

- Counterparty risks: The Group mitigates this risk by carrying out financial operations with leading institutions, as well as accessing the debt market through bond issues.

- Credit risk: The parent company periodically analyses the exposure of its accounts receivable to the risk of default, carrying out a follow-up of the credit settlement and, where appropriate, of the record of credit impairments for which it is estimated that there is a risk of default.

16. Derivative financial instruments

The following table details the financial instruments and the fair value of each of them:

	Company	Counterparty	Interest rate	Maturity	Nominal (Thousands of euros)	Fair value - Assets / (Liabilities)
Cash flow hedges						
Collar	SFL	Société Générale	0%/–0.7525%	2026	100,000	46
Collar	SFL	CIC	–0.25%/–0.52%	2027	100,000	165
Cash flow hedges of planned future transactions						
Swap	SFL	CA-CIB	–0.3475%	2026	100,000	(457)
Swap	SFL	CIC	–0.4525%	2026	100,000	76
Swap	Colonial	Natwest	0.0835%	2032	350,000	(6,734)
Swap	Colonial	Natwest	0.0935%	2032	110,000	(2,217)
Swap	Colonial	CA-CIB	0.0980%	2032	40,000	(782)
Swap	Colonial	Natwest	0.3460%	2033	50,000	(1,586)
Swap	Colonial	Natwest	0.3490%	2033	150,000	(4,796)
Swap	Colonial	Barclays	0.3515%	2033	100,000	(3,203)
Total 31 December 2020					**1,200,000**	**(19,488)**

	Company	Counterparty	Interest rate	Maturity	Nominal (Thousands of euros)	Fair value - Assets / (Liabilities)
Swap	SFL	CA-CIB	0.23%	2022	100,000	(1,665)
Cash flow hedges						
Collar	SFL	Société Générale	0%/–0.7525%	2026	100,000	1,404
Swap	Colonial	Deutsche Bank	0.43%	2023	57,000	(1,792)
Cash flow hedges of planned future transactions						
Swap	SFL	CA-CIB	–0.3475%	2026	100,000	1,877
Swap	SFL	CIC	–0.4525%	2026	100,000	2,416
Swap	Colonial	Natwest	0.0835%	2032	350,000	13,818
Swap	Colonial	Natwest	0.0935%	2032	110,000	4,242
Swap	Colonial	CA-CIB	0.098%	2032	40,000	1,622
Total 31 December 2019					**957,000**	**21,922**

During the first half of 2020, the Parent company formalised three instruments to hedge cash flows from planned operations in order to cover interest rates on future debt issues for a nominal amount of 300,000 thousand euros. They all comply with accounting standards, whose market valuation is recorded directly in equity.

In addition, during the first half of 2020, the Parent cancelled its swap with Deutsche Bank, maturing in 2023, while SFL cancelled its swap with CA-CIB, maturing in 2022. The cancellations resulted in a transfer to the condensed consolidated income statement of the amount recorded in equity, which gave rise to an expense of 1,676 thousand euros.

The impact on the consolidated income statement of the recognition of derivative financial instruments for 2020 and 2019 are shown in the following table:

Thousands of euros

	2020	2019
Expenses from derivative financial instruments (Note 20.8)	(1,685)	(2,807)
Net expenses from derivative financial instruments	**(1,685)**	**(2,807)**

16.1 HEDGE ACCOUNTING

At 31 December 2020 and 2019, the Parent and the subsidiary SFL applied hedge accounting to various derivative financial instruments.

At 31 December 2020, the cumulative impact recognised in the consolidated statement of financial position for hedge accounting generated a receivable balance of 19,457 thousand euros, once the tax impact and consolidation adjustments had been recognised. At 31 December 2019, the impact recognised in the consolidated statement of financial position was a payable balance of 22,403 thousand euros (Note 14).

16.2 FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative financial instruments has been calculated from an update of estimated future cash flows based on an interest rate curve and volatility assigned at 31 December 2020, using the appropriate discount rates established by an independent third-party expert.

Variations of +/– 25 basis points in the interest rate curve have an effect on the fair value of derivative financial instruments of 19,576 and –30,957 thousand euros, respectively.

17. Trade payables and other non-current liabilities

The breakdown of these headings by nature and due dates of the consolidated financial statements is as follows:

Thousands of euros

	31 December 2020		31 December 2019	
	Current	Non-Current	Current	Non-Current
Trade and other payables	42,698	–	38,202	–
Payables for real estate purchases	32,771	–	50,170	–
Advances (Note 12)	20,729	28,287	41,471	21,215
Guarantees and deposits received	2,921	57,215	14,425	58,547
Debts with Social Security	2,171	–	1,863	–
Advanced income	392	–	458	–
Other payables and liabilities	13,756	396	11,589	578
Total	**115,438**	**85,898**	**158,178**	**80,340**

17.1 TRADE AND OTHER PAYABLES

This mainly collects the outstanding amounts for trade purchases made by the Group, and their related costs.

17.2 PAYABLES FOR REAL ESTATE PURCHASES

Collects debts derived from acquisitions of shares and/or real estate. At 31 December 2020, the amount included in this item relates mainly to payments for refurbishment or renovation works on different housing developments of SFL, amounting to 19,870 thousand euros (19,996 thousand euros at 31 December 2019). The effect of updating deferred payments is not significant.

At 31 December 2019, it included the deferred payment of the purchase of a property by the Parent in 2019, amounting to 30,300 thousand euros, which was paid in 2020.

17.3 PREPAYMENTS FROM CUSTOMERS

Non-current advances include the amount of 28,287 thousand euros (21,215 thousand euros at 31 December 2019) on account of the price of the asset that the Group is promoting under the purchase agreement subject to suspensive conditions signed by the Parent and a third party (Note 12).

Current advance payments relate mainly to amounts paid in advance by the lessees for two-monthly or quarterly leases. Also, at 31 December 2019, this heading included 18,259 thousand euros recognised by the Parent in the framework of the options granted on seven logistics assets (Note 24). In 2020, the options were exercised, charging their amount as part of the sales price of assets.

17.4 GUARANTEES AND DEPOSITS RECEIVED

This essentially collects the amounts delivered by the tenants as collateral.

17.5 ADVANCED INCOME

This collects the amounts received by SFL as entry fees, which correspond to amounts billed by tenants to reserve a unique space, and which are recognised as income in a linear manner during the minimum duration of the corresponding lease.

17.6 AVERAGE PAYMENT PERIOD TO SUPPLIERS AND TRADE CREDITORS

The information required by the second final provision of Law 31/2014, of 3 December, which modifies the Corporate Enterprises Act for the improvement of corporate governance, and modifying the third additional provision of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, which establishes measures to combat late payments in commercial operations, all in accordance with the provisions of the resolution of 29 January 2016 of the Institute of Accounting and Audit of Accounts (ICAC) on the information to be incorporated in the report of the consolidated annual accounts in relation to the average period of payment to suppliers in trade operations, of the various Spanish companies making up the Group.

	2020	2019
	Days	**Days**
Average period of payment to suppliers	33	23
Ratio of transactions paid	34	22
Ratio of outstanding transactions	29	41
	Amount (Thousands of euros)	**Amount (Thousands of euros)**
Total payments made	188,575	183,911
Total outstanding payments	10,536	22,531

The data included in the previous table on payments to suppliers refer to those that by their nature are accounts payable for debts with suppliers of goods and services, so that data related to certain items of the “Trade payables and other accounts payable” are included from the consolidated statement of financial position.

On 26 July 2013, Law 11/2013 on measures to support entrepreneurs, stimulate growth and job creation, which modifies the Late Payment Law (Law 3/2004, of 29 December) entered into force. This modification establishes that the maximum period of payment to suppliers, from 29 July 2013, will be 30 days, unless there is a contract between the parties that raises this to a maximum of 60 days.

In relation to payments made outside the maximum legal term set, these correspond mainly to payments related to contracting works and real estate renovation, which are paid within the term established in the corresponding contracts signed with the contractors.

18. Provisions and contingent assets and liabilities

The movement for 2020 of the headings of the consolidated statement of financial position "Current provisions" and "Non-current provisions" and their corresponding detail is as follows:

Thousands of euros

			Non-current	Current
	Staff provisions	Provisions for risks and other provisions	Total non-current	Provisions for risks and other provisions
Beginning balance	**1,472**	**27**	**1,499**	**7,588**
Provisions	817	–	817	–
Provisions against equity	115	–	115	–
Disposals (Note 20.4.1)	–	–	–	(3,240)
Other disposals	(7)	–	(7)	(846)
To be applied	(13)	–	(13)	–
Transfers	(731)	–	(731)	731
Ending balance	**1,653**	**27**	**1,680**	**4,233**

18.1 NON-CURRENT PROVISIONS

Personal provision

Includes amounts corresponding to retirement benefits and seniority bonuses for SFL employees (Note 4.11).

18.2 CURRENT PROVISIONS

Current provisions include an estimate of various future risks of the parent company.

19. Tax situation

19.1 OPTION FOR THE REIT TAX SYSTEM EFFECTIVE FROM 1 JANUARY 2017

Until 31 December 2016, the parent company had been the head of a group of companies under the tax consolidation regime since 1 January 2008. This regime included only companies in Spain, directly or indirectly, in at least 75% of its capital, or 70% in the case of listed companies and those with the majority of voting rights.

On 30 June 2017, the parent company opted for the REIT tax regime (Note 1). The adoption of said tax regime meant the break-up of the tax group in force at 31 December 2016 with effect 1 January 2017, and the recovery of the tax Group's adjustments pending recovery.

19.2 BALANCES HELD WITH PUBLIC ADMINISTRATIONS

The details of the “Tax assets” heading of the consolidated statement of financial position is as follows:

Thousands of euros

	Current		Non-current	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Public Treasury, debtor for tax concepts	–	5	–	–
Public Treasury, debtor for corporate taxes	3,466	1,044	–	–
Public Treasury, VAT debtor	14,468	8,517	–	–
Deferred tax assets (Note 19.5)	–	–	418	448
Total	**17,934**	**9,566**	**418**	**448**

The detail of the “Tax liabilities” heading of the consolidated statement of financial position is as follows:

Thousands of euros

	Current		Non-current	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Public Treasury, company tax credit	–	540	–	–
Public Treasury, creditor for tax concepts	4,938	6,261	–	–
Public Treasury, creditor for exit tax (SFL Group)	5,205	8,450	–	5,141
Public Treasury, VAT creditor	4,581	3,834	–	–
Deferred tax liabilities (Note 19.6)	–	–	366,989	376,560
Total	**14,724**	**19,085**	**366,989**	**381,701**

19.3 RECONCILIATION OF INCOME TAX RESULTS

Law 27/2014, of 27 November, on corporate tax, effective 1 January 2015, established in its article 29 that the general tax rate for taxpayers was 25 percent.

The aforementioned Royal Decree-Law also established the limitation to the compensation of negative tax bases at 25% of the tax base, prior to said compensation, for companies with a turnover equal to or greater than 60 million euros.

On 30 June 2017, the parent company opted for the SOCIMI tax regime, which was applicable with effect 1 January 2017 (Note 1). After the option for the REIT system, the results derived from the REIT activity are taxed at a rate of 0% as long as the requirements for this are met (Note 4.14-m).

The details of the “Income tax” heading of the consolidated income statement was as follows:

Thousands of euros

	2020	2019
Income tax expense	(10,563)	(7,239)
Deferred tax revaluation assets at fair value (IAS 40)	7,717	(11,657)
Other non-main components	856	(3,363)
Income tax expense	**(1,990)**	**(22,259)**

19.4 RECONCILIATION BETWEEN INCOME TAX EXPENSE AND PRIMA FACIE TAX

Thousands of euros

	2020	2019
Profit from continuing activities before tax	64,807	1,014,782
Profit from interrupted activities before tax	–	–
	64,807	**1,014,782**
Tax at the Spanish 25% tax rate (2019: 25%)	(16,202)	(253,695)
Tax effect of amounts that are not deductible (taxable) in the calculation of the tax benefit:		
IAS 40 application (revaluations and redemptions of depreciation)	(11,799)	228,601
Impairment of goodwill	–	(15,556)
Other adjustments	16,067	(589)
Subtotal	**(11,934)**	**(41,239)**
Difference in tax rates by REIT and SIIC regime	8,272	25,842
Difference in foreign tax rates	(689)	(5,950)
Adjustments to current tax for previous years	–	–
Unrecognised tax losses previously used to reduce deferred tax expense	–	(808)
Unrecognised tax losses previously recovered now to reduce current tax expense	4,441	–
Tax losses for the year not recognised in accounting	(2,080)	(104)
Income tax expense	**(1,990)**	**(22,259)**

19.5 DEFERRED TAX ASSETS

The detail of deferred tax assets registered by the Group is as follows:

Thousands of euros

		Recognised in accounting		
	31 December 2019	Inclusions	Write-offs	31 December 2020
Leases (Note 8)	369	–	(37)	332
Other	79	7	–	86
Total	**448**	**7**	**(37)**	**418**

Prior years' tax losses pending offset

The Corporation Tax effective as of 1 January 2016 establishes that the negative tax bases of previous years can be offset in future years without any time restriction, although it generally establishes a limitation to the offsetting of 70% of the positive tax base, with a minimum of 1 million euros. Additionally, in the event that the net amount of the turnover of the company, or the tax group, is between 20 and 60 million euros, such offsetting is limited to 50% of the positive tax base, while if the net amount of the turnover is equal to or greater than 60 million euros, the offsetting limit is reduced to 25% of the positive tax base.

As indicated above, certain companies in the group were part of the 6/08 tax consolidation group; therefore, certain transactions between companies included in the tax consolidation group were eliminated from the aggregate of individual tax bases, with their inclusion in the consolidated tax base being deferred until the result materialises vis-à-vis third parties. Likewise, the tax consolidation regime allowed companies with positive tax bases to benefit from the negative tax bases of other companies in the group's tax consolidation.

After the tax group broke up on 31 December 2016, with effect 1 January 2017, the pending adjustments for operations between companies of the former tax consolidation group were recovered, and the resulting negative tax bases were assigned to each of the Group's companies depending on how they had contributed to them being generated.

The accumulated negative tax bases to be offset by Spanish companies at 31 December 2020 amounted to 5,401,866 thousand euros.

Deferred assets for tax credits through deductions

The Group has various deductions pending application at 31 December 2020 due to a shortfall totalling 8,233 thousand euros.

19.6 NON-CURRENT DEFERRED TAX LIABILITIES

The details of the "Deferred and non-current tax liabilities" heading of the non-current liability of the consolidated statement of financial position is presented in the following table:

Thousands of euros

	31 December 2020	31 December 2019
Deferred tax liabilities	366,989	376,560
Non-current tax liabilities	–	5,141
	366,989	**381,701**

Non-current tax liabilities correspond to the SFL last exit tax payment accrued by the option under the SIIC regime (Note 4-14) of the property Emile Zola acquired by the subsidiary SFL in 2017.

The details of deferred tax liabilities along with their movements are detailed in the following tables:

Thousands of euros

	31 December 2019	Inclusions	Write-offs	31 December 2020
Asset revaluation	371,303	2,875	(12,259)	361,919
Asset revaluation-Spain	149,732	7,180	(12,259)	144,653
Asset revaluation-France	221,571	(4,305)	–	217,266
Deferral for reinvestment	4,782	–	(187)	4,595
Other	475	–	–	475
	376,560	**2,875**	**(12,446)**	**366,989**

Thousands of euros

	31 December 2018	Inclusions	Write-offs	31 December 2019
Asset revaluation	356,069	15,234	–	371,303
Asset revaluation-Spain	151,007	(1,275)	–	149,732
Asset revaluation-France	205,062	16,509	–	221,571
Deferral for reinvestment	4,970	–	(188)	4,782
Other	475	–	–	475
	361,514	**15,234**	**(188)**	**376,560**

Deferred liability for asset revaluation

This corresponds, essentially, to the difference between the accounting cost of market-valued real estate investments (IFRS base) and their tax cost (valued at acquisition cost, net of amortisation and impairment of the value that would have been deductible).

Asset revaluation – Spain

This includes the amount of deferred taxes associated with the Group's real estate investments located in Spain, which would be accrued if said assets are transmitted at the fair value to which they are registered, using the effective rate that would apply to each of companies taking into account the applicable regulations and the existence of unregistered tax credits.

After the adoption of the REIT tax system, the movements in deferred taxes recorded during 2017 correspond, essentially, to the properties owned by the companies that have not opted for said regime, i.e. Wittywood, S.L. and Inmocol Torre Europa, S.A., and to certain adjustments derived from corporate operations. In this respect, the deferred taxes associated with the real estate investments of the Group entities, fully owned by the Parent, were recognised at an effective rate of 18.75% (25% tax rate with a limit of 25% on the offset of tax losses). Consequently, in calculating deferred tax liabilities, the Group considers the application of 48,304 thousand euros of deferred tax assets derived from negative tax bases (difference between the 25% tax rate and the effective settlement rate applied to 18.75%).

Asset revaluation – France

The item "Asset revaluation-France-" includes the amount of deferred taxes associated with the Group's real estate investments located in France, which would accrue if said assets were transferred. It should be recalled that almost all assets in France are subject to the SIIC regime (Note 4.14-m), so they will not generate additional tax at the time of transmission. At 31 December 2020 and 2019 , only the assets of the member companies of the Parholding Subgroup were left out of said tax regime.

19.7 TAX YEARS PENDING VERIFICATION AND INSPECTION ACTIONS

The Group has the last four tax years open for inspection for all taxes applicable to it in Spain and France, except for corporate income tax of Spanish companies with negative tax bases to be offset or deductions pending application, in which case the verification period extends to 10 tax years. In 2016, the parent company made complementary settlements of the Corporation Tax for 2011 to 2014, which were outside the statute of limitations for these years.

It is not expected that additional liabilities will be accrued for the Group as a result of a possible inspection.

19.8 DISCLOSURE REQUIREMENTS RELATING TO REIT STATUS, LAW 11/2009, AS AMENDED BY LAW 16/2012

The information requirements relating to the REIT status of the Parent and its subsidiaries are included in the corresponding notes to the individual financial statements.

19.9 COMPLIANCE WITH THE CODE OF GOOD TAX PRACTICES

On 10 December 2015, the Board of Directors of the parent company agreed to adhere to the code of good tax practices. Said agreement was communicated to the administration on 8 January 2016.

20. Income and expense

20.1 REVENUE

The net amount of turnover corresponds to the ordinary income from contracts with clients for rents derived from the Group's equity activity, which basically focuses on the markets of Barcelona, Madrid and Paris. The net amount of turnover and its distribution by geographic segments is included in the following table:

Thousands of euros

Equity segment	2020	2019
Barcelona	49,742	48,248
Madrid	106,536	101,290
Rest of Spain	2,967	6,266
Paris	182,424	198,710
Total	**341,669**	**354,514**

The income for 2020 and 2019 include the effect of rental incentives throughout the minimum duration of the contract (Note 4.15.3). At 31 December 2020, the impact of previous accruals has entailed an increase in revenue of 4,910 thousand euros (2019: decrease of 228 thousand euros).

The total amount of the minimum future lease charges corresponding to the Group's non-cancellable operating leases, in accordance with the contracts in force on each date, and without taking into account the impact of common expenses, future increases in the CPI or future income updates based on contractually agreed market parameters is as follows:

Thousands of euros

	Nominal Value	
	31 December 2020	31 December 2019
Less than one year	*309,994*	*323,839*
Spain	133,905	140,254
France	176,089	183,585
Between one and five years	*655,130*	*737,988*
Spain	212,970	264,306
France	442,160	473,682
More than five years	*454,569*	*470,139*
Spain	39,708	45,478
France	414,861	424,661
Total	**1,419,693**	**1,531,966**
Spain	*386,583*	*450,038*
France	*1,033,110*	*1,081,928*

20.2 OTHER OPERATING INCOME

They correspond, fundamentally, to the provision of real estate services. At 31 December 2020 and 2019, the balance of this heading amounted to 4,982 thousand euros and 9,617 thousand euros, respectively.

20.3 STAFF COSTS

The "Staff costs" heading in the consolidated income statement is as follows:

Thousands of euros

	2020	2019
Wages and salaries	18,948	18,126
Social Security expenses borne by the Company	6,006	5,750
Other welfare expenses	7,259	6,839
Contributions to defined benefit plans	246	244
Internal reallocation	(1,146)	(1,043)
Total Employee costs	**31,313**	**29,916**
Spain	*16,731*	*16,234*
France	*14,582*	*13,682*

The "Other welfare expenses" heading includes the amounts corresponding to the accrual in 2020 derived from the cost of the Parent's long-term remuneration plan (Note 21-1) and the SFL options plan described in the (Note 21-2), amounting to 6,342 thousand euros (5,309 thousand euros in 2019).

The contributions to defined benefit plans made by the Parent in 2020 and 2019 amount to 246 and 244 thousand euros, respectively, and are recognised under the "Staff costs" heading of the consolidated income statement. At the end of both years, there are no outstanding amounts to contribute to the mentioned pension plan.

The number of people employed by the Group, as well as the average number of employees during the year distributed by categories and gender, was as follows:

No. employees

	2020		2019		Average 2020		Average 2019	
	Men	Women	Men	Women	Men	Women	Men	Women
General and Area Management	13	9	13	7	13	9	14	7
Qualified technicians and middle managers	40	42	44	49	44	49	42	46
Office clerks	30	89	29	85	27	83	26	77
Other	5	1	6	1	5	1	6	1
Total people employed	**88**	**141**	**92**	**142**	**89**	**142**	**88**	**131**

20.4 OTHER OPERATING EXPENSES

The "Other operating expenses" heading of the consolidated statement of income is as follows:

Thousands of euros

	2020	2019
External services and other expenses	18,968	23,856
Taxes	26,968	24,278
Total Other operating expenses	**45,936**	**48,134**

Net change in provisions

The movement in the year in the operating provisions included in external services and other expenses is as follows:

Thousands of euros

	2020	2019
Net application operating provisions (Note 18)	(3,240)	(7,552)
Net provision for insolvencies and other provisions	1,548	314
Other provision allowances	5,872	278
Total Net variation of provisions	**4,180**	**(6,960)**

20.5 NET GAINS ON SALES OF ASSETS

The composition of the Group's net results from asset sales (Notes 10 and 24), as well as their geographical distribution, are detailed below:

Thousands of euros

	Spain		France		Total	
	2020	2019	2020	2019	2020	2019
Sale price	333,390	294,860	–	–	333,390	294,860
Asset write-offs	(314,579)	(263,208)	–	–	(314,579)	(263,208)
Write-off of waiting periods	(3,580)	(683)	–	–	(3,580)	(683)
Indirect and other costs	(13,617)	(11,045)	–	–	(13,617)	(11,045)
Net result from asset sales	**1,614**	**19,924**	**–**	**–**	**1,614**	**19,924**

20.6 GAINS/(LOSSES) ON CHANGES IN VALUE OF ASSETS AND IMPAIRMENT

The detail of the nature of the impairments recorded in the "Result due to changes in asset value and impairment" heading of the consolidated income statement is presented in the following table:

Thousands of euros

	2020	2019
Impairment of goodwill (Note 7)	–	(62,225)
Impairment / (Reversal) of property for own use (Note 9)	1,078	1,208
Other impairments	(46)	(339)
Substitute write-offs	(489)	(538)
Result due to variation in asset value and impairment	**543**	**(61,894)**

20.7 CHANGES IN FAIR VALUE OF INVESTMENT PROPERTY

The breakdown of the result of the “Variations in value in real estate investments” heading of the consolidated income statement broken down by type is as follows:

Thousands of euros

	2020	2019
Investment property (Note 10)	(77,682)	842,657
Assets classified as held for sale – Investment property (Note 24)	(1,370)	31,042
Variations in property investment value	**(79,052)**	**873,699**
Spain	*(255,578)*	*346,810*
France	*176,526*	*526,889*

20.8 INCOME AND FINANCIAL EXPENSES

The breakdown of the financial result broken down by type is as follows:

Thousands of euros

	2020	2019
Financial income:		
Income from shareholdings	–	–
Other interests and similar income	1,132	2,232
Income from derivative financial instruments (Note 16)	–	–
Total Financial Income	**1,132**	**2,232**
Financial expenses:		
Financial expenses and similar expenses	(94,400)	(89,129)
Capitalised financial costs (Notes 10 and 12)	10,507	5,066
Financial expenses per update (Notes 8 and 19)	(772)	(1,138)
Financial expenses associated with loan cancellation	(2,493)	(4,743)
Financial expenses associated with repurchase of debentures	(26,975)	–
Finance costs associated with arrangement expenses (Note 15.12)	(5,872)	(5,569)
Expenses from derivative financial instruments (Note 16)	(1,685)	(2,807)
Total Financial Expenses	**(121,690)**	**(98,320)**
Impairment of financial assets	**–**	**–**
Total Financial Result (Loss)	**(120,558)**	**(96,088)**

20.9 TRANSACTIONS WITH RELATED PARTIES

In 2000, no transactions took place with related parties.

20.10 RESULT BY COMPANY

The contribution of each company included in the scope of consolidation to the consolidated results for the year was as follows:

Thousands of euros

	Net consolidated income		Net result attributed to non-controlling interests		Net profit for the year attributable to the Parent	
Company	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Inmobiliaria Colonial, SOCIMI, S.A.	(228,062)	348,110	–	(314)	(228,062)	347,796
SFL subgroup	294,051	647,720	(61,524)	(165,835)	232,527	481,885
Inmocol Torre Europa, S.A.	(2,327)	20	1,163	(10)	(1,164)	10
Peñalvento, S.L.U.	(67)	(332)	–	–	(67)	(332)
Colonial Tramit, S.L.U.	(4)	(3)	–	–	(4)	(3)
Utopicus Innovación Cultural, S.L.	(1,439)	(2,992)	266	435	(1,173)	(2,557)
Wittywood, S.L.	671	–	(335)	–	336	–
Inmocol One, S.A.	(2)	–	–	–	(2)	–
Inmocol Two, S.L.	(2)	–	–	–	(2)	–
Inmocol Three, S.L.	(2)	–	–	–	(2)	–
Total	**62,817**	**992,523**	**(60,430)**	**(165,724)**	**2,387**	**826,799**

21. Stock option plans

21.1 LONG-TERM COMPENSATION PLAN LINKED TO COMPLIANCE WITH VARIOUS MANAGEMENT INDICATORS

On 21 January 2014, the Annual General Meeting of the parent company established, for the Chairman and CEO of the parent company, as well as for the members of the Group's steering committee, a long-term compensation plan to be applicable from 2014 to 2018.

Between 1 and 15 April of each of the following tax years, the Board of Directors, at the proposal of the appointments and remuneration committee, will determine the number of shares that, depending on how the previous year indicators had been fulfilled, it has corresponding to each of the beneficiaries of the plan. The corresponding shares will be delivered to the beneficiaries between 15 and 30 April each year.

Shares received in execution of this plan may not be disposed of or transmitted by the beneficiaries thereof until three years have elapsed from the date of delivery, except those required to pay the taxes derived from their accrual.

The delivery of the resulting shares will include a final adjustment so that the equivalent of the monetary value of the delivered share is in no case higher than 150% of the average price of the Colonial share in November 2013.

The plan includes the usual clauses to adapt the number of shares to be received by the beneficiaries in cases of dilution.

In 2020 and 2019, 3,072 and 2,978 thousand euros were recognised under the "Staff costs – Other welfare expenses" heading of the consolidated statement of income, respectively, to cover said incentive plan (Note 20.3).

On 24 April 2020, the Parent settled the outstanding obligations corresponding to the fulfilment of the plan, once the Board of Directors determined the number of shares to be delivered to the plan beneficiaries according to the degree of compliance with the indicators for 2019, which stood at 395,116 shares (Note 14.6.1). On that date, the shares were delivered to their beneficiaries. Of these, 175,814 shares were delivered to the members of the Board of Directors and 219,302 to members of senior management, at a market value at the time of delivery of 1,364 and 1,702 thousand euros, respectively.

On 30 April 2019, the Parent settled the outstanding obligations corresponding to the fulfilment of the plan, once the Board of Directors determined the number of shares to be delivered to the plan beneficiaries according to the degree of compliance with the indicators for 2018, which stood at 493,894 shares (Note 14.6.1). On that date, the shares were delivered to their beneficiaries. Of these, 219,767 shares were delivered to the members of the Board of Directors and 274,127 to members of senior management, at a market value at the time of delivery of 2,109 and 1,657 thousand euros, respectively.

Extension of the duration of the long-term compensation plan linked to compliance with various management indicators

On 29 June 2017, the Annual General Meeting approved extending the duration of the application of the share delivery plan approved by the annual general meeting dated 21 January 2014 for a period of two additional years under the same terms and conditions.

2nd extension of the duration of the long-term compensation plan linked to compliance with various management indicators

On 30 June 2020, the General Shareholders' Meeting approved a further extension of the duration of the application of the share delivery plan approved by the shareholders on 21 January 2014 for an additional 2 years, i.e. for the periods 2021 and 2022, all under the same terms and conditions, except for the resolution that, as from 2021, the number of shares corresponding to each of the beneficiaries of the plan accrued each year will be determined on the basis of the average compliance with the indicators set forth in the plan during the two previous financial years. The prohibition to dispose of or transfer the shares received under the plan during the period of three years from the date of delivery is maintained, except as required to pay any taxes derived from the accrual of the shares.

21.2 SFL STOCK OPTION PLANS

The subsidiary SFL maintains a free share allocation plan at 31 December 2020, whose details are as follows:

	Plan 5	Plan 5	Plan 5
Meeting date	20/04/2018	20/04/2018	20/04/2018
Board of Directors Date	20/04/2018	15/02/2019	06/02/2020
Initial target number	33,592	32,948	34,476
% initially expected	100%	100%	100%
Number initially expected	33,592	32,948	34,476
Value per share (euros)	€ 48.64	€ 54.00	€ 65.38
Options cancelled / outflows	–1,768	–340	–128
% expected at closing	200%	100%	100%
Estimated number at closing	63,648	32,608	34,348

Each share allocation plan has been calculated based on the expected number of shares multiplied by the unit fair value of those shares. This expected number of shares corresponds to the total number of shares multiplied by the expected purchase attribution percentage. The resulting amount is allocated linearly during the allocation period.

The fair value of the attributed shares is determined by the price at the date of attribution, corrected by the updated value of future dividends paid during the acquisition period, applying the Capital Asset Pricing Model (CAPM) method.

At 31 December 2020, the expected percentage at year-end for the 2018 plan was 200%, while for the 2019 and 2020 plan it was 100%.

During the first half of 2020, 46,494 free shares from Plan 4 from 2017 were delivered.

At 31 December 2020 and 2019, the amount recognised in the consolidated income statement corresponding to said plans for the free allocation of shares amounted to 3,270 and 2,331 thousand euros (Note 20.3).

22. Balances with related parties and associated companies

At 31 December 2020 and 2019, the Group did not hold any balances with related parties or associates.

23. Remuneration and other benefits to the Board of Directors and members of senior management

23.1 COMPOSITION OF THE PARENT'S BOARD OF DIRECTORS

At 31 December 2020 the Parent's Board of Directors consisted of 8 males and 3 females, while at 31 December 2019 it was formed by 10 men and 3 women.

At 31 December 2020 the composition of the board of directors of the parent company is as follows:

Director	Position	Director Type
Mr. Juan José Brugera Clavero	Chairman	Executive
Mr. Pedro Viñolas Serra	Vice-chairman	Executive
Mr. Sheikh Ali Jassim M. J. Al-Thani	Proprietary	Director
Mr. Adnane Mousannif	Proprietary	Director
Mr. Carlos Fernández González	Proprietary	Director
Mr. Javier López Casado	Proprietary	Director
Mr. Juan Carlos García Cañizares	Independent	Director
Mr. Luis Maluquer Trepat	Lead Independent	Director
Ms. Silvia Mónica Alonso-Castrillo Allain	Independent	Director
Ms. Ana Bolado Valle	Independent	Director
Ms. Ana Cristina Peralta Moreno	Independent	Director

On 30 June 2020, Mr Carlos Fernández-Lerga and Mr Javier Iglesias de Ussel tendered their resignations as directors of the Parent since the maximum period established by law had elapsed for a director to be considered independent. The Board of Directors thanks them for their services provided to the Parent and expresses their appreciation for their dedication to the Company.

Likewise, on the same date, and further to a favourable report from the Appointments and Remuneration Committee, Mr Luis Maluquer was appointed as the new lead independent director of the Parent.

In accordance with the provisions of article 229 of the Corporate Enterprises Act, the directors have stated that neither they nor any of their related parties are involved in any direct or indirect conflicts that may affect the interests of the Parent.

23.2 REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration accrued in 2020 and 2019 by the Parent's Board of Directors, classified by item, was as follows:

Thousands of euros

	31 December 2020			31 December 2019		
	Parent company	Other Group companies	Total	Parent company	Other Group companies	Total
Remuneration accrued by executive directors (*):	**2,535**	**150**	**2,685**	**2,520**	**150**	**2,670**
Non-executive directors per diems:	**962**	**75**	**1,037**	**619**	**60**	**679**
Executive directors per diems:	**–**	**58**	**58**	**–**	**48**	**48**
Fixed remuneration for non-executive directors:	**863**	**60**	**923**	**864**	**80**	**944**
Directors' remuneration	575	50	625	580	40	620
Additional compensation audit and control committee	125	10	135	123	40	163
Additional remuneration appointments and remuneration committee	163	–	163	161	–	161
Remuneration of executive directors	**–**	**70**	**70**	**–**	**70**	**70**
Total 2019	**4,360**	**413**	**4,773**	**4,003**	**408**	**4,411**
Amount of the remuneration obtained by the executive directors (*):	2,535	278	2,813	2,520	268	2,788

(*) The amount corresponding to the accrued expense associated with the long-term incentive plan described in Note 21 is not included.

At 31 December 2020 and 2019, the Parent had taken out a civil liability insurance policy that covers all the directors, members of senior management and employees of the Parent, with a premium amounting to 357 thousand euros and 270 thousand euros, respectively. The aforementioned amount includes, for both years, the civil liability insurance premium paid for damages caused by acts or omissions.

The Annual General Meeting held on 28 June 2016 approved granting the executive directors a defined contribution scheme that covers retirement contingencies and, where appropriate, disability and death. At 31 December 2020 and 2019, the Parent recognised 183 thousand euros and 182 thousand euros, respectively, in this regard under "Staff costs" in the consolidated income statement.

In addition to that stated in the previous paragraph, the Group has not been awarded loans or taken out pension plans or life insurance for the previous and current members of the Board of Directors of the parent company.

At 31 December 2020 and 2019, two members of the Board of Directors have signed guarantee or golden parachute clauses for certain cases of dismissal or change of control, which have all been approved by the General Shareholders' Meeting.

Likewise, in 2020 and 2019, there were no terminations, modifications or early terminations of contracts beyond the ordinary business activities between the Parent and the members of the Board of Directors or any person acting on their behalf.

23.3 COMPENSATION TO SENIOR MANAGEMENT

The parent company's senior management is made up of all those senior executives and other persons who, reporting directly to the CEO, manage the parent company. At 31 December 2020 and 2019, senior management consisted of two males and two females.

The monetary remuneration received by senior management during 2020 amounted to 1,369 thousand euros. Additionally, they received 1,072 thousand euros corresponding to the long-term incentive plan (1,275 thousand euros and 1,657 thousand euros, respectively in the year 2019).

The Board of Directors held on 27 July 2016 approved awarding a member of senior management a defined contribution scheme that covers retirement contingencies and, where appropriate, disability and death. At 31 December 2020 and 2019, the Parent recognised 63 thousand euros and 62 thousand euros, respectively, in this regard under "Staff costs" in the consolidated statement of comprehensive income.

At 31 December 2020 and 2019, a member of senior management had signed a guarantee or golden parachute clause for certain cases of dismissal or change of control.

24. Assets classified as held for sale

The movements in this section of the statement of financial position have been the following:

Investment property – Thousands of euros

	31 December 2020	31 December 2019
Beginning balance	**176,434**	**26,091**
Inclusions	6,680	–
Transfers (Notes 10 and 13.3)	283,315	364,609
Disposals (Note 20.5)	(183,100)	(245,308)
Value variation (Note 20.7)	(1,370)	31,042
Ending balance	**281,959**	**176,434**

Movements in 2020

In 2020, the Parent transferred three properties from the consolidated statement of financial position heading "Investment property", amounting to 277,492 thousand euros and 5,823 thousand euros from "Trade and other receivables", relating to the accrual of lease incentives.

For the three properties transferred, private sale agreements were signed, one relating to a property in Tarragona corresponding to the Parent and two properties located in Paris, corresponding to SFL. In the three cases, the transfer must take place in February 2021 provided that all the conditions set out in the contract are met (Note 26).

Of the total transferred properties, the Parent has disposed of a rural property and four logistics assets for a total amount of 186,590 thousand euros, leading to a loss of 7,623 thousand euros, including indirect sale costs.

Movements in 2019

In 2019, the Parent transferred 19 properties from the consolidated statement of financial position heading "Investment property", amounting to 364,609 thousand euros.

Of the total transferred property, the Parent disposed of a hotel in Madrid and 11 logistics assets for a total sale amount of 271,910 thousand euros.

Of the rest of the transferred properties, purchase options were signed on seven logistic assets, amounting to 18,259 thousand euros, for whose amount guarantees were pledged in favour of the option holder. In 2020, all the options were exercised, considering their amount to be part of the sales price, and all these guarantees provided have been returned.

Changes in the value of investment property classified as held for sale

The "Changes in value of investment property" heading in the consolidated income statement includes the results of revaluating the assets classified as held for sale (Note 20.7) for 2020, amounting to 1,370 thousand euros, in accordance with the independent expert appraisals at 31 December 2020 (Note 4.4) (31,042 thousand euros profit for 2019).

25. Remuneration to auditors

The fees accrued for account auditing services corresponding to 2020 and 2019 of the different companies making up the Colonial Group, provided by the main auditor and other auditors, have amounted to the following:

Thousands of euros

	2020		2019	
	Main auditor	Other auditors	Main auditor	Other auditors
Audit services	607	245	667	241
Other verification services	126	–	143	19
Total audit and related services	**733**	**245**	**810**	**260**
Tax advice services	–	73	–	29
Other services	107	156	53	282
Total professional services	**107**	**229**	**53**	**311**

The main auditor of the Colonial Group for 2020 and 2019 is PricewaterhouseCoopers Auditores, S.L.

The fees of the main auditor for other verification services include 126 thousand euros corresponding to services provided to the Group for limited reviews, the issuance of comfort letters and agreed-upon procedures reports (141 thousand euros in 2019). Additionally, in 2019, the Parent's auditor provided services to subsidiaries on agreed procedures amounting to 2 thousand euros (in 2020, it did not provide any services to subsidiaries).

At 31 December 2020, the fees of the main auditor for other professional services provided to the Group amounted to 107 thousand euros corresponding to the performance of market surveys, limited reviews and translations to English of statutory information (53 thousand euros at 31 December 2019).

The main auditor's fees represent less than 1% of its turnover in Spain.

26. Events after the reporting date

Since 31 December 2020 and up to the date on which these consolidated annual financial statements were prepared, no significant events have occurred, except:

- On 13 January 2021, one of SFL's properties, the 112 Wagram in París, was sold for 120.5 million euros (Note 24).
- On 17 February 2021, another of SFL's properties, at 9 avenue Percier, Paris, was sold for 143.5 million euros (Note 24).
- Lastly on 17 February 2021, the Parent disposed of a logistics asset located in Tarragona for a price of 19.5 million euros. (Note 24).
- On 24 February 2021, the Parent acquired 3.19% of the share capital of the subsidiary Utopicus Innovación Cultural, S.L. and now holds 100% of the share capital of this company.

Annexes

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

At 31 December 2020 and 2019, the fully consolidated companies and the information related thereto were as follows:

	% shareholding					
	Direct		Indirect			
	2020	2019	2020	2019	Shareholder	Activity
Colonial Tramit, S.L.U. Avda. Diagonal, 532 08006 Barcelona (Spain)	100%	100%	–	–		Real estate
Inmocol Torre Europa, S.A. (*) Avda. Diagonal, 532 08006 Barcelona (Spain)	50%	50%	–	–		Real estate
Wittywood, S.L. Avda. Diagonal, 532 08006 Barcelona (Spain)	50%	–	–	–		Real estate
Inmocol One, S.A.U. Pº de la Castellana, 52 28046 Madrid (Spain)	100%	–	–	–		Real estate
Inmocol Two, S.L.U. Pº de la Castellana, 52 28046 Madrid (Spain)	100%	–	–	–		Real estate
Inmocol Three, S.L.U. Pº de la Castellana, 52 28046 Madrid (Spain)	100%	–	–	–		Real estate
Peñalvento, S.L.U. Pº de la Castellana, 52 28046 Madrid (Spain)	100%	100%	–	–		Real estate
Utopicus Innovación Cultural, S.L. Príncipe de Vergara, 112 28002 Madrid (Spain)	96.81%	96.81%	–	–		Coworking
SA Société Foncière Lyonnaise (SFL) 42, rue Washington 75008 Paris (France)	81.71%	81.71%	–	–		Real estate
SNC Condorcet Holding (**) 42, rue Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SNC Condorcet Propco (**) 42, rue Washington 75008 Paris (France)	–	–	100%	100%	SNC Condorcet Holding	Real estate
SCI Washington (*) 42, rue Washington 75008 Paris (France)	–	–	66%	66%	SFL	Real estate
SCI 103 Grenelle (*) 42, rue Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SCI Paul Cézanne (*) 42, rue Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SA Segpim (*) 42, rue Washington 75008 Paris (France)	–	–	100%	100%	SFL	Marketing real estate and service provision

	% shareholding					
	Direct		Indirect			
	2020	2019	2020	2019	Shareholder	Activity
SAS Locaparis (*) 42, rue Washington 75008 Paris (France)	–	–	100%	100%	Segpim	Marketing real estate and service provision
SAS Maud (*) 42, rue Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SAS SB2 (*) 42, rue Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SAS SB3 (*) 42, rue Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SCI SB3 42, rue Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SAS Parholding (*) 42, rue Washington 75008 Paris (France)	–	–	50%	50%	SFL	Real estate
SC Parchamps (*) 42, rue Washington 75008 Paris (France)	–	–	100%	100%	SAS Parholding	Real estate
SC Pargal (*) 42, rue Washington 75008 Paris (France)	–	–	100%	100%	SAS Parholding	Real estate
SC Parhaus (*) 42, rue Washington 75008 Paris (France)	–	–	100%	100%	SAS Parholding	Real estate

* Company audited in 2020 by PricewaterhouseCoopers.
** Company audited in 2020 by Deloitte & Associés.

At 31 December 2020 and 2019, the Group companies were audited by PricewaterhouseCoopers Auditores, S.L., except the SFL Group, which was jointly audited by Deloitte and PricewaterhouseCoopers.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Consolidated directors' report for the year ended 31 December 2020

Group Status

RENTAL MARKET SITUATION

Barcelona

In the office market in Barcelona, an annual take-up volume of 138,000 sqm was reached, in an atypical year, with a figure significantly lower than that of 2019 and around 50% lower than the average over the last 5 years. The fourth quarter registered the highest take-up volume within this year with 41,700 sqm signed, even exceeding the figure from 1Q 2020. The vacancy rate in general has increased mainly due to the return to the market of second-hand spaces. Scarcity of quality product, however, keeps the CBD vacancy rate at levels below 2%. For Grade A office supply this situation is further enhanced, reaching a vacancy rate of 0.5% in the CBD.

Madrid

Take-up in the office market in Madrid for the last quarter of the year stood at more than 86,600 sqm. Consequently, 2020 closed with a signed surface area of 334,000 sqm, the lowest figure since 2014 and 35% below the average over the last 5 years. Despite it having been a year of great uncertainty, a total of 11 large strategic moves were taken, four of which were signed during 4Q 2020. The vacancy rate in general has increased to stand at 9.2% in 4Q, being the main reason for second-hand surface area returning to the market and the completion of various projects. In the CBD, the vacancy rate remains at moderate levels of 5.3% and available Grade A product is 2.0%, at around 50,000 sqm, in line with previous quarters.

Paris

In the office market in Paris, take-up in 2020 was 1,321,000 sqm, an historically low figure due to the COVID-19 crisis and the subsequent slowdown of activity, however, there has been an increase in the take-up reached in 4Q (409,000 sqm). The CBD is the market which has proven to be most resilient with a vacancy rate of 3.6%. Grade A product remains scarce with a vacancy rate below 1% in the CBD.

Sources: Reports by Jones Lang Lasalle, Cushman & Wakefield, CBRE & Savills

ORGANISATIONAL STRUCTURE AND OPERATION

Colonial is the benchmark SOCIMI in the quality office market in Europe and since the end of June 2017 it has been a member of the IBEX 35, which is the reference index of the Spanish stock market.

The company has a market capitalisation of approximately 4,000 million euros with a free float of around 60% and manages an asset volume of more than 12,000 million euros.

The company's strategy focuses on building industrial value through creating the highest quality prime product through real estate transformation and repositioning of the assets.

In particular, the strategy is based on the following pillars:

- A business model focused on transformation and creation of top-quality offices in prime locations, mainly the CBD (Central Business District).
- Maximum commitment in creating offices that respond to the best demands in the market, with special emphasis on efficiency and sustainability.
- A diversified pan-European strategy in the Barcelona, Madrid and Paris office markets.

- An investment strategy that combines core acquisitions with prime factory acquisitions and value-added components.

- A clearly industrial real estate approach to capture above-market-average value creation.

Today Colonial is the European company with the greatest focus on city centre areas and leads the Spanish real estate market in terms of quality, sustainability and efficiency of its office portfolio.

Likewise, it has adopted a comprehensive approach to all areas of Corporate Social Responsibility, aiming at the highest standards of (1) sustainability and energy efficiency, (2) corporate governance and transparency, as well as (3) excellence in HR and social actions and making them an integral part of the Group's strategy.

In recent years Colonial has successfully implemented the objective of organic investment announced to the capital market: asset acquisitions prioritising off-market operations, identifying properties with added value potential in market segments with sound fundamentals. For this reason, there have been significant investments and divestitures in the Colonial Group since 2015.

At the end of 2020, the Colonial Group has a robust capital structure with a solid "Investment Grade" rating. The Group's LTV stands at 36% in December 2020.

The parent company's strategy is to consolidate itself as the leader of prime offices in Europe with special emphasis on the Barcelona, Madrid and Paris markets:

- A solid capital structure with a clear vocation to maintain the highest credit rating standards - investment grade.

- An attractive return for the shareholder based on a recurring return combined with creating real estate value from value-added initiatives.

Business performance and results

INTRODUCTION

At 31 December 2020, the Group's turnover was 342 million euros.

The operating profit was 185 million euros.

The revaluation of real estate investments, in accordance with the independent appraisal carried out by Jones Lang Lasalle and CB Richard Ellis, in Spain, and Cushman & Walkfield and CB Richard Ellis, in France at year end, was –79 million euros. The change in value, which was recorded in both France and Spain, does not represent a cash outflow.

Net financial expense was 120 million euros.

Considering all this, and taking into account the result attributable to minorities (60 million euros), the after-tax result attributable to the parent company amounts to 2 million euros in profit.

PROFIT FOR THE YEAR

Net Asset Value/ Net Tangible Assets (NAV/NTA) of 11.27 euros/share (11.47 euros/share including the dividend paid), in line with the previous year.

Colonial closed 2020 with a net asset value (NAV/NTA) of 11.27 euros/share which, including the dividend paid of 0.20 euros/share amounts to 11.47 euros/share, stable compared to the (NAV/(NTA) of 11.46 euros/share from the previous year (+0.1%).

The stable evolution of the NAV (NTA) is underpinned by the defensive performance of the value of the assets. It is worth highlighting the increase in value of the Paris portfolio that has compensated for the slight correction of the Madrid and Barcelona portfolios.

Among the main aspects that explain the evolution of the NAV (NTA), it is important to highlight:

- Growth of +4% like-for-like in 2020 of the asset portfolio in Paris.

- Successful management of the project portfolio with high levels of pre-letting.

- Resilient execution of the contract portfolio, exceeding ERV's of the previous year.

- Generation of stable cash flow maintaining recurring results of €27cts/share.
- A favourable situation in the investment markets for prime assets, especially in the second half of 2021, allowing divestments at a double-digit premium over GAV.

The high interest by the investment market for core CBD assets, with an increase in transaction volumes and prices in the second half of the year, enabled a favourable evolution of value in the second half of the year. This compensated for the slight correction of the NTA in the first half, closing the year with stable Net Tangible Assets, including the dividend paid.

Significant increase in the value of the real estate portfolio

The gross asset value of the Colonial Group at the close of 2020 amounted to 12,020 million euros (12,631million euros including transfer costs), showing an increase of +1.2% like-for-like compared to the previous year. Including the disposals registered in 2020 for 313 million euros, the value of the assets has decreased by 1%.

The variation in the second half of 2020 amounted to +1.3% like-for-like, compensating the correction in the first half of 2020.

The Barcelona and Madrid asset portfolios saw a slight correction of (3%) like-for-like. This correction was mainly concentrated in the first half of the year, with a variation of (2%) like-for-like, given that in the second half of the year the correction was negligible at (1%) like-for-like.

In Paris, the portfolio value increased +4% like-for-like, thanks to the robust nature of the prime portfolio in Paris and the progress in the project portfolio. After an increase of +1% in the first half of the year, noteworthy is the acceleration of the increase in value of the Paris portfolio of +3% like-for-like in the second half of the year, showing investors' interest in Prime assets in Paris.

The defensive performance of Colonial's asset portfolio is underpinned by:

1. The high concentration in prime CBD locations with strong fundamentals, enabling a higher protection in recessive cycles and a better growth profile in upward cycles.
2. The high quality of the buildings that enables attracting clients with maximum solvency and high loyalty indices.
3. A successful diversification strategy that optimizes the risk profile of the portfolio, as shown in the 2020 results, where the Paris assets have compensated for the slight value correction in Barcelona and Madrid.
4. An industrial approach on value creation through the repositioning of assets, creating Alpha real estate value that creates a differential in the market and offers a more defensive positioning.

Significant increase in recurring net profit and net profit per share

The Group closed 2020 with a net attributable recurring profit of 138 million euros, in line with the previous year.

Net recurring profit per share amounted to €27.06cts/share.

The slight decrease in attributable recurring net profit of (1.7million euros), (1%) vs. the previous year, is mainly due to the disposal of non-strategic assets, mainly carried out in the second half of 2019. These disposals have resulted in an impact of lower rents on the recurring profit of 9 million euros.

Consequently, the recurring profit per share, excluding the above-mentioned non-strategic asset sales, would have been €28.83cts/share, which represents an increase of +5% year-on-year in comparable terms.

The net result of the Group amounts to 2 million euros, including the value variation of the assets registered at 31 December 2020 as well as the impact of asset sales and other non-recurring impacts.

Solid like-for-like increase in net income

The Group closed 2020 with 340 million euros of recurring Gross Rental Income, and recurring Net Rental Income (recurring EBITDA rents) of 318 million euros.

Recurring Gross Rental Income in 2020 decreased 3%, mainly due to the disposal of non-strategic assets.

In like-for-like terms, adjusting for investments, disposals and variations in the project and renovation pipeline and other extraordinary items, the Group's gross rental income corrected only by 1%, mainly in previous years levels of revenues.

The net rental income (recurring EBITDA rents) increased +2% in like-for-like terms (+3% like-for-like in the offices portfolio).

Gross Rental Income from the office portfolio increased by +1% year-on-year.

The increase in rents in the office portfolio is based on an increase of +2% in Barcelona and +15% in Madrid. Both cities have shown solid like-for-like rental growth of +5% and +3%, respectively.

The Gross Rental Income of the offices portfolio in Paris decreased by 6%, mainly due to the rotation of the project portfolio and lower activity in the business centres of Cloud and Eduard VII due to the pandemic. In like-for-like terms, the offices Gross Rental Income remained stable at (0.7%) like-for-like.

Highlighted is the growth in the office portfolios of both Madrid and Barcelona.

The Gross Rental Income from the offices portfolio in Madrid increased +15%, based on (1) a like-for-like increase of +3.4% together with (2) an increase in rental income of +11.4% due to an indemnity for the early exit of a client, as well as (3) a successful delivery of the assets of Castellana 163 and Jose Abascal 56.

The Gross Rental Income from the Barcelona portfolio increased +2%, mainly due to a strong like-for-like rise of +5%. Likewise, the rest of the income was affected by client rotation and disposals that were partially compensated by the acquisition of Parc Glories II the previous year.

The Gross Rental Income of the offices portfolio in Paris decreased 6%, mainly due to the rotation of the project portfolio and lower activity in the Cloud and Eduard VII business centres. Excluding this effect, the Gross Rental Income like-for-like slightly decreased by (0.7%) like-for-like.

The rest of the portfolio mainly corresponds to the Hotel Indigo in Paris, as well as the three secondary retail assets coming from the Axiare acquisition. All these assets, less defensive in the current crisis, have suffered a decrease in rental income amounting to 7 million euros like-for-like.

SOLID OPERATIONAL FUNDAMENTALS

Solid take-up levels, capturing rental price increases

The Group's business business performed with resilience in 2020, maintaining a solid take-up and high occupancy levels.

At the close of 2020, the Colonial Group had signed 77 rental contracts on the office portfolio corresponding to 97,363 sqm and annual rents of 36 million euros. Of the total letting activity, 68% (66,440 sqm) corresponds to renewals, spread over the three markets in which the group operates, and the rest (30,924 sqm) corresponds to new lettings.

Double-digit Release Spreads

The release spread (signed rents vs previous rents) was in high double digits in 2020, reaching +17%. These ratios highlight the defensive nature of Colonial's contract portfolio with significant improvement margins on current rents. Worth mentioning is the high increase in the Barcelona portfolio +45%, as well as the solid increase in Madrid +15% and Paris +6%.

Strong rental growth

Compared with the market rent (ERV) at December 2019, signed rents increased by +6% in 2020. In Barcelona, rents were signed at +6% above market rent 12/19, in the Paris portfolio, the increase in ERVs was +9%, and the Madrid portfolio was up +2%.

With regard to the cumulative letting activity, worth highlighting is the high volume signed in the Madrid market, amounting to 44,592 sqm, of which 37,556 sqm are renewals and 7,036 sqm correspond to new lettings. In Barcelona, more than 28,911 sqm were signed, of which 18,308 sqm are renewals and 10,603 sqm correspond to new contracts on available surfaces.

In Paris, 23,861 sqm were signed, of which 10,576 sqm were renewals and 13,284 sqm correspond to new contracts. Of these new contracts, it is worth mentioning that 9,586 sqm correspond to the Marceau project, an asset 100% pre-let during the COVID-19 pandemic. In terms of renewals, of special mention is the almost 6,000 sqm on the Edouard VII asset, as well as the more than 2,600 sqm on the Cézanne Saint Honoré asset.

Letting performance during the pandemic

The volume of signed contracts in the COVID-19 period (2nd, 3rd, and 4th quarters of 2020) is above the volume signed in the first quarter of 2020 (pre-COVID period), with high rental prices in the signed contracts.

In the first quarter of 2020 (pre-COVID), close to 14,000 sqm were signed. This figure was exceeded in each of the following quarters, with a letting volume of close to 30,000 sqm per quarter, specifically 28,709 sqm in the second quarter, 26,600 sqm in the third quarter and 28,516 sqm in the fourth quarter.

The release spread in the COVID-19 period was at +17%, a high double-digit level compared to the pre-COVID situation. Highlighted are Barcelona with an increase of +44% and Madrid with +15%.

Rental growth during the COVID-19 period was at +5%, boosted by Paris with +10% and Barcelona with +5%. Madrid was at +2%, due to a contract renewal that was carried out with a slight correction. Excluding this contract, the rest of the portfolio increased +7% compared to the market rents at December 2019.

Solid occupancy levels

At the close of 2020, the total vacancy of the Colonial Group stood at 4.8%, a vacancy rate in line with recent quarters, although above the ratio one year ago. Of special mention is the improvement in the Madrid office portfolio, reaching 3%.

In the office portfolio in Madrid the vacancy rate decreased down to 3.1%, improving by +120 bps compared to the previous year, mainly due to the 100% occupancy in the Josefa Valcárcel 40 bis asset, among others.

The Barcelona office portfolio has a vacancy rate of 4.6%, a rate in line with the last quarters, but shows an increase of +262 bps compared to the rate from one year ago, mainly due to the client rotation in various assets and new entries into operation.

The office portfolio in Paris has a vacancy rate of 5.6%, which has increased with respect to the close of 2019, mainly due to the entry into operation of the completed refurbishments on the 103 Grenelle and Edouard VII assets. This new entry into operation, offers a future source of potential cash flow from additional rents, given that they represent a top-quality offer in the centre of Paris, currently scarce in the market. Excluding the Grenelle asset, the vacancy rate in Paris is 3%.

Client Portfolio and COVID-19 Negotiations

The Colonial Group has a portfolio of clients diversified between sectors with high levels of loyalty, permanency and solvency.

This great resilience of the client portfolio has been the base for which the collection rate1 levels in Q4 2020 have remained high at 97% for the office portfolio (100% in Paris)

Due to the COVID-19 crisis, the commercial team of the Colonial Group has analysed and negotiated deferral systems or, in exceptional cases, allowances for the payment of rents with a special focus on all the companies that are having financial difficulties as a result, and in the framework, of the limitation of the development of their activities in the commercial and leisure sectors.

Forty-one percent of the Colonial Group's clients had discussions with the commercial team. To date, all the negotiations related to the first and second wave have finalized.

The impact of these agreements reached 4.5% of the annualized passing rents2 as of 31 December 2020.

It is worth mentioning that in exchange of those agreement, extension of the contract maturities have been signed, improving the average maturity of the contract portfolio. The impact of the agreements in the 2020 Profit and Loss account amounted to 6 million of euros.

PROJECTS DELIVERY WITH IMPORTANT ADVANCES

Evolution and progress in the project portfolio

Colonial continues with solid progress on project pipeline of 9 assets with more than 189,000 sqm located in the city centres of Barcelona, Madrid and Paris. Of the 9 current projects, 3 of them are fully pre-let to date.

Among the larger projects, highlighted are the 3 projects in Paris and Campus Méndez Álvaro, located in the south of the Castellana in Madrid. Two of the projects in Paris, Louvre Saint-Honoré and Marceau, are already 100% pre-let.

In addition in Madrid, worth highlighting are the projects of Velázquez 80 and Miguel Ángel 23, benchmark projects in the prime CBD in Madrid that will be delivered at the end of 2021. The pre-commercialization phase of the projects has begun and has received a very good response from the market. The main interest comes from clients in the financial services sector with demand exceeding 2,000 sqm.

The project in Diagonal 525 in Barcelona is in its final phase and its delivery is expected during the first quarter of 2021. This asset is 100% pre-let to Naturgy at record rental prices in the prime CBD market of Barcelona.

Successful progress of projects – Marceau in the prime CBD of Paris

Marceau deserves special attention, located a few metres from the "Place de l'Étoile" in the epicentre of the prime CBD in Paris. The works are progressing at a good pace and the delivery date has not changed due to the pandemic. The high commercial interest in this project has led to a pre-letting of 100% during the COVID-19 pandemic.

During the most difficult period of the pandemic, Colonial and Goldman Sachs signed a pre-letting contract of 6,000 sqm, for 12 years, with a non-cancellable term of nine years. With this transaction, Goldman Sachs, one of the largest investment banking and securities groups in the world, intends to increase its presence in the Gaul country, enabling it to double the workforce of the company in Paris.

Additionally, in the third and fourth quarters, pre-let contracts were signed to occupy the two remaining floors, reaching 100% occupancy. Both contracts were signed under very good terms with regards to the rental price.

Successful delivery of projects – Castellana 163

In 2020, the Colonial Group successfully delivered the Castellana 163 project in the CBD in Madrid, making it a benchmark in the area.

The Castellana 163 building was acquired in the first quarter of 2017 through an off-market transaction at a very favorable price. Its total repositioning was carried out in phases as the client contracts expired.

The project, designed by Colonial, has maximized the rentable surface area of the building, increasing it by more than 1,000 sq m. Among the many technical characteristics of the project, noteworthy is the new façade that increases the natural light by 45% and the design of the two entrances, attracting prime clients.

From the beginning of the project, Castellana 163 was the object of great commercial interest by "AAA" clients and currently has an occupancy of 91%. The average rent of the rented spaces is more 28 euros/sqm/month, achieving a release spread of almost 100% (the average rent of the asset prior to the project was 14 euros/sq m/month).

After completing the project and commercializing the spaces at rental prices above the ERV, the Company obtained a valuation of 1.8x times the cost of the project (acquisition cost + invested capex)

This real estate value creation is an example of the Alpha Value creation which enables extra returns for Colonial shareholders.

SUCCESSFUL EXECUTION OF THE DISPOSAL PROGRAM

Disposal more than 600 million euros with double-digit premium on GAV

In 2020, the Colonial Group divested a total of 617 million euros of mature and non-strategic assets, of which 413 million euros corresponded to the Alpha V programme executed at the end of 2020.

Alpha V disposals – more than 400 million euros in 4Q 2020

At the end of 2020 and the beginning of 2021, Colonial executed the Alpha V project for a value of 413 million euros and a double-digit premium on last appraisal.

This project includes the disposal of two mature office assets, an office asset in a secondary location, a relocated commercial asset and the collection of the last asset included in the sale of the logistics portfolio.

With these disposals, the Colonial Group exceeded the Capital market Day guidance on disposal volume for the rest of the year that stood at 300 million euros.

At the end of 2020, the sale of Av. Bruselas 38 was signed in Madrid, an asset located in Arroyo de la Vega, a secondary area in Madrid. After finishing the project and renting it at market price with a long-term expiry, Colonial sold the asset crystalizing a significant premium on the total cost of the project (acquisition cost + invested capex).

In Paris, two disposals were carried out on mature core assets, 112 Wagram and 70 Percier, with a premium of +16% over valuation and a capital value of 20.000euros/sqm. These transactions show the investors' appetite for the Paris market, with special acceleration in the second half.

Additionally, Colonial sold the nom core retail asset Les Gavarres, coming from the purchase of Axiare, and executed the final settlement of the sale of the last asset in the logistics package within the agreement announced in August 2019.

Divestments 2Q 2020 and 3Q 2020

In this context, in the second and third quarters of 2020 (in the middle of the COVID-19 period), the Colonial Group divested more than €204m in non-strategic assets corresponding to 11 buildings with a total surface area of 223,543 sqm above ground.

Specifically, part of the call option on the logistics portfolio, two secondary office buildings in Barcelona were sold, the Berlín-Numancia and the Plaza Europa, 40-42 assets, and the Hotel Mojácar was disposed of.

These transactions are being delivered under the framework of a capital allocation strategy of the portfolio, disposing of mature and/or non-strategic products in order to:

1. Optimize the quality and returns of the portfolio, further increasing the exposure to prime offices with interesting risk-adjusted returns.

2. Release capital to strengthen the capital structure and maximize Colonial's Total Shareholder Return.

ESG STRATEGY

Corporate Strategy & Decarbonisation Strategy

The Group pursues a clear leadership in ESG, being a fundamental element of its strategy, prioritizing sustainable long-term returns, and based on a business model of high-quality products. Accordingly, the Colonial Group's Corporate Strategy has a central focus on maximum excellence in the fields of governance, social aspects and sustainable investment.

At the end of 2018, the Colonial Group created the ESG Committee, a body created to accelerate the operational implementation of the ESG strategic plan. This Committee is comprised of 7 members of Colonial's Executive Board.

In addition, and to accelerate the strategic leadership in ESG, Colonial constituted the Sustainability Commission at the end of 2020. This Commission is comprised of five members of Colonial's Board of Directors, namely Ms. Silvia M. Alonso-Castrillo Allain, Mr. Adnane Moussanif, Mr. Luis Maluquer Trepat, Ms. Ana Bolado Valle and Ms. Ana Peralta Moreno.

Furthermore, the Company is working on the implementation of the strategic plan for decarbonization. This plan implies the commitment of the Colonial Group so that by 2050, its entire office portfolio will be neutral in carbon emissions, and totally aligned with the Paris climate agreement of December 2015.

For the Colonial Group, this implies: (i) neutrality in carbon emissions by 2050 (ii) a 75% reduction in Scopes 1 & 2 by 2030 starting from 2015.

Important advances in the indexes

2020 was a very successful year in terms of ESG. Accordingly, the Group achieved some significant advances in the sustainability indexes:

1. Colonial has obtained the EPRA Gold sBPR rating for the 5th consecutive year, which certifies the highest reporting standards in ESG.

2. Colonial obtained a rating of 90 out of 100 in the GRESB index 2020, placing it at the high end of the sector. This 5-star rating is above the average of its peers and has led to an increase of scoring by +48% in 2 years and +17% year-on-year (+13 bps).

3. Colonial has obtained a rating of A– from CDP 2020, confirming its leadership in decarbonization. This rating far exceeds the European regional average as well as the financial services sector average and has led to a strong year-on-year boost, increasing from C to A–.

4. Colonial has obtained a rating at the high end of the sector from Vigeo A1, placed in the top 5% of the 4,835 companies rated (9th of 86 within financial services). This rating exceeds the average of the sector in all KPIs of performance and risk management, with a major year-on-year boost.

5. Sustainalytics has given Colonial a rating of 10.5 in ESG risk, placing it in the top 20 of the 420 listed real estate companies analysed. The agency highlights the good management of ESG policies in accordance with all the international standards.

6. MSCI, the reference rating for listed companies, has given Colonial an A on its ESG rating, one of the highest ratings internationally, in particular due to its very high standards in Corporate Governance.

Energy Efficiency-Certifications of the Colonial Group's asset portfolio

93% of the offices portfolio has LEED or BREEAM energy certificates. This high level of certifications places Colonial in a leading position in energy efficiency in Europe. Notably, 1,900 million euros in assets have LEED certificates and ratings and 9,400 million euros in assets have BREEAM certificates.

Additionally, SFL was placed in the rating of the BBCA 2020, positioning it among the top 10 project owners in 2020.

Sustainable financing

In 2020, Colonial entered into a new credit facility (Revolving Credit Facility – RCF) in the amount of 1,000 million euros to replace two Revolving Credit Facility (RCF) lines that it had available in their entirety in the amount of 875 million euros. The new credit facility will be structured in two tranches with maturities of 5 and 5+1+1 years and is considered sustainable because its margin is linked to the rating obtained by the GRESB agency.

To date Colonial has incurred in 1,076 million euros of sustainable financing, reinforcing the message of the Group's commitment to ESG.

ESG Investment – Decarbonisation Laboratory

Colonial will build the first office building in Spain made entirely of wood.

The WittyWood building will have 4,100 sqm destined to office use. The project, which is a unique concept of office building in Spain, will have spaces equipped with the latest technologies. WittyWood is located on 42 Llacuna, in the heart of the 22@ district.

The WittyWood building will be built using wood as the primary material, an unprecedented case in the offices market in Spain. Timber engineering acts as storage for CO_2, consequently considerably reducing the emissions that impact global warming. In the construction phase alone, carbon emissions are reduced by 50%. Due to these characteristics, among others, the building will count on the maximum environmental certificates: LEED Platinum and WELL Platinum.

A SOLID CAPITAL STRUCTURE

A strong balance sheet

At 31 December 2020, the Colonial Group had a solid balance sheet with an LTV of 36%, 100 bps lower than the previous year.

Including the Alpha V disposals registered at the beginning of 2021, the proforma LTV was below 35%.

The available liquidity of the Group amounted to 2,309 million euros, an increase of more than 200 million euros compared to December 2019. This liquidity enables the Group to assure their financing needs in the coming years and be able to cover all its debt maturities until 2024.

Throughout 2020, the two ratings agencies that qualify Colonial's debt, Standard & Poor's and Moody's, have confirmed Colonial's current rating in their reviews in April and in November of 2020.

Colonial has maintained a stable credit rating during the pandemic, in the face of various downward credit rating corrections in the European real estate sector.

Access to the debt market based on a solid rating

The Colonial Group has accessed the bonds and debt market, obtaining new financing for 2,000 million euros in very favorable terms thanks to the high rating by Standard & Poor's and Moody's that underlines the defensive character of Colonial's business model.

Debt investors reacted very favorably as of April 2020, with the debt spreads trading at similar levels to pre-COVID times, following again the fundamentals and trusting the robustness of Colonial's balance sheet.

1. In June 2020, the Colonial Group successfully closed a bond issuance for 500 million euros through its French subsidiary, SFL. The bonds have a 7-year maturity, with an annual coupon of 1.5%. Demand exceeded up to four times the issue volume and was placed to quality European investors.

2. In October 2020, Colonial formalized a bond issuance amounting to 500 million euros, listed on the Spanish stock market. The issue is structured over 8 years with a coupon of 1.35% and maturing in October 2028. The demand exceeded the issue volume by three and was backed by more than 80 international investors with an institutional profile.

3. On 10 November, Colonial formalized a new credit facility (Revolving Credit Facility – RCF) in the amount of 1,000 million euros in substitution of the two Revolving Credit Facility (RCF) lines that it had available in its entirely for 875 million euros. The signing of this credit line has led to as a new milestone in the sector, with unique conditions in terms of maturities with flexibility until 2027.

Active balance sheet management – Liability Management

During 2020, the Colonial Group carried out two Liability Management operations:

1. During September, SFL bought back 100 million euros of bonds maturing in 2021 and 60 million euros of bonds maturing in 2022 that accrue an annual coupon of 1.875% and 2.25%, respectively.

2. In October, Colonial bought 194 million euros of the bonds maturing in 2023 and 107 million euros of the bonds maturing in 2024, that accrue an annual coupon of 2.728% and 1.45%, respectively.

In addition, during the month of December, Colonial cancelled two bilateral loans early, in the amount of 125 million euros, which enabled the average maturity of the gross debt of the Group to be extended, reducing the financial expenses, and optimizing its treasury.

These transactions allowed for the extension of the average maturity of the Group's debt from 3.8 years to 5.2 years. They have also enabled the distribution of the debt maturities over the next 10 years and a reduction in the average cost of debt to 1.71%.

Analyst consensus

In the framework of the COVID-19 crisis, the analysts are progressively revising their assumptions and perspectives on the European listed market.

In the case of the Colonial Group, the analysts' consensus maintains "buy" recommendations and highlights the Company's strength in their analysis, thanks to its strategy of positioning in prime offices in Barcelona, Madrid and Paris.

STRATEGIC PRIME POSITIONING WITH GREAT RESILIENCE

Colonial's strength to deal with the current situation is based on its strategic prime positioning with offices in the CBD and clients with solid solvency, as well as a solid balance sheet.

The main strengths of the Group are the following:

A. Pan-European leadership in Grade A in the city centre (CBD).

   Main owner of top-quality assets in central locations with 77% of its portfolios in CBD areas in each of the markets Colonial operates in.

   An adequate international diversification with a 62% exposure in Paris, one of the most defensive office markets globally.

B. A strong prime positioning with a top-quality client portfolio which provides an attractive combination of 1) rents at the high end of the market with 2) high loyalty levels and solid maturity profiles.

The contract portfolio of the Colonial Group had a positive "reversionary buffer" in 2020, given that the current rents of the portfolio are still below the current market rents. Likewise, to date, the Group has captured high reversion rates with a release spread1 of +17% at the close of 2020.

C. Excellence in ESG

The Colonial Group pursues a clear leadership in ESG, being a fundamental element of its strategy, prioritizing sustainable long-term returns, based on a business model of high-quality products. Accordingly, the Colonial Group's Corporate Strategy has a central focus on maximum excellence in the fields of governance, social aspects and sustainable investment.

D. An attractive project pipeline located in the best areas of Paris, Madrid and Barcelona, with significant pre-letting.

Colonial's project portfolio is 100% located in the city centres of Barcelona, Madrid and Paris. More than 50% of the value corresponds to 3 big projects in Paris and Campus Méndez Álvaro, which is a mix of office and residential use in the south of the Madrid CBD.

E. Active management of the portfolio, through the disposals of non-core assets, improving the prime positioning and releasing capital for opportunities of value creation for our shareholder.

Over the last 3 years, the Colonial Group has carried out significant disposals of non-core assets for more than €2,000m, with double digit premiums over current valuations.

In 2020, and more specifically, in the quarters of COVID (2Q-4Q), Colonial divested more than 600 million euros in non-strategic or mature assets with double-digit premiums over pre-COVID appraisals. These transactions confirm the resilience of the value of Colonial's portfolio and its commitment to its strategy of an active rotation of the portfolio.

F. A solid balance sheet with the best rating in the Spanish real estate sector, confirmed by S&P and Moody's in the middle of the COVID-19 crisis.

The group has one of the highest levels of liquidity in the sector, as well as an LTV of 34.8% post Alpha V disposals with a collateral of Core assets with maximum quality.

Liquidity and capital resources

See "Capital management and risk management policy" section of Note 15.14 of the consolidated financial statements for the year ended 31 December 2020.

The average payment period (APP) of the Group's Spanish companies to their suppliers for 2020 was 33 days. In relation to payments made outside the maximum legal term set, these correspond mainly to payments related to contracting works and real estate renovation, which are paid within the term established in the corresponding contracts signed with the contractors.

The Group has set two payment days per month to comply with the requirements established under Law 11/2013 of 26 July. In this regard, the dates of entry are on the 5th and 20th of each month and the corresponding payments are made on the 5th and 20th of the following month.

Objective and risk management policies

Asset management is exposed to various internal and external risks and uncertainties that can impact Colonial's activity. Therefore, Colonial aims to create sustainable value by optimising the constantly evolving ratio between profitability and risk in financial, environmental, social and economic areas, among others. This balance, together with a holistic and dynamic vision of risk, reinforces Colonial's leadership in the sector and consolidates its position in the long term. Risk management is a key aspect in Colonial's organisational culture, and for this reason, the Group has developed the Risk Control and Management System (hereinafter, RCMS), which establishes a basis for efficient and effective management of the risks throughout the organisation.

To meet these corporate objectives, the risks to which Colonial is exposed are identified, analysed, evaluated, managed, controlled and updated. With the objective of maintaining an effective and updated RCMS, Colonial has prepared a corporate risk map, which identifies the main risks that affect the Group, and evaluates them in terms of impact and probability of occurrence. This map is reviewed and updated periodically every year, with the aim of having an integrated and dynamic risk management tool, which evolves with changes in the environment in which the company operates and changes in the organisation itself.

The main responsibilities assigned in relation to the RCMS correspond to the Board of Directors, the Audit and Control Committee and the internal audit unit. The RCMS also explicitly determines the responsibilities of senior management, operational management and risk owners in relation to risk management.

The Board of Directors is assigned the function of determining the risk control and management policy, including tax policies, identifying the main risks of the Group and implementing and supervising the internal information and control systems, in order to ensure future viability and competitiveness of the Group, adopting the most relevant decisions for its best development. For the management of this function, it has the support of the Audit and Control Committee, which performs, among others, the following functions related to the field of control and risk management:

- Submit a report on risk policy and management to the Board for approval.

- Periodically review the control and risk management systems, so that the main risks are identified, managed and adequately disclosed.

- Oversee the process of preparing, the integrity and presentation of mandatory (financial and non-financial) public information.

Additionally, Colonial has the regulatory compliance unit and the internal audit unit as tools to reinforce said objective. The regulatory compliance unit is responsible for ensuring adequate compliance with the norms and laws that may affect it to undertake its activity, and the internal audit function is responsible for carrying out the necessary supervision activities, contemplated in its annual plans approved by the Audit and Control Committee, to evaluate the effectiveness of the risk management processes and the action plans and controls implemented by the corresponding management teams to mitigate said risks.

For better risk management, Colonial differentiates in two broad areas the different types of risks to which the Group is exposed based on their origin:

- External risks: risks related to the environment in which Colonial carries out its activity and that influence and condition the company's operations.

- Internal risks: risks originated from the company's own activity and its management team.

The main external risks that Colonial faces to achieve its objectives include:

- Economic risks, derived from the political and macroeconomic situation in the countries where it operates, and from changes in investors' own expectations.

- Market risks, derived from transformation in the industry and the business model itself, the greater complexity to develop the investment/divestment strategy, and the fluctuation of the real estate market with an impact on the valuation of real estate assets.

- Financial risks, related to restrictions in capital markets, interest rate fluctuations, the impact of changes in tax regulations (mainly by the SOCIMI regime) and those of the counterparty of the main clients.

- Environmental risks derived from the most demanding demands in ESG, and mainly those related to the impact of climate change on the Group's activity.

The main internal risks that Colonial faces to achieve its objectives include:

- Strategic risks in relation to the scaling and diversification of the Group, the composition of the asset portfolio and the strategy in the coworking market.

- Various operational risks related to maintaining occupancy levels in the real estate and the levels of income contracted, undertaking the projects in term and cost, managing the level of indebtedness and the current credit rating, cyber-attacks or failures in the information systems, as well as those of managing the organisational structure and talent.

- Risks arising from compliance with all applicable regulations and contractual obligations, including tax risks related to the loss of the status of REIT by Colonial and the loss by its French subsidiary Société Foncière Lyonnaise of its status as a Real Estate Investment Trust (REIT).

In addition, the global health crisis caused by COVID-19 has generated a high level of uncertainty in many areas in 2020, especially in the economic sphere, with different effects on the various sectors of the business fabric. In response to this situation, the Colonial Group has implemented a range of measures to secure and preserve the health of its employees and assets, as well as business continuity. The main measures carried out in 2020 focused on the following:

- Protecting and supporting our employees
- Assets Protection
- Analysis of the portfolio and customer service
- Review of the project and investment portfolio
- Continuing with the plan to divest non-core assets
- Financial measures aimed at ensuring the Group's liquidity and strengthening its solvency
- Strengthening internal and external communication

Colonial displayed a high degree of resilience in the face of this crisis, especially in the strategic, operational and financial areas. In 2020, the Company reviewed its corporate risk map and analysed the development of risks as a result of this crisis, identifying and monitoring risks, assessing and anticipating possible impacts, reviewing control measures and adopting appropriate decisions in each of these areas in order to mitigate their impact and secure the Group's operations.

Despite all these measures, there is still a high degree of uncertainty as to the impact of this crisis from an economic point of view, particularly, in terms of the destruction of employment and the business fabric, with the consequent impact it may have on the real estate sector.

Events after the reporting date

Since 31 December 2020 and up to the date on which these consolidated annual financial statements were prepared, no significant events have occurred, except:

- On 13 January 2021, one of SFL's properties, the 112 Wagram in París, was sold for 120.5 million euros (Note 24).
- On 17 February 2021, another of SFL's properties, at 9 avenue Percier, Paris, was sold for 143.5 million euros (Note 24).
- Lastly on 17 February 2021, the Parent disposed of a logistics asset located in Tarragona for a price of 19.5 million euros. (Note 24).
- On 24 February 2021, the Parent acquired 3.19% of the share capital of the subsidiary Utopicus Innovación Cultural, S.L. and now holds 100% of the share capital of this company.

Outlook

The COVID-19 pandemic has affected and continues to significantly affect both our domestic and global markets. Likewise, its impact on Colonial's real estate activity, as well as on the economy in general, remains uncertain and difficult to predict.

At present, all international organisations estimate a significant contraction in the global economy and a significant drop in GDP in Europe and, in particular, in the markets in which Colonial operates: Spain and France, whose governments have taken and are continuing to take unprecedented decisions such as establishing restrictions on freedom of movement.

There is a majority opinion that in the medium term there will be a recovery from this economic impact, although there is a plurality of opinions on the speed of recovery in each country and region, which will depend mainly on developments in the health crisis.

Barcelona and Madrid

As regards the market for quality offices in Barcelona and Madrid, the fundamentals remain strong and have better prospects than in secondary areas. The demand for quality assets in prime locations is expected to recover before that of secondary properties, due to the need for high value-added companies to attract talent, offer the best working environment for their employees and have the best mobility options. This demand, together with a poor quality offer and a significant lack of new office projects for the next few years, means that prime rents are expected to remain stable and recover the growth path once the health crisis is overcome.

Investor appetite for prime office products is also expected to continue. In an environment of low interest rates, the current spread of the real estate yield over the 10-year bond is more than 300 basis points, a historical high, and more than 100 basis points above the long-term average.

Paris

The Paris market is one of the most important worldwide and has a high level of liquidity.

Today the availability of office space in the best areas of the city stands at 1.6%, a record low. The lack of product combined with the high demand from companies for prime products means that consultants expect office rents to remain high. During the second half of 2020, prime rents are at levels of 870 euros/m²/year, slightly higher than in the first quarter before the start of the pandemic.

In terms of investment volume, the interest of foreign capital in prime office buildings remains very high, with several deals underway that will be concluded in the coming weeks. Prime yields remain stable at 2.75%, and even lower in one-off transactions.

Future strategy

Against this market backdrop, Colonial's strategy remains committed to long-term value creation in the prime office sector, with a focus on quality and risk-adjusted returns, and with a strong credit rating and liquidity position.

Research and development activities

As a result of the Group's own characteristics, its activities and its structure, research and development activities are not usually carried out at Inmobiliaria Colonial, SOCIMI, S.A.

Treasury Shares

At 31 December 2020, the Parent had 3,360,610 treasury shares with a nominal value of 8,402 thousand euros, representing 0.66% of the Parent's share capital.

Other significant information

On 10 December 2015, the Board of Directors of the parent company agreed to adhere to the code of good tax practices. Said agreement was communicated to the Spanish tax agency on 8 January 2016.

Annual Corporate Governance Report

In accordance with the provisions of article 538 of the Spanish Limited Liability Companies Law, it is noted that the annual corporate governance report for 2020 is included in this directors' report in its corresponding separate section.

Alternative Performance Measures (European Securities and Markets Authority)

An explanatory glossary of alternative performance measures is included below, including their definition and relevance for Colonial, in accordance with the recommendations of the European Securities and Markets Authority (ESMA) published in October 2015 (*ESMA Guidelines on Alternative Performance Measures*). These Alternative Performance Measures have not been audited or reviewed by the parent company's auditor.

Alternative Performance Measure	Form of calculation	Definition/Relevance
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation)	Calculated as "Operating profit", adjusted by "Depreciation and amortisation", the "Changes in value of investment property" and "Gains/(losses) on changes in value of assets due to impairment".	Indicator of the Group's capacity to generate profits considering only its productive activity, eliminating depreciation allowances, the effect of indebtedness and the tax effect.
Gross Financial Debt (GFD)	Calculated as the sum of "Bank borrowings and other financial liabilities" and "Issuance of bonds and similar securities" and "Commercial paper issues", excluding "Interest" (accrued), "Arrangement costs" and "Other financial liabilities" in the consolidated statement of financial position.	Relevant indicator for analysing the Group's financial position.
Net Financial Debt (NFD)	Calculated by adjusting the item "Cash and cash equivalents" in Gross Financial Debt.	Relevant indicator for analysing the Group's financial position.
EPRA[1] NTA (EPRA Net Tangible Assets)	It is calculated based on the Company's equity and adjusting certain items following the recommendations of the EPRA.	Standard analysis ratio in real estate and recommended by EPRA.
EPRA[1] NDV (EPRA Net Disposal Value)	Calculated by adjusting the following items in the EPRA NTA: the market value of the financial instruments, the market value of the financial debt, the taxes that would accrue on the sale of the assets at their market value, applying the tax credits available to the Group on a going concern basis.	Standard analysis ratio in real estate and recommended by EPRA.
Market Value excluding transaction costs or Gross Asset Value (GAV) excluding Transfer costs	Valuation of all assets in the Group's portfolio made by appraisers outside the Group, deducting transaction costs or transfer costs.	Standard analysis ratio in the real estate sector.
Market Value including transaction costs or GAV including Transfer costs	Valuation of all assets in the Group's portfolio made by appraisers outside the Group, before subtracting transaction costs or transfer costs.	Standard analysis ratio in the real estate sector.

(1) EPRA (European Public Real Estate Association) which recommends best practice standards to be followed in the real estate sector. The calculation of these APMs follows the instructions set by EPRA.

Alternative Performance Measure	Form of calculation	Definition/Relevance
Like-for-like Rental income	Amount of rental income for rentals included in “Revenue” comparable between two periods. In order to obtain this amount, income from investments or divestitures made between both periods, those from assets included in the project and renovation portfolio, as well as other atypical adjustments (for example, compensation for early termination of rental agreements) are excluded from both periods.	This makes it possible to compare, on a like-for-like basis, the change in rental income of an asset or group of assets.
Like-for-like Valuation	Amount of market valuation excluding transaction costs or market valuation including transaction costs comparable between two periods. In order to obtain it, income from rentals from investments or divestitures made between both periods is excluded from both periods.	This makes it possible to compare, on a homogeneous basis, the change in the portfolio’s market valuation.
Loan to Value Group or LtV Group	Calculated as the result of dividing the Net financial debt between the Market Valuation including transaction costs of the Group’s portfolio of assets.	This makes it possible to analyse the relationship between net financial debt and the valuation of assets in the Group’s portfolio.
Holding Company LtV or Colonial LtV	Calculated as the result of dividing the reduced gross financial debt of the amount of the “Cash and cash equivalents” item of the parent company and of the fully-owned Spanish subsidiaries among the sum of the Market Valuation including transaction costs of the portfolio of assets of the parent company of the Group and of the fully-owned Spanish subsidiaries and EPRA NTA of other financial interests in subsidiaries.	This makes it possible to analyse the relationship between net financial debt and the valuation of assets in the Group’s parent company.

Alternative Performance Measures included in the previous table have their origin in items of the consolidated annual financial statements of Inmobiliaria Colonial or in the breakdowns of the items (sub-items) included in the corresponding explanatory notes of the report, except as indicated below.

The following is a reconciliation of those alternative performance measures whose origin does not derive, in their entirety, from items or sub-items of the consolidated annual financial statements of Inmobiliaria Colonial, as provided in paragraph 28 of the aforementioned recommendations.

EPRA NTA (Net Tangible Assets) – Millions of euros

	2020	2019
"Net equity attributable to the parent company's shareholders"	**5,401**	**5,559**
Includes/excludes:		
Adjustments from (i) to (v) with respect to strategic alliance interests	–	–
Diluted NTA	**5,401**	**5,559**
Includes:		
(ii.a) Revaluation of investment assets	–	–
(ii.b) Revaluation of assets under development	–	–
(ii.c) Revaluation of other investments	64	45
(iii) Revaluation of finance leases	–	–
(iv) Stock revaluation	10	3
Diluted NTA at Fair Value	**5,475**	**5,607**
Excludes:		
(v) Deferred taxes	233	240
(vi) Market value of financial instruments	19	(21)
EPRA NTA	**5,727**	**5,826**
Number of shares (millions)	508	508
EPRA NTA per share	**11.27**	**11.46**

EPRA NDV (Net Disposal Value) – Millions of euros

	2020	2019
"Net equity attributable to the parent company's shareholders"	**5,401**	**5,559**
Includes/excludes:		
Adjustments from (i) to (v) with respect to strategic alliance interests	–	–
Diluted NDV	**5,401**	**5,559**
Includes:		
(ii.a) Revaluation of investment assets	–	–
(ii.b) Revaluation of assets under development	–	–
(ii.c) Revaluation of other investments	64	45
(iii) Revaluation of finance leases	–	–
(iv) Stock revaluation	10	3
Diluted NDV at Fair Value	**5,475**	**5,607**
Excludes:		
(v) Deferred taxes	–	–
(vi) Market value of financial instruments	–	–
Includes:		
(ix) Market value of debt	(280)	(258)
EPRA NDV	**5,195**	**5,349**
Number of shares (millions)	508	508
EPRA NDV per share	**10.23**	**10.53**

Market Value excluding transaction costs or GAV excluding Transfer costs – Millions of euros

	2020	2019
Barcelona	1,333	1,534
Madrid	2,441	2,543
Paris	6,616	6,502
Leased out	**10,390**	**10,579**
Projects	1,556	1,338
Other	74	279
Total Market Value excluding transaction costs	**12,020**	**12,196**
Spain	4,562	5,039
France	7,458	7,157

Market Value including transaction costs or GAV including Transfer costs – Millions of euros

	2020	2019
Total Market Value excluding transaction costs	**12,020**	**12,196**
Plus: transaction costs	611	611
Total Market Value including transaction costs	**12,631**	**12,807**
Spain	4,685	5,175
France	7,946	7,632

Like-for-like Rental Income – Millions of euros

	Offices				
	Barcelona	Madrid	Paris	Other	TOTAL
2019 Rental Income	**48**	**89**	**191**	**24**	**352**
Like-for-like	2	3	(1)	(7)	(3)
Projects and inclusions	(3)	2	(6)	–	(7)
Investments and divestitures	2	–	–	(8)	(6)
Other and compensation	–	9	(3)	–	6
2020 Rental Income	**49**	**103**	**181**	**9**	**342**

Like-for-like Valuation – Millions of euros

	2020	2019
Valuation at 1 January	**12,196**	**11,348**
Like-for-like Spain	(163)	407
Like-for-like France	300	588
Acquisitions and divestitures	(313)	(147)
Valuation at 31 December	**12,020**	**12,196**

Loan to Value Group or LtV Group – Millions of euros

	2020	2019
Gross financial debt	4,851	4,826
Commitments of deferrals for transactions selling real estate assets	–	17
Less: "Cash and cash equivalents"	(269)	(217)
(A) Net financial debt	**4,582**	**4,626**
Market Value including transaction costs	12,631	12,807
Plus: Shares in treasury stock of the parent company valued at EPRA NAV	38	7
(B) Market Value including transaction costs and Parent's treasury shares	**12,669**	**12,814**
Loan to Value Group (A)/(B)	**36.2%**	**36.1%**

Holding Company LtV or Colonial LtV – Millions of euros

Holding Company	2020	2019
Gross financial debt	2,945	3,040
Commitments of deferrals for transactions selling real estate assets	–	17
Less: "Cash and cash equivalents" of the parent company and the fully-owned Spanish subsidiaries	(244)	(161)
(A) Net financial debt	**2,701**	**2,896**
(B) Market Value including transaction costs	**8,972**	**9,289**
Loan to Value Holding (A)/(B)	**30.1%**	**31.2%**

03. Annual Corporate Governance Report 2020

Inmobiliaria Colonial, SOCIMI, S.A.
Annual Corporate Governance Report of listed Spanish companies

A. OWNERSHIP STRUCTURE

A.1. Fill in the following table on the company's share capital:

Date of last change	Share capital (€)	Number of indirect	Number of voting rights
14/11/2018	1,270,286,952.50	508,114,781	508,114,781

Indicate whether there are different types of shares with different associated rights:

No

A.2. State the direct and indirect holders of a significant stake at year-end, excluding directors:

Name or company name of the shareholder	% voting rights attached to the shares		% voting rights through financial instruments		% total voting rights
	Direct	Indirect	Direct	Indirect	
QATAR INVESTMENT AUTHORITY	0.00	20.21	0.00	0.00	20.21
DIC HOLDING LLC	4.29	0.00	0.00	0.00	4.29
AGUILA, LTD	0.00	5.68	0.00	1.86	7.54
PGGM LISTED REAL ESTATE PF FUND	5.01	0.00	0.00	0.00	5.01
PGGM VERMOGENSEMSBEHEER B.V.	0.00	5.01	0.00	0.00	5.01
BLACKROCK, INC	0.00	3.02	0.00	0.75	3.77
INMO, S.L.	0.00	5.71	0.00	0.00	5.71

Details of the indirect stake:

Name or company name of the indirect holder	Name or company name of the direct holder	% voting rights attached to the shares	% voting rights through financial instruments	% total voting rights
QATAR INVESTMENT AUTHORITY	DIC HOLDING LLC	4.29	0.00	4.29
QATAR INVESTMENT AUTHORITY	QATAR HOLDING NETHERLANDS BV	15.92	0.00	15.92
AGUILA, LTD	PARK, S.A.R.L.	5.68	0.00	0.00
AGUILA, LTD	SIERRA NEVADA (BERMUDA) LP	0.00	1.86	1.86
PGGM VERMOGENSEMSBEHEER B.V.	PGGM LISTED REAL ESTATE PF FUND	5.01	0.00	5.01
BLACKROCK, INC	BLACKROCK HOLDING	3.02	0.75	3.77
INMO, S.L.	TRUDONBA XXI, S.L.U.	5.71	0.00	5.71

Indicate the most significant movements in the shareholder structure during the year:

Most significant changes

Deutsche Bank A.G. notified the company on 28 January 2021 of the transfer of its entire stake in Colonial, which took place in April 2016.

A.3. Fill in the following tables on the members of the company's Board of Directors who own voting shares in the company:

Name or company name of the director	% voting rights attached to the shares		% voting rights through financial instruments		% total voting rights	% voting rights that may be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR JAVIER LÓPEZ CASADO	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR CARLOS FERNÁNDEZ GONZÁLEZ	0.00	15.75	0.00	0.00	15.75	0.00	0.00
MR PEDRO VIÑOLAS SERRA	0.08	0.00	0.05	0.00	0.13	0.00	0.00
MR JUAN JOSÉ BRUGERA CLAVERO	0.05	0.00	0.02	0.00	0.07	0.00	0.00
MR LUIS MALUQUER TREPAT	0.00	0.00	0.00	0.00	0.00	0.00	0.00

% of total voting rights held by the Board of Directors	15.95

Details of the indirect stake:

Name or company name of the director	Name or company name of the direct holder	% voting rights attached to the shares	% voting rights through financial instruments	% total voting rights	% voting rights that may be transferred through financial instruments
MR CARLOS FERNÁNDEZ GONZÁLEZ	GRUPO FINACCESS S.A.P.I. DE C.V.	15.75	0.00	15.75	0.00
MR LUIS MALUQUER TREPAT	MS MARTA MALUQUER DOMINGO	0.00	0.00	0.00	0.00

All the directors reported in this section have voting rights on shares of the company, although in some cases this stake is less than 0.01 % of the share capital of Inmobiliaria Colonial, SOCIMI, S.A.

A.4. Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant stakes, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities, except for those reported in section A.6:

Related name or corporate name	Type of relationship	Brief description
No data		

A.5. Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant shareholdings, and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities:

Related name or corporate name	Type of relationship	Brief description
QATAR INVESTMENT AUTHORITY	Corporate	14 November 2018 was the effective date of a series of commitments of Qatar Holding LLC and DIC Holding LLC with respect to Inmobiliaria Colonial, SOCIMI, S.A. (the “Company” or “Colonial”), affecting certain shares of the Company owned by them (see section A.7 below).
INMO, S.L.	Corporate	Colonial and the company Inmo, S.L., a real-estate affiliate of the Puig family, are conducting a joint project to build a 21-floor building of 14,000 square metres in the city of Barcelona.

A.6. Describe the relationships, unless insignificant for both parties, between the significant shareholders, or their representatives, on the Board, and the directors, or their representatives, when the administrators are a legal entity.

Explain, where appropriate, how the significant shareholders are represented. In particular, specify any directors who have been appointed to represent significant shareholders, those whose appointment was promoted by significant shareholders, or those who were related to significant shareholders and/or entities in their group, indicating the nature of such relationship. Indicate, in particular, the existence, identity and position, if any, of members of the Board, or directors’ representatives, of the listed company who are also members of the governing body, or their representatives, in companies with a significant stake in the listed company or in group companies of such significant shareholders.

Name or company name of the related director or representative	Name or company name of related significant shareholder	Company name of the significant shareholder's group company	Description of the relationship/position
MR JAVIER LÓPEZ CASADO	GRUPO FINACCESS S.A.P.I. DE C.V.	GRUPO FINACCESS S.A.P.I. DE C.V.	Colonial's proprietary director proposed by Grupo Finaccess S.A.P.I. de C.V.
MR CARLOS FERNÁNDEZ GONZÁLEZ	GRUPO FINACCESS S.A.P.I. DE C.V.	GRUPO FINACCESS S.A.P.I. DE C.V.	Colonial's proprietary director proposed by Grupo Finaccess S.A.P.I. de C.V., of which he is Chairman of the Board of Directors and Managing Director
MR JUAN CARLOS GARCÍA CAÑIZARES	AGUILA, LTD	BEVCO LUX, S.A.R.L.	Director
MR JUAN CARLOS GARCÍA CAÑIZARES	AGUILA, LTD	AGUILA, LTD	Colonial's proprietary director proposed by Aguila LTD
MR JUAN CARLOS GARCÍA CAÑIZARES	AGUILA, LTD	PARK, S.A.R.L.	Director
MR JUAN CARLOS GARCÍA CAÑIZARES	AGUILA, LTD	SNI INTERNATIONAL HOLDINGS, S.A.R.L.	Director
MR SHEIKH ALI JASSIM M.J. AL-THANI	QATAR INVESTMENT AUTHORITY	QATAR INVESTMENT AUTHORITY	Colonial's proprietary director proposed by Qatar Investment Authority
MR SHEIKH ALI JASSIM M.J. AL-THANI	QATAR INVESTMENT AUTHORITY	26 CHAMPS ELYSEES	Director
MR SHEIKH ALI JASSIM M.J. AL-THANI	QATAR INVESTMENT AUTHORITY	NURABANK	Director
MR SHEIKH ALI JASSIM M.J. AL-THANI	QATAR INVESTMENT AUTHORITY	HAPPAG LLOYD	Director
MR SHEIKH ALI JASSIM M.J. AL-THANI	QATAR INVESTMENT AUTHORITY	RAYYAN ISLAMIC BANK	Director
MR ADNANE MOUSANNIF	QATAR INVESTMENT AUTHORITY	QATAR INVESTMENT AUTHORITY	Colonial's proprietary director proposed by Qatar Investment Authority
MR ADNANE MOUSANNIF	QATAR INVESTMENT AUTHORITY	ELYPONT	Director

A.7. Indicate whether the company has been notified of any shareholders' agreements pursuant to Articles 530 and 531 of the Spanish Limited Liability Companies Law. If so, provide a brief description and list the shareholders that are party to the agreement:

Yes

Parties to the shareholders' agreement	% of the share capital affected	Brief description of the agreement	End date of the agreement, if any
DIC HOLDING LLC, QATAR HOLDING NETHERLANDS BV	11.12	QH and DIC lock-up clauses: during a period of 6 months following the closing date, QH and DIC shall not transfer, either in whole or in part, the shares of Colonial, except in the case of any transfer of shares of Colonial to a company belonging to their respective Group. Transfer of shares after the initial period: after the initial period, any transfer by QH and/or DIC of Colonial's shares shall be carried out in an orderly manner and in accordance with normal commercial practice in Spanish listed companies and with applicable Spanish stock exchange regulations. Prohibition of transfer of shares to a competitor: QH and DIC shall be entitled to transfer their shares in Colonial to any counterparty without restriction, except in the extraordinary case of a transfer to a competitor in the context of a block sale or bilateral negotiation.	The obligations provided for in Clauses "Transfer of shares after the Initial Period" and "Share transfer prohibition to a Competitor" of this Agreement shall remain in force until the earlier of (i) the end of a 4-year period as from the Completion Date; and (ii) the entry into an agreement by the Parties to terminate the effect of said Clauses.

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable:

No

Expressly indicate any amendments to or termination of such covenants, agreements or concerted actions during the year:

A.8. Indicate whether any individual or legal entities currently exercise control or could exercise control over the company pursuant to Article 5 of the Securities Market Law. If so, identify them:

No

A.9. Complete the following tables on the company's treasury shares:

At year-end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
3,360,610		0.66

(*) Through:

Name or company name of the direct holder of an ownership interest	Number of direct shares
No data	

Explain the significant changes that occurred during the year:

Explain the significant changes

Under the framework of the share award scheme approved by the General Meeting of Shareholders held on 21 January 2014, in April 2020 the content of the meeting of the Appointments and Remuneration Committee held on 1 April was published for the purpose of settling share awards, in compliance with the established award settlement process, including, among other actions, the preparation of a “Report on the degree of compliance with the approved long-term incentive plan for Colonial’s executive directors and senior management” by an independent external expert. As a result, in April 2020, a total of 395,116 shares of the Company’s treasury shares were delivered to the beneficiaries of the plan, including the executive directors.

Subsequently, on 13 May 2020, following a proposal by the ARC, the Board resolved to propose, for the approval of the General Meeting of Shareholders, an additional two-year extension of the share award scheme approved by the General Meeting of Shareholders on 21 January 2014 and extended by the General Meeting of Shareholders on 29 June 2017, the term of which ends in 2021. On 30 June, the General Meeting of Shareholders agreed to approve the extension of the scheme.

Finally, on 29 July, the Board agreed to establish a treasury share buyback programme under the authorisation granted at the Company’s General Meeting of Shareholders held on 29 June 2017, with the maximum number of treasury shares to be acquired by the Company set at 3,000,000, representing 0.59% of Colonial’s current share capital, and the CNMV was notified of its completion on 11 December 2020.

A.10. Give details of the applicable conditions and current timeline for the general meeting to authorise the board of directors to issue, buy back or transfer treasury shares:

The General Meeting of Shareholders of Colonial held on 29 June 2017 granted authorisation to the Board of Directors, under item five of the agenda, for the derivative acquisition of treasury shares. With respect to the terms and conditions of the authorisation: i) the nominal value of the shares acquired, directly or indirectly, in addition to those already held by the Company and its subsidiaries, may not exceed 10% of the share capital subscribed or any maximum amount that may be legally established; ii) the minimum price or consideration for acquisition shall be €0.01 per share and the maximum price or consideration for acquisition shall be the equivalent of the listing price of treasury shares acquired on an official regulated secondary market at the time of acquisition; iii) the procedure for acquisition may be purchase/sale, swap or any other method against payment, as circumstances advise, and iv) the duration of the authorisation is 5 years. The authorisation granted expressly provides that the shares acquired may be used in whole or in part for delivery or transfer to the directors, executives or employees of the Company or Group companies, directly or as a result of their option rights, within the scope of the Company’s share price-based remuneration systems.

With regard to the authorisation to issue shares, the General Meeting of Shareholders of Inmobiliaria Colonial, SOCIMI, S.A. held on 14 June 2019 authorised the Board of Directors, in accordance with article 297.1b) of the Spanish Limited Liability Companies Law, to increase share capital through monetary contributions up to half the amount of share capital, within a maximum period of five years, on one or more occasions, and at the time and in the amount it deems appropriate. Within the maximum indicated amount, the Board of Directors holds the power to disapply preemptive rights up to a maximum of 20% of the share capital.

A.11. Estimated floating capital:

	%
Estimated floating capital	41.15

A.12. Give details of any restrictions (statutory, legal or otherwise) on the transfer of securities and/or voting rights. In particular, detail the existence of any kinds of restrictions that could hinder the company takeover through the purchase of its shares in the market, as well as any prior authorisation or communication rules that, with regard to the purchase or transfer of financial instruments in the company, would be applicable under the industry regulations.

Yes

Description of the restrictions

Section A.7 of this annual corporate governance report summarises the terms of the shareholders' agreement between Colonial and the companies Qatar Holding LLC and DIC Holding. This information is also available on the company's website at the following link: https://www.inmocolonial.com/accionistas-inversores/gobierno-corporativo/pactos-parasociales.

A.13. Indicate whether the general meeting has resolved to adopt neutralisation measures to address a takeover bid by virtue of the provisions of Law 6/2007.

No

If applicable, explain the measures approved and the terms under which these restrictions may be lifted:

A.14. Indicate whether the company has issued securities not traded in a regulated market of the European Union.

No

Where applicable, state the various classes of shares, and the rights and obligations attached to each class:

B. GENERAL MEETING

B.1. Indicate and state, if any, the differences with respect to the minimums stipulated in the Spanish Limited Liability Companies Law (LSC) with regard to the quorum required for the constitution of the general meeting:

No

B.2. Indicate and, as applicable, describe any differences between the company's system of adopting corporate resolutions and the framework established in the Spanish Limited Liability Companies Law (LSC):

No

B.3. Indicate the rules governing amendments to the company's bylaws. In particular, indicate the majorities required to amend the bylaws and, if applicable, the rules for protecting shareholders' rights when the bylaws are amended.

Under the Bylaws, for the General Meeting to validly resolve to increase or reduce share capital or make any other amendment to the Company Bylaws, shareholders holding at least 50% of the subscribed capital with voting rights must be present or represented on first call. On second call, shareholders representing 25% of share capital shall be sufficient. As regards the adoption of resolutions, the Bylaws establish that issues that are substantially independent shall be voted on separately, in particular the amendment of any article or group of articles in the Company Bylaws, which stand alone.

Also, a vote in favour by more than 50% of the share capital present in person or by proxy shall be sufficient to adopt resolutions with an absolute majority, whereas a vote in favour by two thirds of the share capital present in person or by proxy at the General Meeting shall be necessary when, on second call, the shareholders present represent 25% or more of the subscribed capital with voting rights, but less than 50%.

B.4. Indicate the attendance figures for the general meetings held during the year and those of the two previous fiscal years:

	Attendance information				
			% distance voting		
Date of General Meeting	% attendance	% attendance by proxy	Electronic voting	Other	Total
24/05/2018	1.23	77.79	0.01	0.01	79.04
Of which floating capital	0.16	26.97	0.01	0.01	27.15
08/11/2018	9.68	63.02	0.00	8.53	81.23
Of which floating capital	0.23	20.60	0.00	8.53	29.36
14/06/2019	0.34	77.22	0.00	7.81	85.37
Of which floating capital	0.34	35.55	0.00	0.27	36.16
30/06/2020	0.30	83.81	0.00	0.15	84.26
Of which floating capital	0.00	29.59	0.00	0.15	29.74

B.5. Specify if there have been any items on the agenda at the General Meetings held during the year that, for whichever reason, were not adopted by the shareholders:

No

B.6. Indicate whether the bylaws contain any restrictions with respect to a minimum number of shares required to attend general meetings or to vote remotely:

Yes

Number of shares required to attend general meetings	500
Number of shares needed to vote remotely	1

In order to facilitate the exercise of the right to vote remotely with respect to the resolutions of the General Meetings, Colonial does not require a number of shares necessary to vote remotely. Article 19 of Colonial's Bylaws provides that shareholders may attend and vote at the General Meetings of Shareholders, in person or by proxy, where such shareholders, alone or as a group, hold at least five hundred shares, which must be entered in the shareholders register five days before the date scheduled for the General Meeting and provided they furnish proof of the foregoing by showing, at the registered office or the entities specified in the call notice, the relevant authentication certificate or the attendance card issued by Colonial or any entities responsible for keeping the shareholder register or any other method allowed by the current legislation.

In this regard, the Company's Board of Directors may enable, for each General Meeting, remote attendance by the shareholders and proxies by electronic means concurrently. In such event, the Board of Directors will establish the terms, forms and means set for shareholders and proxies to exercise their rights, in accordance with the laws, the Company Bylaws, and the Regulations of the General Meeting. All this will be included in the notice of the meeting.

And for the purpose of ensuring adequate exercise of voting rights, shareholders may vote at the General Meeting or grant proxy by remote means (i.e. by post, electronically or any other remote media, provided that the shareholder's identity is guaranteed and, where appropriate, electronic communications are secure). Shareholders who vote remotely will be considered as present for the purposes of quorum of the Meeting (Art. 12 of the Regulations of the General Meeting). The exercise of remote voting rights has been indicated and duly informed to shareholders in the notice of the General Meeting.

B.7. Indicate if there is a rule establishing that certain decisions, other than those established by law, that involve the purchase, disposal, contribution to another company of key assets, or other similar corporate operations, should be put to the vote at the General Meeting of Shareholders:

No

B.8. Indicate the address and mode of accessing corporate governance content on the company's website, as well as other information on general meetings which must be made available to shareholders on the Company website:

https://www.inmocolonial.com/accionistas-inversores/gobierno-corporativo/juntas-generales

Through this access, shareholders and the entire market are provided with all legally required information, in addition to that which the Company considers necessary for greater and better transparency and compliance with good market practices in the area of corporate governance.

C. STRUCTURE OF THE COMPANY'S GOVERNING BODY

C.1. Board of Directors

C.1.1 The maximum and minimum number of directors stipulated in the Company Bylaws and the number stipulated by the General Meeting:

Maximum number of directors	15
Minimum number of directors	5
Number of directors stipulated by the General Meeting	13

C.1.2 Fill in the following table with the Board members' particulars:

Name or corporate name of the director	Representative	Category of the director	Position on the board	Date of first appointment	Date of last appointment	Appointment procedure
MS ANA CRISTINA PERALTA MORENO		Independent	DIRECTOR	14/06/2019	14/06/2019	AGREEMENT GENERAL MEETING OF SHAREHOLDERS
MS SILVIA MÓNICA ALONSO-CASTRILLO ALLAIN		Independent	DIRECTOR	24/01/2019	14/06/2019	AGREEMENT GENERAL MEETING OF SHAREHOLDERS
MR JAVIER LÓPEZ CASADO		Proprietary	DIRECTOR	24/05/2018	24/05/2018	AGREEMENT GENERAL MEETING OF SHAREHOLDERS
MR CARLOS FERNÁNDEZ GONZÁLEZ		Proprietary	DIRECTOR	30/06/2014	30/06/2020	AGREEMENT GENERAL MEETING OF SHAREHOLDERS
MS ANA LUCRECIA BOLADO VALLE		Independent	DIRECTOR	14/06/2019	14/06/2019	AGREEMENT GENERAL MEETING OF SHAREHOLDERS
MR PEDRO VIÑOLAS SERRA		Executive	CEO AND VICE-CHAIRMAN	18/07/2008	24/05/2018	AGREEMENT GENERAL MEETING OF SHAREHOLDERS

Name or corporate name of the director	Representative	Category of the director	Position on the board	Date of first appointment	Date of last appointment	Appointment procedure
MR JUAN JOSÉ BRUGERA CLAVERO		Executive	CHAIRMAN	19/06/2008	24/05/2018	AGREEMENT GENERAL MEETING OF SHAREHOLDERS
MR LUIS MALUQUER TREPAT		Independent	INDEPENDENT LEAD DIRECTOR	31/07/2013	24/05/2018	AGREEMENT GENERAL MEETING OF SHAREHOLDERS
MR JUAN CARLOS GARCÍA CAÑIZARES		Proprietary	DIRECTOR	30/06/2014	24/05/2018	AGREEMENT GENERAL MEETING OF SHAREHOLDERS
MR SHEIKH ALI JASSIM M.J. AL-THANI		Proprietary	DIRECTOR	12/01/2015	30/06/2020	AGREEMENT GENERAL MEETING OF SHAREHOLDERS
MR ADNANE MOUSANNIF		Proprietary	DIRECTOR	28/06/2016	30/06/2020	AGREEMENT GENERAL MEETING OF SHAREHOLDERS

Total number of directors	**11**

Indicate any resignations from the Board of Directors during the reporting period, whether due to resignation or by resolution of the General Meeting:

Name or company name of the director	Category of director at date of departure	Date of last appointment	Date of departure	Special committees the director was a member of	Indicate whether the director left before the end of their term in office
MR CARLOS FERNÁNDEZ-LERGA GARRALDA	Independent	24/05/2018	30/06/2020	Appointments and remuneration committee/ audit and control committee	Yes
MR JAVIER IGLESIAS DE USSEL ORDÍS	Independent	24/05/2018	30/06/2020	Appointments and remuneration committee/ audit and control committee	Yes

Reason for departure if it occurs before the end of the term in office and other remarks; information on whether the director has sent a letter to the other members of the board and, in the case of the removal of non-executive directors, an explanation or opinion of the director removed by the general meeting:

The reason for the resignation of Mr Carlos Fernández-Lerga Garralda and Mr Javier Iglesias de Ussel Ordís is that 12 years have elapsed since they were first appointed as independent directors of Colonial, i.e., the maximum period stipulated in regulations for a director to be considered independent. Therefore, in accordance with the commitment made at the meeting of the Board of Directors held on 30 June, Mr Carlos Fernández-Lerga Garralda and Mr Javier Iglesias de Ussel Ordís submitted their resignation as directors of the Company.

C.1.3 Complete the following tables on board members and their respective categories:

Executive directors

Name or company name of director	Position in the company organisation chart	Profile
MR PEDRO VIÑOLAS SERRA	Vice-Chair and CEO	He is a graduate in Business Management and MBA from ESADE and Universidad Politécnica de Cataluña, and holds a Diploma in Business Management from Universidad de Barcelona, where he also studied Law. In 1990, Pedro Viñolas began to work as Director of the Research Department at the Barcelona Stock Exchange, of which he later became Deputy Managing Director, where he remained until 1997. He then took up duties as Managing Director of FILO, S.A., a listed real estate company, where he remained until 2001. Subsequently, until July 2008, he was Partner and CEO at the Riva y García Financial Group. He has been Chairman of the Urban Land Institute in Spain and a member of the Board of Directors of the Riva y García Financial Group. He was also Chairman of the Spanish Institute of Financial Analysts in Catalonia from 1994 to 2000. He is currently a member of the Board of Directors of Societè Foncière Lyonnaise and sits on its Executive Committee. He is a member of the Board of Trustees of ESADE, a member of the Board of Directors of Bluespace, S.A., and a member of the Board of Directors of the European Public Real Estate Association (EPRA).
MR JUAN JOSÉ BRUGERA CLAVERO	Chairman	Chairman of Inmobiliaria Colonial, SOCIMI, S.A. since 2008, and previously held the position of CEO from 1994 to 2006. Chairman of Société Foncière Lyonnaise since 2010. Previously he was Chief Executive Officer of Mutua Madrileña, CEO of SindiBank and Deputy General Manager of Banco de Sabadell. Other positions: Chairman of the Board of Trustees of the Universidad Ramón Llull (URL); Chairman of the ESADE Foundation, Panrico, Holditex and the Círculo de Economía de Barcelona. He has been a member of the Board of Directors of the Periódico de Catalunya since 2019. He is an Industrial Technical Engineer and holds an MBA from ESADE. PDG from IESE and Honorary Doctorate from the University of Rhode Island.

Total number of executive directors	2
% of the total board	18.18

External proprietary directors

Name or company name of director	Name or company name of the significant shareholder represented or proposing appointment	Profile
MR JAVIER LÓPEZ CASADO	GRUPO FINACCESS S.A.P.I. DE C.V.	He joined Finaccess as International Director of Asset Management in November 2010. Since 2012, he has been CEO of Finaccess Advisors LLC. Since 2014, he has also been responsible for Finaccess Estrategia S.L. in Spain. Prior to joining Finaccess, he worked as Senior Vice-President for Santander Private Banking in Miami. He previously held different posts in Banco Santander's International Private Banking area in Madrid and Miami. He worked at the Santander Group from 1996 to 2010. Before joining Banco Santander, he worked as a Lawyer in Madrid. He has 22 years' experience in financial markets and is a member of Grupo Finaccess' Board of Directors, the International Investment Committee and the Audit Committee of Finaccess Advisors LLC. He is Chairman of SOLTRA S.L., a company working on the promotion, education and rehabilitation of people with different capacities in order to achieve full social integration, which currently has 400 employees. He also sits on the board of trustees of several Foundations in Spain and Mexico. He holds a Law Degree from Universidad San Pablo CEU in Madrid, an MBA from the University of Miami and a Masters in Legal and Tax Consultancy for Construction and Real Estate Companies from Universidad Politécnica of Madrid.
MR CARLOS FERNÁNDEZ GONZÁLEZ	GRUPO FINACCESS S.A.P.I. DE C.V.	As an Industrial Engineer he has attended senior management programmes at the Instituto Panamericano de Alta Dirección de Empresa. For over 30 years, he has held positions with a high degree of responsibility, complexity and competence in business management in different sectors. He was CEO (1997-2013) and Chairman of the Board of Directors (2005-2013) of Grupo Modelo. Between his appointment as CEO and 2013, this Group became the leading beer company in Mexico, the seventh group in the world and the largest beer export company in the world. Furthermore, he has been a Director in international and national companies, including Anheuser Busch (USA), Emerson Electric Co. (USA), Televisa Group (Mexico), Crown Imports, Ltd. (USA), Inbursa (Mexico) and Mexico Stock Exchange. Likewise, he was also a member of the international advisory board of Banco Santander, S.A. (Spain), Director of Grupo Financiero Santander México S.A.B de C.V. and, until October 2019, Director of Banco Santander, S.A. (Spain). He is currently the Chairman of the Board of Directors and general manager of Grupo Finaccess S.A.P.I. de C.V. –of which he is a founder– that operates in Mexico, the United States, Europe, China, Australia and New Zealand. In addition to Inmobiliaria Colonial, SOCIMI, S.A., he is also a Proprietary Director at AmRest Holdings, S.E. and Restaurant Brands New Zealand Limited.
MR JUAN CARLOS GARCÍA CAÑIZARES	AGUILA, LTD	Industrial Engineer. He also studied management programmes at IMD Switzerland, and holds an MBA granted jointly by the New York University Stern School of Business, London School of Economics and HEC Paris. He is an investment banker who was responsible for more than $35 billion in mergers, acquisitions and financing of acquisitions over a period of 25 years. He was Vice President of Planning for Bavaria, one of Latin America's leading breweries, where he was responsible for the $4 billion international brewery acquisition programme, and for the subsequent $8 billion merger with SABMiller plc, creating the world's second largest brewery. In recent years, he led negotiations on behalf of the Santo Domingo Group for the conversion of its holding in SABMiller into a share in Anheuser Busch Inbev following the merger of the two, an operation which was finalised in 2016. Before joining the Santo Domingo Group, he was co-founder and Main Partner of Estrategias Corporativas, an investment bank firm in Latin America. He is currently the Managing Director of Quadrant Capital Advisors, Inc. in New York (a Santo Domingo Group investment company).

External proprietary directors

Name or company name of director	Name or company name of the significant shareholder represented or proposing appointment	Profile
MR SHEIKH ALI JASSIM M.J. AL-THANI	QATAR INVESTMENT AUTHORITY	A Qatar national. He has been working for more than 30 years with the Government of Qatar mainly in the fields of trade, finance and real estate. Since 2007, he has been a Senior Advisor on Strategy and Investments. Until 2016, he was Vice-Chair, member of the Board of Directors and of the Executive Committee of Housing Bank for Trade and Finance of Jordan (listed company and the second most important bank in Jordan). He was a member of the Board of Directors and Vice President of the United Arab Shipping Company in Dubai, UAE, from 2003 until 2016. Since 2007, he has been Vice President of LQB - Libyan Qatari Bank and in 2009 he was appointed Chairman and Managing Director of Qatar Navigation(having been a member of the Board of Directors of this listed company in Qatar since 2003). This Holding company operates in sea transport and real estate. Since 2012, he has been a member of the Board of Directors of QADIC-Qatar Abu Dhabi Investment Company, a company specialising in real-estate investments and private equity. In November 2015, he was appointed Director of Socièté Foncière Lyonnaise (SFL).
MR ADNANE MOUSANNIF	QATAR INVESTMENT AUTHORITY	He has both French and Moroccan nationalities and is currently working at Qatar Investment Authority –QIA– the sovereign investment fund of Qatar. In recent years, he has taken part, on behalf of QIA, in most of its real-estate operations in Europe and America, including the acquisition of the Canary Wharf Group in London and the acquisition of the Virgin Megastore building in the Champs Elysees of Paris. He also took part, once again representing QIA, in acquiring a stake in Société Foncière Lyonnaise and in Inmobiliaria Colonial in Spain. Previously, he'd worked for several years for the Morgan Stanley Real Estate Investing funds in Europe. He has a master's degree in business creation and Finances by the ESCP Europe Business School and a university degree in Civil Engineering.

Total number of proprietary directors	5
% of the total board	45.45

External independent directors

Name or company name of director	Profile
MS ANA CRISTINA PERALTA MORENO	Ms Ana Peralta is currently an Independent Director of BBVA, S.A., Inmobiliaria Colonial, SOCIMI, S.A., and GRENERGY RENOVABLES, S.A. She has broad experience in the financial sector. She began her professional career with Bankinter in 1990, where she worked in extremely different areas until late 2008. She headed up Bankinter's first Internet Office and ran the Chairman's Office. During her last years at the Bank she was Chief Risk Officer and a member of the Management Committee. From 2009 to 2012 she sat on the Management Committee at Banco Pastor, where she worked as General Manager of Risk. From 2012 to 2018 Ms Ana Peralta divided her time between a post as Senior Advisor with Oliver Wyman Financial Services and was a member of several boards of directors. She was an independent director at Banco Etcheverría, at Deutsche Bank, SAE and also at Lar Holding Residencial. She holds a degree in Economics and Business Administration from the Madrid Complutense University and a Master's Degree in Financial Management from CEF (1991), and studied the PMD Programme (Program for Management Development) at Harvard Business School (2002) and the PADE programme at the IESE business school (2016).
MS SILVIA MÓNICA ALONSO-CASTRILLO ALLAIN	Holds a degree in Political Sciences from the Sciences Po University (Paris) and a Master's Degree in Spanish and Latin American Studies from the Paris-Sorbonne University. By civil service examination, she became a teacher of Spanish studies in France. She has been teaching and researching for 25 years (1984-2009) in a number of French academic institutions: University of Toulouse, Sciences Po and the ESSEC Business School. Author of several books on history and contemporary Spanish politics. Ms Alonso-Castrillo worked for the French Embassy in Singapore as a science and culture advisor, before being appointed regional director of INSEAD. She supervised the development of two campuses in Singapore: the French Lycée and INSEAD (1996-1999). Upon her return to Europe in 2000, she worked for 15 years with ESSEC, managing international development and fundraising for the business school, which also opened a campus in Singapore. In 2007, she founded in Madrid the consulting firm Sociedad de Estudios Hispano Franceses, S.L., which she led until 2019. Since 2013, Ms Alonso-Castrillo has run the family farm in the Loire Valley of France. She has served on the Board of the College de Bernardins (Paris) and on the Executive Committee of the Fondation pour les Sciences Sociales (Paris). She has been Director of Société Foncière Lyonnaise from 2017 to 2019. Since 2017 she has been a member of the board of directors of KOIKI HOME, S.L.
MS ANA LUCRECIA BOLADO VALLE	She holds a degree in Pharmacy from the Madrid Complutense University, and also a Master's Degree in Business Administration (MBA) from IE Business School. In the course of her professional career, Ms Ana Bolado Valle has held various management positions at Santander Group (1986-2017), managing important business areas both wholesale and retail, digital transformation projects and key areas for the Group such as Corporate Human Resources Division between 2005 and 2010. She has also been Director of Parques Reunidos Servicios Centrales, S.A. Currently Ms Ana Bolado Valle is a proprietary director of Metrovacesa, S.A., appointed at the proposal of Banco Santander, S.A., Unicaja Banco, S.A., Caceis Group and Caceis Bank. In Unicaja Banco, S.A. she is also Chairwoman of the Appointments Committee, member of the Risks Committee and member of the Remunerations Committee. At Caceis Bank she is a member of the following committees: Strategy, Audit, Risks and Compliance and Appointments and Remunerations. Furthermore, she is a Senior Advisor for Fellow Funders –an equity crowdfunding platform to support the funding of start-ups and SMEs– and a member of the Instituto de Consejeros y Administradores (ICA, Institute of Directors and Administrators) and of Women Corporate Directors.
MR LUIS MALUQUER TREPAT	He holds a degree in Law from the University of Barcelona and a Diploma in International Institutions from the University of Geneva. Throughout his career at the law firm Maluquer Advocats, SCP, he has advised different national and international institutions, providing his services in the fields of consultancy, legal advice and lawsuits, arbitration and mediation procedures. He also has teaching experience at various institutions, such as the Barcelona Chamber of Commerce, and worked as director at the European Society for Banking and Financial Law (AEDBF Paris). He is the founding partner of Despacho Maluquer Advocats, SCP, and is a board member and secretary to a number of companies, including Société Fonciére Lyonnaise, where he sits on the board. He was Chairman of the Argentinian Chamber of Commerce in Spain until 2019 and is currently a member of its Governing Board.

Total number of independent directors	4
% of the total board	36.36

List any independent directors who receive from the company or group any amount or payment other than standard director remuneration or who maintain or have maintained during the period in question a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior officer of an entity which maintains or has maintained this relationship.

If applicable, include a statement from the board detailing the reasons why it believes this director may carry out duties as an independent director.

Name or company name of the director	Description of the relationship	Reasoned statement
No data		

Other external directors

Identify the other external directors and explain why these directors may not be considered proprietary or independent directors, and what their connection is with the Company, its managers or its shareholders:

Name or company name of the director	Reasons	Company, director or shareholders to which this person is linked	Profile
No data			

Total number of external directors	N.A.
% of the total board	N.A.

Indicate any changes in the status of each director that may have occurred during the year:

Name or company name of the director	Date of change	Prior category	Current category
No data			

C.1.4 Complete the following table with the information on the number of female directors over the past 4 years and their category:

	Number of female directors				% of total directors of each category			
	2020	2019	2018	2017	2020	2019	2018	2017
Executive					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent	3	3	1	1	75.00	50.00	25.00	25.00
Other External Female Directors					0.00	0.00	0.00	0.00
Total:	3	3	1	1	27.27	23.08	9.09	10.00

C.1.5 Indicate whether the company has diversity policies in place for its Board of Directors with regards to age, gender, disability, education or work experience, among other matters. Small and medium businesses, as described by the Auditing Law, should at least report about the policy they have established to ensure gender diversity.

Yes

If this is the case, describe the diversity policies, their targets, measures and the way they have been implemented and their outcome in the fiscal year. Also indicate the specific measures taken by the Board of Directors and the Appointments and Remuneration Committee to ensure a balanced and diverse ratio of directors.

Should the company not have a diversity policy in place, explain the reasons for it.

Description of policies, targets, measures and way they have been implemented, as well as their outcome.

In recent years, the Company has approved a Selection and Diversity Policy that specifies strict parameters for its application and has been developing specific planning for the implementation of this policy, which has had the positive result of tripling the number of female directors in 2019 with this number being maintained throughout 2020. Thus, this Selection and Diversity Policy, applicable to the appointment and re-election of candidates to the Board of Directors, is based on the principles of diversity and balance in the composition of the Board of Directors, within the general objective of providing effectiveness and professionalism to the operation of this body and increasing the quality of corporate management. In accordance with the Selection and Diversity Policy, the selection of candidates for directorship will require a prior analysis of the company's needs, which will be carried out by the Board of Directors, based on a report by the Appointments and Remuneration Committee (ARC). In this process, individuals will be sought who meet the requirements of professional and personal qualifications and honesty, as well as capacity, set out in the Policy. Upon recruiting such candidates, the Board will make sure that the selection processes foster diversity in age, gender, disability, education and work experience in the Board of Directors.

In relation to diversity, and after the last modification made in 2020, the Policy has among its objectives that by the end of 2022 the number of female directors should represent at least 40% of the total number of members of the Board of Directors. Likewise, the Policy also includes as a target that the appointment of Directors should meet the general criteria on the composition of the Board of Directors, in particular, having a balanced number of executive, proprietary and independent Directors, subject to the principles and recommendations listed in the GGC.

In 2020, at the proposal of the ARC, a request to modify the Diversity Policy was submitted to the Board for approval to align the policy with the new recommendations of the Good Governance Code for listed companies, approved by the Spanish Securities Market Commission (CNMV) in June 2020. In addition to the modification regarding gender diversity, one of the most significant changes is the inclusion of age as a criterion for the selection of directors.

Furthermore, the re-election of three proprietary directors and the appointment of a new independent lead director were submitted to the General Meeting of Shareholders for approval, for which the ARC carried out an analysis of the composition of the Board of Directors, its needs, and the shareholder composition of the Company, assessing the conditions that the directors should meet in the exercise of their positions and the dedication required for adequate performance. In the selection process, discrimination was avoided, and the principle of the selection process was to evaluate the merits and abilities of each candidate. The ARC has deemed that the re-elected directors and the director appointed as an independent lead director meet the necessary qualification, professional honesty, and capacity requirements in accordance with the Selection and Diversity Policy. In addition, the ARC has ensured that the selection processes foster the diversity of knowledge, experience, education, age, disability, and gender of the directors, and are not implicitly biased in any way that could lead to discrimination of any kind. Finally, the ARC has verified the compliance of the proposed candidates with the requirements of independence, in accordance with the legal and statutory provisions, as well as national and international standards.

C.1.6 Explain any measures that may have been agreed by the appointments committee to prevent any implicit bias in selection procedures to hinder the selection of female directors, and for the company to deliberately strive to include women with the professional profile sought as candidates, and that will ensure a balanced ratio of women and men. Also indicate whether these measures include encouraging the company to have a significant number of female senior officers:

Explanation of the measures

The Board of Directors of Colonial, in the exercise of its internal policies and, in particular, the aforementioned policy on Selection and Diversity, has maintained, as an objective for the financial year 2020, the promotion of the presence of women on the Board. This task was already carried out during the financial year 2019 with the appointment, by the General Meeting, of three new independent female directors, all within the framework of the Company's internal policies, aligned with international standards and recommendation 14 of the Code of Good Governance, while also ensuring cultural diversity and the presence of members with international knowledge and experience on the Board.

With regard to the actions of the ARC, it carried out an analysis of the composition of the Board of Directors, its needs, and the shareholder composition of the Company, assessing the conditions that the directors should meet in the exercise of their positions and the dedication required for adequate performance, analyses, and assessments, which have been periodically updated throughout 2020 in relation to the re-elections of directors agreed upon by the General Meeting. In the selection process, discrimination was avoided, and the principle of the selection process was to evaluate the merits and abilities of each candidate. The ARC sought individuals who met the requirements of professional qualification and honesty, as well as capacity, as provided for in the Selection and Diversity Policy. In addition, the ARC has ensured that the selection processes foster the diversity of knowledge, experience, education, age, disability, and gender of the directors, are not implicitly biased in any way that could lead to discrimination of any kind, and, in particular, facilitate the selection of female directors. Finally, the ARC has verified the compliance of the proposed candidates with the requirements of independence, in accordance with the legal and statutory provisions, as well as national and international standards.

When, despite any measures adopted, there are few or no female directors or senior officers, explain the reasons:

Explanation of the reasons

Through its Selection and Diversity Policy, Colonial aims to promote an increase in all types of diversity, for example, related to knowledge, profile, and gender. In this regard, the Company has initiated the necessary actions to achieve the target of at least 40% participation of women in its highest governing body by the end of 2022. As a result, the Company currently has three independent female directors, representing 75% of the total number of independent directors. Therefore, in 2020, the Company has remained committed to continuing to increase the presence of female directors in the highest governing body, so that by 2022 the percentage of female directors will be at least 40%.

C.1.7 Explain the conclusions of the Appointments Committee on the verification of compliance with the policy aimed at fostering an appropriate composition of the Board of Directors.

As part of the verification of compliance with Colonial's Selection and Diversity Policy, in 2020, the ARC analysed the composition of the Board of Directors, its needs and the shareholding structure of the Company, in order to assess the conditions that the directors should meet in the exercise of their duties and the dedication required for adequate performance. Accordingly, in order to continue promoting a diverse and appropriate composition of the Board of Directors, the ARC resolved to submit to the Board, for submission to the General Meeting of Shareholders, the proposal to re-elect Mr Sheikh Ali Jassim M. J. Al-Thani, Mr Adnane Mousannif, and Mr Carlos Fernández González as proprietary directors. Furthermore, it submitted, for approval by the Board of Directors, the appointment of Mr Luis Maluquer Trepat as a new independent lead director.

C.1.8 Explain any reasons for which proprietary directors have been appointed at the behest of shareholders accounting for less than 3% of share capital:

Name or company name of the shareholder	Justification
No data	

Provide details of any rejections of formal requests for board representation from shareholders whose shareholding is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If so, explain why these requests have not been granted.

No

C.1.9 Indicate, if any, the powers delegated by the Board of Directors to directors or to Board committees:

Name or company name of the director or committee	Brief description
MR PEDRO VIÑOLAS SERRA	In his capacity as CEO, he has been granted all the powers that may be delegated by the Board of Directors. In addition, as Vice-Chairman of the Board of Directors, he has been assigned the powers set out in the Board Regulations.
MR JUAN JOSÉ BRUGERA CLAVERO	In his capacity as Chairman of the Board of Directors, he has been granted all the powers set forth in the regulations of the Board of Directors. He has also been granted broad executive powers.

C.1.10 Identify any Board members working as managing directors, representatives of managing directors or executives at other companies that are part of the listed company's group:

Name or company name of the director	Group company name	Position	Does the member have executive functions?
MR PEDRO VIÑOLAS SERRA	Société Foncière Lyonnaise	Director	NO
MR PEDRO VIÑOLAS SERRA	Inmocol Torre Europa, S.A.	Director	NO
MR PEDRO VIÑOLAS SERRA	Colonial Tramit, S.L.	Individual representative of the sole director, Inmobiliaria Colonial, SOCIMI, S.A.	YES
MR PEDRO VIÑOLAS SERRA	Utopicus Innovación Cultural, S.L.	Director	NO
MR JUAN JOSÉ BRUGERA CLAVERO	Société Foncière Lyonnaise	Chairman of the Board of Directors	NO
MR LUIS MALUQUER TREPAT	Société Foncière Lyonnaise	Director	NO
MR SHEIKH ALI JASSIM M.J. AL-THANI	Société Foncière Lyonnaise	Director	NO
MR PEDRO VIÑOLAS SERRA	Inmocol One, S.A.U.	Individual representative of the sole director, Inmobiliaria Colonial, SOCIMI, S.A.	YES
MR PEDRO VIÑOLAS SERRA	Inmocol Two, S.L.U.	Individual representative of the sole director, Inmobiliaria Colonial, SOCIMI, S.A.	YES
MR PEDRO VIÑOLAS SERRA	Inmocol Three, S.L.U.	Individual representative of the sole director, Inmobiliaria Colonial, SOCIMI, S.A.	YES

C.1.11 Identify any directors, or representatives of directors who are legal entities, at your company who are also members of the Board of Directors, or representatives of directors who are legal entities, in other companies listed on regulated markets other than your group, which have been notified to the company:

Name or company name of the director	Company name of listed company	Position
MS ANA CRISTINA PERALTA MORENO	Banco Bilbao Vizcaya Argentaria, S.A.	Director
MS ANA CRISTINA PERALTA MORENO	Grenergy Renovables, S.A.	Director
MR CARLOS FERNÁNDEZ GONZÁLEZ	Restaurant Brands New Zealand Limited	Director
MR CARLOS FERNÁNDEZ GONZÁLEZ	AmRest Holdings SE	Director
MS ANA LUCRECIA BOLADO VALLE	Metrovacesa, S.A.	Director
MS ANA LUCRECIA BOLADO VALLE	Unicaja Banco, S.A.	Director
MR JUAN CARLOS GARCÍA CAÑIZARES	Valorem S.A.	Director

C.1.12 Indicate, and explain where appropriate, whether the company has established rules on the maximum number of company boards the company's directors may sit on, identifying, if any, where these rules are established:

Yes

Explanation of the rules and identification of the document where they are established

Colonial, in view of its internal principles of organisation and the proper functioning of its administrative and management structure, and in the company's best interests, establishes in its Regulations of the Board of Directors that directors may not sit on more than four boards of directors of Spanish listed companies other than Colonial. However, the Executive Directors of the Company may not sit on more than two boards of directors of listed companies other than Inmobiliaria Colonial or Group companies. The Board of Directors may dispense with this ban in exceptional circumstances. It should also be pointed out that Board Regulations establish that they must carry out their functions and meet the obligations imposed on them by law, the Company Bylaws and other internal regulations with the diligence of an orderly entrepreneur, in due consideration of the nature of the post and the functions assigned to them; their dedication must be appropriate at all times, and they must take the necessary measures for proper management and control of the Company.

C.1.13 Specify the amounts of the following items regarding the global remuneration of the Board of Directors:

Remuneration accrued by the Board of Directors during the fiscal year (thousands of euros)	5,672
Amount of pension rights accumulated by the current directors (thousands of euros)	898
Amount of pension rights accumulated by the former directors (thousands of euros)	0

The remuneration accrued by the Board of Directors during the fiscal year matches the group's total remuneration.

C.1.14 List any members of senior management who are not also executive directors and state the total remuneration accrued to them during the year:

Name or corporate name	Position(s)
MR ALBERTO ALCOBER TEIXIDO	Business Manager
MR CARLOS ESCOSA FARGA	Internal Auditor
MS NURIA OFERIL COLL	Manager of Legal Counsel
MS CARMINA GANYET CIRERA	Corporate General Manager

Number of women in senior management	2
Percentage of total members of senior management	50.00

Total remuneration of senior management (thousands of euros)	2,325

As in section C.1.13 above, the figure includes the group's total remuneration of the senior management.

C.1.15 Indicate whether any amendments have been made to the board regulations during the year:

Yes

Description of changes

As reported at the General Meeting of Shareholders, Article 13 ("General duties") of the Regulations of the Board of Directors was amended to determine the number of additional Boards of Directors that the Directors may sit on.

Furthermore, in December 2020, the aforementioned Regulations were modified to align with the amendments approved by the CNMV in June 2020 on certain recommendations of the Good Governance Code for Listed Companies.

C.1.16 Indicate the procedures for the selection, appointment, re-election and removal of directors. Give details of the competent bodies, the formalities to be fulfilled and the criteria to be used in each of the procedures.

In order to meet the highest standards in the selection of candidates for directors, based on knowledge and experience in the sector and in the management of listed companies, Colonial has developed its procedures for the selection, appointment, re-election and removal of directors, which are regulated in the Regulations of the Board of Directors, through the Selection and Diversity Policy, approved by the Board at the proposal of the ARC. In accordance with this policy, the Board of Directors will first analyse the Company's and the Group's needs, with the support of appropriate advisors, and, in any case, will base its analysis on the appointment proposed by the Appointments and Remuneration Committee or its report on the matter. The directors are appointed by the General Meeting or, in the event of early vacancies, by the Board, exercising its power to co-opt.

The ARC makes proposals for the appointment or re-election of independent directors. In all other cases, the Board is responsible for making proposals. Proposals must be accompanied by a supporting report from the Board that assesses the competence, experience and merits of the proposed candidates, which will be attached to the minutes of the General Meeting or the Board meeting. The proposal for the appointment or re-election of any non-independent director should also be preceded by an ARC report. In order for the shareholders at the General Meeting to have the information necessary for the appointment of directors, from the publication of the call notice and until the General Meeting is held, the Company must continuously post on its corporate website the following information, at least, on the persons proposed for appointment, ratification or re-election as Board members: their identity, CV and category to which each belongs, and the aforementioned proposal and reports and ARC explanatory report containing the findings of the analysis performed beforehand of the Board's needs. For legal entities, information should be included on the individual designated for the permanent exercise of the functions of the post.

Additionally, the Selection and Diversity Policy establishes a series of situations that prevent a candidate from being a director. Directors may be removed from office at any time by the General Meeting, even if the removal is not on the agenda. In addition, directors must place their position at the disposal of the Board of Directors and tender, if the latter deems it appropriate based on a report from the ARC, their resignation, all in accordance with the provisions of the Regulations of the Board of Directors, in the instances set forth in section C.1.19 below. The Board of Directors shall not propose the removal of any independent directors before the expiry of their tenure as mandated by the Company Bylaws, except where just cause is found by the Board, based on a report by the ARC. It will be understood that there is just cause when the director takes up a new post or takes on new duties that prevent him/her from devoting the necessary time to the performance of the duties associated with the directorship, when the director fails to carry out the duties inherent to his/her post or when the director is involved in circumstances which cause him/her to lose his/her independent status in accordance with the provisions of the legislation applicable. The removal of independent directors may also be proposed following a takeover bid, merger or similar corporate operation entailing changes in the Company's capital structure, when these changes have been propitiated by the proportionality criterion.

Without prejudice to the foregoing, the Board Regulations stipulate that independent directors may not retain their status as such for a continuous period of more than 12 years. Also, the Board of Directors may propose the removal of other directors prior to expiry of the statutory period for which they were appointed for exceptional and justifiable reasons as approved by the board, subsequent to a report by the ARC. When, as a result of their resignation or for some other reason, directors leave their post before their term has expired, they shall explain the reasons in a letter submitted to all Board members, notwithstanding notification of the departure as a regulatory announcement, and reporting of the reason for the departure in the Annual Corporate Governance Report.

C.1.17 Explain to what extent the annual evaluation of the Board has prompted significant changes in its internal organisation and the procedures applicable to its activities:

Description of changes

In accordance with the spirit of permanent improvement that Colonial pursues in the fulfilment of its corporate governance functions, extending the requirements that by regulation or recommendation of good practices are applicable to listed companies, through regulation and internal policies committed to progress in this area and transparency in its dissemination, it is noted that the annual evaluation of the Board for the 2019 financial year was satisfactory. However, in order to maintain the Company's objective, the recommendations for improvement proposed for 2020 included [implementing a greater degree of gender diversity on the Board of Directors and maintaining the level of commitment to the Company's strategic issues, among others.

Describe the assessment procedure and the areas assessed by the Board of Directors with the support, if any, of an external consultant, regarding the performance and composition of the Board and its committees and any other area or aspect that has been assessed.

Description of the assessment procedure and areas assessed

The Board of Directors assessed its composition and competences, the operation and composition of committees and the performance of the Chairman, CEO, and Board Secretary. In addition, the transition processes regarding the functions of the Independent Lead Director and the Chairpersons of the ARC and ACC that took place in 2020 were evaluated. In this regard, questionnaires were sent to all directors for these evaluations, covering various matters and collecting general recommendations for improvement. Once the responses were received, the ARC prepared the related reports assessing the Board of Directors, Chairman, CEO, and Board Secretary, as well as its own composition, competences and operation, for submission to the Board of Directors. Similarly, the ACC formulated the assessment report on its composition, competencies and functioning. The ARC commissioned the services of the Spencer Stuart as an external consultant in this evaluation process. This entity issued a report on the adequacy of the procedure and methodology applied by Colonial in the assessment processes and on the conclusions regarding the same. Following the assessment, the Board of Directors approved the assessment reports for the Board, its committees, the Chairman, the CEO, and the Secretary.

C.1.18 Detail, as appropriate, for the years in which the assessment was supported by an external consultant, any business dealings that the consultant or any company in its group have with the Company or any company in its group.

The annual business relationship with the consulting firm Spencer Stuart has been as an external consultant in relation to the assessment of the Board of Directors, its committees, the Chairman of the Board, the CEO, and the Board Secretary, as well as the transitions of the positions of Committee Chairpersons and Independent Lead Director, in which the consulting firm has maintained its independence at all times while evaluating the process related to the aforementioned assessment.

C.1.19 Indicate the cases in which the directors must resign.

In order to preserve the independence and the best performance of their duties by Colonial's directors, the company regulates in its internal rules (Regulations of the Board of Directors), that directors must place their position at the disposal of the Board of Directors and tender, if the latter deems it appropriate after a report from the ARC, their resignation in the following cases:

1. When they become subject to any incompatibility or prohibition established by law.

2. When they cease to discharge the executive functions associated with their appointment as directors or when the reasons for their appointment cease to exist. Specifically, proprietary directors shall tender their resignation when the shareholder they represent sells off the entire shareholding in Colonial or when the number of shares held requires a reduction in the number of proprietary directors.

   In events in which, notwithstanding the foregoing paragraph, the Board of Directors considers that there are reasons that justify that the Director remain in office, it will take into particular account the impact that the new circumstances may have on the Director's qualification.

3. When they have been seriously reprimanded by the ARC for having infringed any of their duties as directors.

4. When their remaining as board member may adversely affect the operation of the Board or jeopardise the credit or reputation of the Company for any reason.

   In particular, Directors must inform the Board, and, if appropriate, resign in the event of situations arising which affect them and which are related, or not, to their performance in the Company, which could affect the Company's reputation. In particular, they must inform the Board of any criminal case in which they are involved and under investigation as well as of any procedural events in such case.

   If the Board of Directors is informed or otherwise made aware of any of the situations mentioned in the preceding paragraph, the Board shall examine the case as soon as possible and, based on the specific circumstances, shall decide, after receiving a report from the ARC, whether to take any action.

   Likewise, Colonial informs its directors who are qualified as independent of the time limit legally established at 12 years, so that once this period has elapsed, the appropriate steps can be taken to comply with the applicable legislation.

C.1.20 Are qualified majorities other than those prescribed by law required for any type of decision?

No

If applicable, describe the differences.

C.1.21 State whether there are any specific requirements, apart from those relating to the directors, to be appointed chairman of the Board of Directors:

No

C.1.22 Indicate whether the Bylaws or the board regulations set any age limit for directors:

No

C.1.23 Indicate whether the Bylaws or the Board regulations set a limited term of office or other stricter requirements for independent directors other than those established by the regulations:

No

C.1.24 Indicate whether the Bylaws or Board regulations stipulate specific rules to delegate votes on the Board of Directors to other directors, the procedures thereof and, in particular, the maximum number of proxy votes a director may hold. Also, indicate whether there is any limit as to the categories in which it is possible to delegate votes, beyond the limits provided in law. Also indicate whether there is any limit as to the categories in which it is possible to delegate votes, beyond the limits provided in law.

In order to establish rules for the functioning of the Board that allow the effective performance of its functions within the framework of the governance requirements that, both in internal rules and in legislation, are applicable to the Company, the Regulations of the Board of Directors allow, in accordance with the Spanish Limited Liability Companies Law, that representation shall be conferred in writing and specifically for each meeting, and only in favour of another member of the Board. Under Board Regulations, proxy shall be granted in writing and specifically for each meeting, and only in favour of another member of the Board.

Likewise, in cases of delegation, the directors must give specific instructions to the proxy on how to vote on the matters submitted for discussion.

C.1.25 Indicate the number of board meetings held during the fiscal year. Also state, if applicable, the number of occasions on which the Board met without its Chairman in attendance. Attendance shall also include proxies appointed with specific instructions.

Number of board meetings	13
Number of board meetings not attended by the chairman	0

Indicate the number of meetings held by the Independent Lead Director with the other directors without the attendance, in person or by proxy, of an executive Director:

Number of meetings	3

Indicate the number of meetings of the various board committees held during the year:

Number of appointments and remuneration committee meetings	10
Number of sustainability committee meetings	0
Number of executive committee meetings	0
Number of audit committee meetings	9

Due to the recent creation of the Sustainability Committee in December 2020, no meetings were held during the year.

C.1.26 Indicate the number of meetings held by the Board of Directors during the fiscal year and the attendance data of its members:

Number of meetings where at least 80% of directors attended in person	13
% of attendance in person out of the total votes during the fiscal year	99.00
Number of meetings with attendance in person, or by proxy with precise instructions, of all the directors	13
% of votes cast with attendance in person, or by proxy with precise instructions, out of the total votes during the year	100.00

C.1.27 Indicate whether the consolidated and individual annual financial statements submitted to the Board for their preparation are certified beforehand:

Yes

Identify, where applicable, the person(s) who certified the company's individual and consolidated annual financial statements to be drawn up by the board:

Name	Position
MS ANGELS ARDERIU IBARS	Chief financial officer

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to ensure that the Board of Directors can present the company's annual financial statements to the General Meeting of Shareholders in compliance with accounting standards.

In accordance with the Regulations of the Board of Directors, the Audit and Control Committee shall ensure that the Board of Directors submits the financial statements to the General Meeting of Shareholders without limitations or reservations in the audit report. In any exceptional cases where such reservations exist, the Chairman of the Audit and Control Committee and, in exceptional circumstances, the auditors also, shall give a clear account of the contents and scope of these limitations or reservations to the shareholders. In any case, based on the functions granted to it in this regard by Board Regulations, the Audit and Control Committee constantly monitors the process of preparing the individual and consolidated financial statements to prevent them from being prepared with reservations in the audit report. In any case, there were no reservations in the year ended 31 December 2020.

C.1.29 Is the secretary to the board a director?

No

If the secretary is not a director, complete the following table:

Name or company name of the secretary	Representative
MR FRANCISCO PALÁ LAGUNA	

C.1.30 Indicate the specific methods established by the company to protect the independence of the external auditors, as well as the methods, if any, employed to protect the independence of the financial analysis, of investment banks and of credit rating agencies, including how the legal provisions have been effectively implemented.

Among the obligations of the ACC is to preserve the independence of the external auditor in the performance of its duties. Furthermore, the ACC will: (i) should the external auditor resign, examine the circumstances that led to such resignation; (ii) ensure that the external auditor's compensation for his/her work does not compromise his/her integrity or independence; (iii) supervise that the Company reports as additional information to the Spanish Securities Market Commission (CNMV) the change of auditor alongside a statement on the likeliness of a disagreement on the contents with the outgoing auditor; and (iv) ensure that the Company and the external auditor adhere to the current regulations on the provision of non-audit services as well as the limits on the auditor's business concentration and, in general, all the other rules on auditor independence.

It is also a function of the ACC to establish the necessary relations with the external auditor in order to receive information on any matters that might jeopardise the auditors' independence, for examination by the Committee, any other matters related to the accounts audit process and, when appropriate, to authorise non-prohibited services on the terms provided in current legislation relating to independence and to communicate with the auditors as provided for in the financial audit legislation and auditing standards. In any case, each year the external auditors shall be required to furnish a statement of their independence with respect to the Company or entities related directly or indirectly thereto, as well as detailed and separate information on any manner of additional services of any kind provided and the related fees received from these entities by the external auditor or entities related thereto in accordance with the governing accounts audits. The ACC shall also issue, prior to the audit report, an annual report expressing an opinion on whether the independence of the auditors or audit companies has been compromised. This report shall, in any case, contain the evaluation of the provision of each and every additional service referred to in the preceding section, considered individually and as a whole, other than legal audit services in relation to the rules on independence or in accordance with the audit regulations. Additionally, the ACC has an authorisation procedure of the external auditor's services other than the prohibited ones. Likewise, the Regulations of the Audit and Control Committee, in line with Technical Guide 3/2017 on audit committees of public interest entities of the CNMV of 27 June 2017, establishes the procedure and specific criteria that the Committee must follow to preserve, among other aspects, the independence of the external auditors.

C.1.31 Indicate whether the company changed its external auditors during the fiscal year. If so, identify the incoming auditor and the outgoing auditor:

No

Explain any disagreements with the outgoing auditor and the reasons for same:

No

C.1.32 Indicate whether the audit firm performs other non-audit work for the company and/or its group and if so, state the amount of the fees received for such work and the percentage that this amount represents of the fees billed to the company and/or its group for audit work:

Yes

	Company	Group companies	Total
Amount for non-audit work (thousands of euros)	146	87	233
Amount for non-audit work/Amount for audit work (in %)	54.07	25.82	38.39

C.1.33 Indicate whether the audit report for the annual financial statements of the previous fiscal year included any qualified opinions. Indicate the reasons given by the chairman of the audit committee to the shareholders of the General Meeting to explain the contents and scope of the qualified opinions.

No

C.1.34 Indicate the number of consecutive years that the current audit firm has been auditing the Company's individual and/or consolidated annual financial statements. Likewise, indicate for how many years the current firm has been auditing the annual financial statements as a percentage of the total number of years over which the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	4	4
Number of years audited by the current audit firm/number of years the company or its group has been audited (in %)	11.76	11.76

C.1.35 Indicate whether there is a procedure for the directors to be able to receive the necessary information to prepare for meetings of the management bodies sufficiently in advance, and if so, give details:

Yes

Detail of the procedure

In order to ensure that the directors can adequately meet their obligations as such, Colonial guarantees that all the necessary information is provided for this purpose, and not only that which is legally required. To this end, the Regulations of the Board of Directors, the Chairman, with the collaboration of the Secretary, ensures that the directors have, beforehand and sufficiently in advance, the necessary information for the deliberation and adoption of resolutions on the matters to be discussed at each meeting, unless the Board of Directors has convened or has been called on an exceptional basis for reasons of urgency. Likewise, any director may, at the request of the Chairman, Managing Director, or Secretary, request and examine the books, records, documents and other background information on corporate transactions, and may also obtain the necessary supplementary information from any interlocutors deemed appropriate. Lastly, the Company shall establish suitable channels for directors to obtain the advice they need to carry out their duties including, if necessary, external advise at the Company's expense. In this regard, in view of the functions of the Board Chairman, the directors shall send the Chairman requests for external assistance when they deem this necessary. Furthermore, the Regulations of the Board of Directors stipulate that the committees may resort to external advice when deemed necessary for their roles, following the same procedure as set forth above.

C.1.36 Indicate and, where appropriate, provide details of whether the company has established rules requiring directors to report and, where applicable, resign in the event of any circumstances that may affect them, whether or not related to their performance at the company, that could jeopardise the company's credit or reputation:

Yes

Explain the rules

Board Regulations stipulate that directors must tender their resignation to the Board of Directors and resign if the latter deems it appropriate subsequent to a report from the ARC when their continuation as a Board member may adversely affect the operation of the Board or jeopardise the credit or reputation of the Company for any reason. In particular, the directors must inform the Board of any criminal proceedings in which they are an accused party and of the subsequent progress of the proceedings. In any event, if a director were prosecuted or had a court order issued against him or her initiating trial proceedings for any of the offences defined in the law, the Board shall examine the case as soon as practicable and, in view of the particular circumstances, decide whether or not he or she should remain in office, providing reasonable reasons therefor in the Annual Corporate Governance Report.

C.1.37 Indicate, unless special circumstances have arisen which have been recorded in the minutes, whether the board has been informed or has otherwise become aware of any circumstances affecting a director, whether or not related to their performance at the company, that could jeopardise the company's credit or reputation:

No

In this instance, indicate whether the Board of Directors has examined the case. If it has, provide a reasoned explanation of whether, in view of the specific circumstances, it has taken any actions, such as opening an internal investigation, requesting the resignation of the director, or proposing the director's dismissal.

In addition, indicate whether the board's decision has been subject to a report issued by the Appointments Committee.

C.1.38 Detail any significant resolutions taken by the company which will come into force, are amended or terminated in the event of a change of control of the company following a takeover bid and the effects thereof.

The Company has signed a credit facility amounting to 1 billion euros. The loan is structured in two 500 million EUR tranches, both of which mature in 2025, with the option to extend the second tranche until 2027. Colonial had an available balance of 875 million EUR through two credit facilities maturing in 2022 and 2023, which were cancelled and replaced by this new line of financing.

The financing has been secured through a banking pool involving different national and international financial institutions, some acting as financing brokers and others as sustainability agents.

On 20 February 2020 Colonial signed a bilateral loan for an amount of 75.7 million euros which provides for acceleration in the event of a change of control.

Both loans are based on sustainability and related to recognising the impact of Colonial's sustainability strategy through the GRESB (Global Real Estate Sustainability Benchmark) sustainability rating.

In addition, the Company has made several issues of fixed-income securities which provide for the early maturity of the debentures, at bondholders' option, in the event of a change of control leading to the loss of the Investment Grade rating. The total amount of emissions is 2.7995 billion euros.

C.1.39 Identify, separately when referring to directors, and aggregated when referring to all other cases, and provide detailed information on agreements between the company and its officers, executives and employees that provide for indemnities or guarantee or golden parachute clauses in the event of resignation, unfair dismissal or termination of the contractual relationship as a result of a takeover bid or other operations.

Number of beneficiaries	3
Type of beneficiary	**Description of the agreement**
Chairman of the Board, CEO and Corporate General Manager	This would also accrue (i) in the event of a waiver or departure from their posts due to a change of control at the Company or significant change in the composition of the Board and (ii) in the event of amendment of the terms and conditions agreed in their employment contracts without their consent, among other scenarios established by the Board. The compensation consists of, (a) in relation to the Chairman, a gross amount equivalent to two years' fixed and variable remuneration, with a minimum of €1,650,000, and (b), in relation to the CEO, a gross amount equivalent to two years' fixed and variable remuneration, with a minimum of €1,920,000. The amounts shown are automatically renewed on an annual basis by applying the CPI or any another official benchmark that may ultimately replace it. In the case of the Corporate General Manager, the guarantee or golden parachute clause triggered in the event of termination under certain circumstances or change of control gives rise to compensation for termination of functions for an amount equal to 3 years' salary. The beneficiaries of the plan are the Chairman of the Board, the CEO and the members of Colonial's Management Committee, which includes the Corporate General Manager. The plan provides that the Board of Directors shall agree early settlement of the plan and the award of a maximum number of outstanding shares to each beneficiary if a "substantial liquidity event" occurs. "Substantial liquidity events" shall occur (i) when a takeover bid is authorised to acquire all Colonial's share capital, or (ii) when refinancing of all Colonial's debt is authorised. In the latter case, early settlement of the Plan is subject to the ARC's ratification. If, during the term of the Plan, the Chairman or CEO were unfairly dismissed, the General Meeting did not extend their term or they were dismissed from their positions without just cause, they shall be entitled to early settlement of the Plan and to delivery of the maximum number of shares outstanding in the years remaining until the end of the Plan. Beneficiaries shall lose their right to the delivery of shares in the event of justified dismissal, termination for cause or if they resign on their own initiative, and in case of breach of contract in respect of confidentiality, non-solicitation of services or competition. In these cases, the beneficiaries shall lose any rights to shares that have been granted.

Indicate whether, beyond the assumptions foreseen by the regulations, these agreements must be reported to and/or authorised by the governing bodies of the company or its group. If this is the case, specify the procedures, assumptions foreseen and nature of the bodies in charge of their approval or their communication:

	Board of Directors	General Meeting
Body which authorises the clauses	√	

	Yes	No
Is the general meeting informed of the clauses?		√

C.2. Board committees

C.2.1 Give details of all board committees, their members and the proportion of executive, proprietary, independent and other external directors that form them:

Appointments and Remuneration Committee

Name	Position	Category
MS ANA LUCRECIA BOLADO VALLE	CHAIRWOMAN	Independent
MR LUIS MALUQUER TREPAT	MEMBER	Independent
MR JUAN CARLOS GARCÍA CAÑIZARES	MEMBER	Proprietary
MR ADNANE MOUSANNIF	MEMBER	Proprietary
MS SILVIA MÓNICA ALONSO-CASTRILLO ALLAIN	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	40.00
% of independent directors	60.00
% of other external directors	0.00

Explain the functions, including, if applicable, those additional to those provided for by law, conferred to this committee, and describe the rules and procedures of its organisation and operation. For each of these functions, indicate the more relevant actions during the fiscal year and how it effectively carried out each of the functions conferred to it in accordance with law, Company Bylaws, or other corporate agreements.

In order to adequately fulfil its obligations and functions, the internal regulations have reinforced certain legal provisions on the ARC. The ARC comprises a minimum of 3 and a maximum of 8 directors, all of them non-executive directors, appointed by the Board, with the number of independents as determined by law. The ARC shall appoint from among its members (i) a chairman, who, in any case, shall be an independent director, and (ii) a secretary, or it may designate the Secretary to the Board. The ARC may appoint a deputy chairman, who shall also be an independent director. The members of the ARC shall leave office when they cease to be directors or when the Board so resolves. The functions of the ARC will be, among others:

- Evaluate the skills, knowledge and experience required of the Board, define the roles and capabilities required of the candidates and decide on the time and dedication necessary for them to effectively discharge their duties.

In 2020, the ARC analysed the composition, expertise, and experience of the Board, as well as the suitability of its members, in accordance with the provisions of corporate regulations, current legislation, and corporate governance recommendations.

- Submit to the Board reports on the evaluation of the Board of Directors, the ARC, and the performance of the Chairman, CEO, Independent Lead Director, and Board Secretary.

In this regard, in 2020, the ARC coordinated the preparation and submission of reports to the Board on the evaluation of the Board and the Committee and the performance of duties of the Chairman of the Board, the CEO and, the Secretary of the Board, as well as on the transition of the position of Independent Lead Director, with the advice of Spencer Stuart.

- Establish a target representation rate for the less-represented gender on the Board, laying down guidelines to achieve it.

In this regard, the ARC submitted to the Board, after a period of analysis, a request to modify the Diversity Policy to align the policy with the new recommendations of the Good Governance Code approved by the CNMV in June 2020. In addition to the modification regarding gender diversity, one of the most significant changes is the inclusion of age as a criterion for the selection of directors.

- Report on proposals for the appointment of directors (excluding independent directors) to be co-opted or, if applicable, for submission to a decision by the shareholders at the General Meeting, and proposals for re-election and removal of those directors by the General Meeting.

In particular, the ARC resolved to submit to the Board, for submission to the General Meeting, a proposal to re-elect Mr Sheikh Ali Jassim M. J. Al-Thani, Mr Adnane Mousannif, and Mr Carlos Fernández González as proprietary directors. Furthermore, it submitted, for approval by the Board of Directors, the appointment of Mr Luis Maluquer Trepat as the new Independent Lead Director.

- Report the proposals for the appointment and removal of senior officers and the basic conditions of their contracts.

As proposed by the CEO, the 2019 performance was analysed in 2020 with a view to reporting favourably on the fixed and variable remuneration of the management team.

- Make recommendations to the Board on remuneration policy for directors and general managers or other members of senior management reporting directly to the Board, for executive committees or the CEO, and for individual remuneration and other contractual conditions of Executive Directors, and ensure compliance with this policy.

In this regard, in 2020 the ARC has: (i) reported favourably and proposed to the Board the Annual Report on the Remuneration of Directors; (ii) ensured compliance with the remuneration policy established by the Company and proposed to the Board the variable remuneration of the Chairman and CEO; (iii) reported favourably and proposed to the Board the approval of the Directors' remuneration policy for 2020, 2021, and 2022; (iv) analysed the variable remuneration objectives for 2020 to assess the performance of the Management Committee; and (v) proposed the number of shares to be received by the beneficiaries of the Share Award Scheme approved by the General Meeting of Shareholders held on 21 January 2014.

In addition, other functions carried out in 2020 included:

- Refocusing the directors' refresher and training plan.

- Promoting the ESG policy.

- Sending the proposed schedule for the ARC annual meetings to all the directors.

- Proposing to the Board of Directors the appointment of members of the ACC, the ARC, and the Executive Committee.

- Reporting on and analysing the actions of the Corporate Governance Unit throughout the year.

- Assessing the suitability and proposing a Sustainability Committee to be approved and constituted by the Board.

Regarding its operation, the committee meets whenever requested by at least two of its members or agreed by the Chairperson, who is responsible forcalling meetings. The call notice shall be valid provided it is sent by any means that allows acknowledgement of its receipt. The ARC shall be considered validly constituted when a majority of its members are present in person or by proxy.

Sustainability Committee

Name	Position	Category
MS SILVIA MÓNICA ALONSO-CASTRILLO ALLAIN	CHAIRWOMAN	Independent
MS ANA CRISTINA PERALTA MORENO	MEMBER	Independent
MS ANA LUCRECIA BOLADO VALLE	MEMBER	Independent
MR LUIS MALUQUER TREPAT	MEMBER	Independent
MR ADNANE MOUSANNIF	MEMBER	Proprietary

% of executive directors	0.00
% of proprietary directors	20.00
% of independent directors	80.00
% of other external directors	0.00

Explain the functions delegated or conferred to this Committee other than those already described in section C.1.9, and describe the procedures and rules of its organisation and operation. For each of these functions, indicate the more relevant actions during the fiscal year and how it effectively carried out each of the functions conferred to it in accordance with the law, Company Bylaws, or other corporate agreements.

The Sustainability Committee was constituted by resolution of the Board on 17 December. Its functions include:

(i) Evaluate and periodically review the environmental and sustainable development policies approved by the company's Board of Directors, and ensure that the company's practices in environmental and sustainable development are in accordance with said policies.

(ii) Evaluate and monitor the proposals for incorporating the company into the most widely recognised international sustainability indices.

(iii) Advise the Board of Directors on environmental and sustainable development matters in accordance with internationally accepted best practices.

(iv) Analyse the draft bills, voluntary initiatives and recommendations in environmental and sustainable development matters and their possible effects on the company's activities, as well as report on the possible impact on the company of European regulations and national, regional and local legislation on environmental and sustainable development matters, in order to be able to take the appropriate decisions.

(v) Analyse the indices and measurement instruments commonly accepted in international practice to assess and measure the positioning of the company in environmental and sustainable development matters, as well as offer recommendations for improving the company's positioning.

(vi) Issue the reports and carry out the actions that correspond to it in environmental and sustainable development matters.

Executive Committee

Name	Position	Category
MR PEDRO VIÑOLAS SERRA	MEMBER	Executive
MR JUAN JOSÉ BRUGERA CLAVERO	CHAIRMAN	Executive
MR JUAN CARLOS GARCÍA CAÑIZARES	MEMBER	Proprietary
MR ADNANE MOUSANNIF	MEMBER	Proprietary
MR CARLOS FERNÁNDEZ GONZÁLEZ	MEMBER	Proprietary
MR LUIS MALUQUER TREPAT	MEMBER	Independent

% of executive directors	33.33
% of proprietary directors	50.00
% of independent directors	16.67
% of other external directors	0.00

Explain the functions delegated or conferred to this Committee other than those already described in section C.1.9, and describe the procedures and rules of its organisation and operation. For each of these functions, indicate the more relevant actions during the fiscal year and how it effectively carried out each of the functions conferred to it in accordance with the law, Company Bylaws, or other corporate agreements.

The Executive Committee shall be made up of at least three and not more than eight members. The Chairman and Secretary to the Committee shall be the Chairman and Secretary to the Board of Directors. The Executive Committee may appoint from among its members a Deputy Chairman who shall act as Chairman in the event of absence. The Board of Directors shall appoint the members of the Executive Committee, ensuring that its membership structure reflects the various types of directors in a similar manner to that of the Board. To be valid, the appointment of directors who constitute the Executive Committee shall require a vote in favour by two thirds of the members of the Board and shall not be effective until it has been entered in the Commercial Registry. The members of the Executive Committee shall cease to be members when they cease to be directors or when the Board so resolves.

The Executive Committee shall be called by its Chairman on his/her own initiative or when this has been requested by two of its members. The meeting must be convened by letter, telegram, e-mail or fax addressed to each of its members at least 48 hours in advance of the date of the meeting; however, it may be called with immediate effect for reasons of urgency. The meetings shall be held at the Company's registered office or at any location designated by the Chairman and indicated in the notice. For an Executive Committee meeting to be validly constituted, the majority of its members must attend, either physically present or represented by proxy. The absolute majority of the members of the Committee shall adopt the resolutions. In the event of a conflict of interest, the directors concerned shall refrain from participating in the transaction to which the conflict refers. The votes of the directors who are affected by such a conflict of interests and who must abstain shall be deducted for the purposes of calculating the necessary majority of votes. In the event of a tie, the matter shall be submitted to the Board of Directors. Through its Chairman, the Executive Committee shall report to the Board on the business transacted and the resolutions adopted by the Committee.

Audit Committee

Name	Position	Category
MS ANA CRISTINA PERALTA MORENO	CHAIRWOMAN	Independent
MR JAVIER LÓPEZ CASADO	MEMBER	Proprietary
MR LUIS MALUQUER TREPAT	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	33.33
% of independent directors	66.67
% of other external directors	0,00

The appointment of Ms Ana Peralta Moreno as the new Chairwoman took place on 12 May 2020, with effect from 30 June 2020.

Explain the functions, including, if applicable, those additional to those provided for by law, conferred to this committee, and describe the rules and procedures of its organisation and operation. For each of these functions, indicate the more relevant actions during the fiscal year and how it effectively carried out each of the functions conferred to it in accordance with law, Company Bylaws, or other corporate agreements.

The ACC comprises a minimum of 3 and a maximum of 8 non-executive directors, appointed by the Board, with the number of independent directors determined by law at any given time, and at least one director appointed on the basis of their knowledge and experience in accounting and/or auditing.

The ACC members shall have relevant technical knowledge in relation to the Company's sector of activity. The ACC shall appoint a Chairperson (independent director), who shall be replaced every 4 years, and may be re-elected after 1 year has elapsed from the date on which their term of office expired; and a Secretary, who may be Secretary to the Board. The members shall be relieved of their duties once their directorships expire, or when the Board agrees so. The ACC shall have the following functions, among others:

- Report to the General Meeting on any questions posed in relation to those matters for which the Committee is responsible, particularly the result of the audit.
- Supervise the effectiveness of internal control, the internal audit and the risk management systems, and discuss with the auditor any significant weaknesses detected.
- Supervise the drawing up and presenting of required financial information and submit recommendations and proposals to the Board to safeguard its integrity.
- Propose to the Board the selection, appointment, re-election and replacement of the auditor, taking responsibility for the selection process, as well as the terms of its engagement, and regularly gather information from it regarding the audit plan and the implementation thereof, and preserve its independence.
- Establish appropriate relationships with the auditor to receive information on any issues which may jeopardise its independence and issues relating to the audit process, and, as appropriate, the authorisation of non-prohibited services, among others. In any event it must, on an annual basis, receive from the auditor a statement of its independence with respect

to the Company or entities directly or indirectly related thereto, as well as information on any type of additional services provided and the related fees received by the auditor or by persons or related entities.

- Issue, on an annual basis and prior to the issuance of the annual audit report, a report expressing an opinion on whether the independence of the auditor or audit companies has been jeopardised, which must in all cases contain a reasoned evaluation of the provision of additional non-audit services in respect of the independence rules or audit standards.

- Inform the Board of all matters established by law, the Bylaws and Board Regulations.

- Prepare an annual report on its activities, which must be included in the directors' report.

The ACC meets whenever requested to do so by at least 2 of its members, or at the behest of the Chairman, who is responsible for convening it in accordance with the Board regulations. The ACC is validly convened when the majority of its members are present or represented, adopting resolutions by majority of those present or represented. The member affected must abstain from participating in the deliberation and voting on resolutions in which the member or a person related thereto has a conflict of interest. In the event of a tie, the Chairman has the casting vote. Minutes are taken of ACC meetings and are made available to the Board.

The major activities of the ACC in 2020 were as follows:

- Served as a communication channel between the Board and the external auditor.

- Issued a report prior to issuing the audit report on the independence of the auditors, in accordance with all legal and statutory requirements.

- Supervised the effectiveness of the internal control, internal audit, and, in particular, risk management systems, including tax risks, and discussed with the auditor any significant weaknesses detected in the internal control system during the course of the audit.

- Approved the internal audit plan for 2020, the proposal for the re-election of the statutory auditor for 2021, and the report on the risk management and control policy.

- Monitored corporate social responsibility practices and strategy.

- Monitored compliance with internal rules of conduct and the financial information preparation and reporting process.

- Promoted and encouraged a culture of compliance with the company regulations and corporate texts.

- Reported on the Annual Corporate Governance Report.

- Evaluated its own performance within the framework of the self-evaluation of the Board and its committees.

- Analysed and reported on treasury share operations to be submitted to the Board of Directors.

- Informed the Board of the contents of the ACC meetings.

- Updated the risk map.

- Monitored compliance with the measures agreed within the framework of the action plan to improve cybersecurity.

- Analysed the reports submitted by the internal audit and business departments on the contracting of works and construction suppliers.

- Appointed Ms Ana Peralta as Chairwoman as of 30 June.

- Submitted a proposal to the Board of Directors to amend the Board Regulations to align Article 13 and other articles with the new good governance recommendations approved in June by the CNMV.

- Approved the policy on reporting economic/financial, non-financial and corporate information to shareholders, institutional investors, and proxy advisors for approval by the Board of Directors.

Identify the directors who are members of the audit committee appointed with regard to their knowledge and experience in accounting, auditing or both, and indicate the date when the Chairman of the committee was appointed as such.

Names of directors with experience	MS ANA CRISTINA PERALTA MORENO / MR JAVIER LÓPEZ CASADO / MR LUIS MALUQUER TREPAT
Date the Chairman was appointed as such	12/05/2020

C.2.2 Fill in the following table with the information on the number of female directors sitting on the Board Committees at the end of the last four years:

	Number of female directors							
	2020		2019		2018		2017	
	Number	%	Number	%	Number	%	Number	%
Appointments and Remuneration Committee	2	40.00	1	16.67	0	0.00	0	0.00
Sustainability Committee	3	60.00	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Executive Committee	0	0.00	0	0.00	0	0.00	0	0.00
Audit Committee	1	33.33	1	20.00	1	25.00	1	25.00

C.2.3 State any regulation of board committees, the location at which they are available for consultation, and any amendments made during the year. Also state whether any voluntary annual reports have been produced on the activities of each committee.

Reports have been prepared on the activities, structure and organisation of Colonial's Board Committees. In this regard, the Audit and Control Committee has prepared a report on its assessment of the structure and functions it carries out, which includes a list of the most significant functions it performed in 2020.

Likewise, the Appointments and Remuneration Committee carried out the same assessment of its structure, organisation, performance, and competences, and the evaluation report lists the significant actions carried out in 2020. Both reports are made available to shareholders, together with the other documentation for the Colonial Ordinary General Meeting, on the Company's corporate website. Regarding the existence of committee regulations, the Company has regulations for the functioning of the Audit and Control Committee, in addition to those laid down by the Regulations of the Board of Directors.

Furthermore, the regulations on the powers and functioning of the Audit and Control Committee and the Appointments and Remuneration Committee have been aligned with the new recommendations published by the CNMV in June 2020, by means of the corresponding amendment to the Board Regulations approved by the Board of Directors on 17 December. The Board Regulations are available on the Company's corporate website.

D. RELATED-PARTY TRANSACTIONS AND INTRACOMPANY TRANSACTIONS

D.1. Explain, where appropriate, the procedure and competent bodies for the approval of related-party transactions and intracompany transactions.

In accordance with the Regulations of the Board of Directors, express authorisation is required from the Board of Directors, which cannot be delegated, following a favourable report from the ACC, in the following cases, among others:

- Provision of professional services by a director to Colonial companies. The employment or any other type of relationship that executive directors have with the Company is exempt for these purposes.

- Sale, or transfer of any kind, in exchange for any form of remuneration, by a director, significant shareholder, shareholder represented on the Board, or with persons related to them, Colonial, or other Group companies, of supplies, materials, assets, or rights.

- Transfer by Group companies to a director, a significant shareholder, or shareholder represented on the Board, or with persons related to them, of supplies, materials, assets, or rights, outside the ordinary course of business of the transferring company.
- Provision of works, services or sale of materials by Inmobiliaria Colonial Group companies to a director, significant shareholder or a shareholder represented on the board, or a related person, and which, being part of their ordinary business, is carried out under economic conditions below market rates.
- Any other legal business with Group companies in which the director or a related person has a direct or indirect interest.

The aforementioned approval by the board of directors will not be necessary when such transactions simultaneously meet the following three characteristics:

1. They are carried out under contracts with standard terms and conditions and are applicable across-the-board to many customers;
2. They are carried out at market prices, generally set by the person supplying the goods or services; and
3. The amount of the operation does not exceed 1% of the Company's annual revenue.

D.2. State any operations which are significant in terms of their value or relevant due to their contents, carried out between the company or companies in its group, and significant shareholders of the company:

Name or company name of the significant shareholder	Name or company name of the company or company in its group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
No data				N.A.

D.3. State any operations that are significant in terms of their value or relevant due to their contents, carried out between the company or companies in its group, and company directors or managers:

Name or company name of the directors or executives	Name or company name of the company or company in its group	Link	Nature of transaction	Amount (thousands of euros)
No data				N.A.

D.4. State any significant transactions carried out by the company with other companies in the same group, provided they are not eliminated during the process of drawing up the consolidated financial statements and do not form part of the company's usual business in terms of its corporate purpose and conditions.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens:

Corporate name of the company in the group	Brief description of the transaction	Amount (thousands of euros)
No data		N.A.

D.5. Detail any significant operations carried out between the company or group companies and other related parties that have not been reported in the previous sections.

Company name of the related party	Brief description of the transaction	Amount (thousands of euros)
No data		N.A.

D.6. State the mechanisms established to detect, determine and resolve any conflicts of interest between the company and/or the group, directors, managers or significant shareholders.

Under the Company Bylaws, directors shall refrain from taking part in discussions or voting on any resolutions or decisions in which the directors or any persons who are related parties may have a direct or indirect conflict of interests. The votes of the directors who are affected by such a conflict of interests and who must abstain shall be deducted for the purposes of calculating the necessary majority of votes. Resolutions or decisions that affect directors in their capacity as directors, such as the appointment or revocation of positions in the governing body or others of a similar nature, are excluded from this obligation to abstain.

Board Regulations also stipulate that the duty of loyalty requires that directors refrain from taking part in discussions or voting on any resolutions or decisions in which the directors or any persons who are related parties may have a direct or indirect conflict of interests. In particular, the duty to avoid conflicts of interest requires that directors abstain from:

a) conducting transactions with the Company, with the exception of regular operations performed under standard conditions for customers and which have little relevance, defined as those operations whose information is not required to demonstrate the Company's equity, financial position and results;

b) using the Company's name or relying on their status as directors to unduly influence private transactions;

c) using the Company's assets, including its confidential information, for personal gain;

d) taking advantage of the Company's business opportunities;

e) obtaining advantages or remuneration from third parties other than the Company and its Group in connection with the performance of their duties, unless considered an act of mere courtesy;

f) carrying out activities as independent professionals or as employees that involve effective competition, be it present or potential, with the Company, or that, in any other way, place the directors in an ongoing conflict with the Company's interests.

The foregoing shall also be applicable if the beneficiary of the actions or prohibited activities is a person related to the director, as per the applicable legal definition.

Any conflicts of interest in which directors are involved shall be reported in the notes to the financial statements and in the Annual Corporate Governance Report.

The authorisation must be approved by the General Meeting when its purpose is to waive the prohibition of obtaining an advantage or remuneration from third parties, or when it affects a transaction the value of which is greater than 10% of the Company's assets. It is also necessary to ensure that the shareholders' equity remains unharmed by the authorised transaction or that, if appropriate, it is carried out at arms' length and transparently. The Company must also ensure that the authorised transaction does not harm its assets and liabilities and, where applicable, ensure it is carried out under market conditions and that the process is transparent. The General Meeting shall grant dispensation through an express and separate resolution.

D.7. Indicate whether the company is controlled by another listed or unlisted company, as described in Art. 42 of the Spanish Commercial Code and has, directly or through its subsidiaries, business relations with this company or one of its subsidiaries (other than the listed company) or carries out activities related to any of them.

No

E. RISK MANAGEMENT AND CONTROL SYSTEMS

E.1. Describe the Risk Management and Control System in place at the company, including tax risks:

Colonial aims to create sustainable value by optimising the relation between the profitability and the risk of its business activity, which contributes towards strengthening its leadership in the sector and consolidating its position in the long term. Risk management is a key aspect of Colonial's organisational culture and, for this reason, the Company has developed a Risk Management and Control System (hereinafter "RMCS"), which establishes certain bases to efficiently and effectively manage risk throughout the organisation, including tax risks.

In order to meet these corporate objectives, the risks to which Colonial is exposed are identified, analysed, assessed, managed, controlled and updated. In order to maintain an effective and updated RMCS, Colonial prepares a corporate risk map, which identifies the main risks affecting the Group, and evaluates them in terms of impact and likelihood of occurrence. This map is periodically reviewed and updated every year, with the aim of having an integrated and dynamic risk management tool that evolves along with the changes in the environment in which the company operates and the changes in the organisation itself. Also, Colonial's RMCS establishes monitoring activities by the owners of risk (area managers) by updating the records of the risks in order to verify the effectiveness of the controls in place.

The Internal Audit function analyses the corporate risk map and proposes which processes, risks and controls should be reviewed each year in the Internal Audit Plan.

E.2. Identify the bodies responsible for preparing and implementing the Risk Management and Control System, including tax risks:

The Board of Directors is responsible for determining the Company's risk management and control policy, including tax risks, identifying its main risks, and implementing and supervising the internal reporting and control systems in order to ensure the future viability and competitiveness of the Company, adopting the decisions best suited to its implementation. The Audit and Control Committee (ACC) assists the Board of Directors in managing this policy. The ACC performs, inter alia, the following functions relating to risk control and management:

- Submitting a report on risk policy and management for approval by the Board.
- Conducting a regular review of risk control and management systems, in such a way that the main risks are identified, managed and notified properly.
- Overseeing the preparation, completeness and filing of regulated public information (financial and non-financial).

In addition, the Company has set up a Regulatory Compliance Division (RCD) and Internal Audit Unit to reinforce this objective. The RCD is responsible for ensuring compliance with any laws and regulations that may affect the Company.

The main responsibilities assigned in relation to the RMCS correspond to the Board of Directors, the Audit and Control Committee and the Internal Audit Unit. The RMCS also explicitly sets out the responsibilities of senior management, operational managers and owners of the risks in relation to risk management.

E.3. Specify the main risks (including tax risks) and, when significant, those derived from corruption (as described in the Spanish Royal Decree 18/2017) that may jeopardise the business targets:

In accordance with adequate risk control and management, in order to avoid possible situations of corruption, bribery or fraudulent actions, Colonial has approved different policies that establish mechanisms and controls to prevent such situations from occurring. Furthermore, for the proper implementation of these policies and other control mechanisms, the Company divides the different types of risks to which the Group is exposed into two main areas based on their origin:

- External risks: risks related to the environment in which Colonial carries out its activity and which influence and condition the company's operations.
- Internal risks: risks arising from the company's own activity and its management team.
- The main external risks faced by Colonial in achieving its targets include:
- Economic risks arising from the political and macroeconomic situation of the countries in which we operate and from changes to investors' own expectations.
- Market risks arising from the transformation of the sector and the business model itself, the greater complexity involved in implementing the investment/divestment strategy, and the fluctuation of the real estate market with an impact on real estate asset valuation.
- Financial risks related to restrictions in the capital markets, interest rate fluctuations, the impact of changes in tax regulations (mainly due to the Socimi regime) and the counterparty risks of major clients.
- Environmental risks, such as those relating to the management of the crisis, those derived from more demanding ESG, and mainly those related to the impact of climate change on the Group's activity.

The main internal risks faced by Colonial in achieving its targets include:

- Strategic risks relating to the Group's size and diversification, the composition of the asset portfolio, and the strategy in the co-working market.

- Various operational risks related to the maintenance of property occupancy levels and contracted rent levels, the development of projects within time and cost parameters, the management of the level of debt and loss of the current credit rating, cyberattacks or failures in information systems, as well as those inherent in the management of the organisational structure and talent.

- Risks arising from compliance with all the regulations and contractual obligations applicable to it, including tax risks concerning the loss of Colonial's SOCIMI status or its French subsidiary Société Foncière Lyonnaise's loss of its real estate investment trust (SIIC) status.

E.4. State whether the company has a risk tolerance level, including tax risks:

Colonial has established an appetite and tolerance for each risk area.

Operating management of the risk model at Colonial has been structured into a corporate risk map, which is the tool that graphically represents the assessment of risks according to their impact, their effect on Colonial measured in economic terms, and their probability, potential occurrence of the risk event over time.

In this regard, the Company assesses risk from two angles: inherent risk, which is understood to be that to which the Company is exposed in the absence of any mitigating action/controls; and residual risk, which is understood to be the risk remaining after the corresponding prevention and control measures have been taken. As a result, a classification of risks is obtained, although the company's policy is to adequately monitor each of the risks.

E.5. Identify any risks, including tax risks, which have occurred during the year:

The risks inherent in the business model and the various activities carried out by the Group are likely to materialise to some extent during each year. In 2020, the global health crisis caused by COVID-19 led to a great deal of uncertainty in many areas, particularly the economic arena, with different impacts on the various business sectors. In relation to this, and particularly in 2020, a number of risks inherent to the Company's activity have materialised, although the Company has shown great resilience in the face of the crisis, particularly in the strategic, operational and financial arenas, and the control systems in place have worked correctly, enabling the Company to manage these risks appropriately. The main risks that materialised during the aforementioned financial year include:

The emergence of the pandemic has resulted in an exceptional crisis unlike any seen in recent years, triggering the activation of the company's business continuity plan with the aim of keeping its staff and assets safe and ensuring the continuity of the Group's operations.

This health crisis has led to great financial uncertainty, and its true impact in terms of the destruction of jobs and the business fabric is not yet known.

The high social and economic uncertainty has increased the complexity of divestment operations for non-strategic assets and led to the development of a strategy for investment in new assets.

In this context, the real estate market has started to fluctuate, speeding up the change of cycle and leading to lower valuation of real estate assets.

Debt management has been a priority this year, and we have taken steps to strengthen the Group's financial structure and ensure its solvency and liquidity to address its medium- and long-term business plans.

The risks associated with the management of the customer portfolio in relation to the maintenance of building occupancy and rent levels.

The risks associated with climate change have led to the implementation of policies and strategies in this field, with specific actions aimed at improving the quality of buildings and the measurement of their energy consumption levels, as well as optimising their environmental impact.

Although regulatory risks are always present, they have been particularly relevant during this year 2020 due to the need to comply with the large body of regulations generated as a result of this COVID-19 crisis.

E.6. Explain any response and supervision plans in place for the company's main risks, including tax risks, as well as the procedures followed by the company to ensure that the Board of Directors can respond to coming challenges:

The risk management model implemented sets out the response and monitoring plans for the main risks based on an assessment thereof. The corporate risk map has a dynamic focus and is therefore reviewed annually in order to monitor the evolution of the risks affecting the Group and the action plans defined and implemented by each area, with the necessary controls put in place to mitigate each of the risks they own. The results of this analysis are reviewed by the Audit and Control Committee, which in turn reports to the Board of Directors, as well as any significant variation in the risks that form part of this risk map. Risks are classified into four levels according to their impact and probability, ranging from the most to the least serious, and are then placed in one of the following categories according to the organisation's response to each:

- Avoid: This entails abandoning activities that generate risks where no response has been identified that could reduce their impact and/or likelihood to an acceptable level.
- Reduce: This entails taking action to reduce the likelihood and/or impact of the risk, thereby reducing residual risk so that it is in line with the Company's risk tolerance.
- Share: The likelihood or impact of a risk is reduced by transferring or sharing part of the risk to reduce residual risk so that it is in line with the Company's risk tolerance.
- Accept: No action is taken which may affect the likelihood or impact of the risk as residual risk is already within the Company's risk tolerance.

The owners of each risk are responsible for preparing the records of risks in order to report the treatment established to mitigate and/or maintain the level of risk at the tolerance threshold accepted by the Company. Risk records state: (i) the objective pursued by the action plan, (ii) description of the course of action, (iii) the owner of the risk, (iv) the cutoff date for taking action, (v) details of the action to be taken with those responsible for implementation, and start and finish dates.

Internal audit supervises the response plans that are the responsibility of the risk owners.

F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS IN RELATION TO INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms that comprise the risk control and management systems in relation to internal control over financial reporting (ICFR) at your company.

F.1. The company's control environment

Provide information, stating the main features, on at least the following:

F.1.1 Which bodies and/or functions are responsible for: (i) the existence and maintenance of a proper ICFR system; (ii) its implementation; and (iii) its supervision.

The Board of Directors, as stipulated in the Regulations, is ultimately responsible for the existence and updating of a suitable and effective ICFR system.

Specifically, Article 5 of the Board Regulations ("General Functions and Competences") stipulates, inter alia, the following functions:

1. Determine the Company's general policies and strategies, approve the investment and financing policy, the strategic or business plan, the annual management targets and annual budgets, and the treasury share policy, determine the corporate governance policy of the Company and the Group and the dividend policy, and approve the corporate social responsibility policy. The Board of Directors also determines the Company's risk management and control policy, including tax risks, identifying its main risks, and implementing and supervising the internal reporting and control systems in order to ensure the future viability and competitiveness of the Company, adopting the decisions best suited to its ideal development.

   To this end, Colonial has published an Internal Risk Management and Control Manual for its ICFR system, approved by the ACC, detailing the methodology for establishing the materiality of risks, as well as methodologies for documenting, classifying and assessing risks and associated control activities.

2. Approval of the financial information that all listed companies must periodically disclose.

   To this end, Colonial has published a Manual for Disclosure of Regulated Information that covers the aspects mentioned in this section and has been approved by the ACC.

3. Monitor the effective functioning of the Committees created by the Board and the performance of the delegated bodies and executives designated by the Board.

4. Approve and amend Board Regulations.

The ICFR Organisation and Supervision Model, approved by the ACC, establishes the mechanism that the Board of Directors, and by delegation, the ACC, deems appropriate and sufficient to guarantee the completeness, reliability, correct presentation and validity of Colonial's financial information.

Without prejudice to the other functions attributed by law, Article 32 of the Regulations of the Board of Directors states that at least the following functions must be performed by the ACC. In particular, the ACC is tasked with the following functions, among others, regarding the ICFR organisational model:

1. Submit to the Board for approval a report on the risk control and management policy, which identifies at least: (i) types of financial and non-financial risks faced by the Company, including financial and economic risks, contingent liabilities and other off-balance sheet risks; (ii) the level of risk that the Company considers acceptable; (iii) the measures planned to mitigate the impact of identified risks, should they materialise; (iv) and the information and internal control systems to be used to control and manage these risks, including contingent liabilities and off-balance sheet risks.

2. Oversee the preparation and submission of the required financial information.

3. In relation to the information and internal control systems: (i) supervise the preparation process and the integrity of financial information on the Company and, where applicable, on the Group, review compliance with the regulatory requirements, the proper delimitation of its scope of consolidation and the correct application of accounting principles; (ii) ensure the independence and effectiveness of the internal audit processes, propose the election, appointment, re-election and removal of the head of the internal audit unit in addition to proposing the budget for this unit, approve both orientation and its operating plans, ensure that the activity is focused mainly on the risks that are relevant to the Company, receive regular information on activities and verify that senior management takes account of the conclusions and recommendations of reports; and (iii) establish and supervise a method that allows employees to make confidential and, if possible and appropriate, anonymous, declarations on any irregularities, especially financial and accounting irregularities, that may potentially be important to the company.

4. It also receives regular information from the auditor on the audit plan and its execution.

5. Inform the Board of Directors of all matters established by law, the Company Bylaws and Board regulations beforehand, in particular regarding:

   a) The financial information that the Company must make public on a periodic basis.

Minutes will be taken of all committee meetings and will be made available to all board members.

The internal audit function is responsible for drawing up the annual Internal Audit Plan and submitting it to the ACC. The internal auditor shall carry out these tests and report on the conclusions to the ACC, including any internal control weaknesses identified, recommendations for improvement and the general conclusions of the annual audit plan which specifically includes, among others, those related to the ICFR system.

F.1.2 Whether the following exist, especially in connection with the financial reporting process:

- **Departments and/or mechanisms tasked with: (i) devising and reviewing the organisational structure; (ii) clearly defining the boundaries of responsibility and authority, with proper distribution of tasks and functions; and (iii) ensuring that sufficient procedures are in place to spread awareness of this throughout the company:**

The responsibility for developing Colonial's ICFR organisational model lies with the Internal Audit Department and the Financial Department, as they are the two departments most involved in drawing up and subsequently supervising the financial information to be reported.

Nevertheless, all Departments involved to a lesser or greater degree in preparing the financial information must also take responsibility for correctly carrying out the tasks, processes and controls in which they are involved.

The organisational model of Colonial's ICFR system is structured as follows:

a) Establishment of a general environment of appropriate control, setting out the main guidelines of operation of the ICFR and senior-level roles and responsibilities.

b) Identification of major risk events, which, if they occur, may materially affect financial information.

c) For risks identified in the relevant processes, specific mitigating controls are implemented to reduce these risks to acceptable levels. The operational Departments concerned are responsible for adequately implementing these procedures.

d) The Financial Department is responsible for maintaining documentation on and keeping Colonial's accounting policies and manuals up to date and maintaining an environment of general controls of the IT systems.

e) Lastly, the Internal Audit function and the ACC are responsible for overseeing ICFR in order to ensure its operational efficiency.

- **Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record-keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action:**

The Company's Board of Directors approved Colonial's Code of Ethics on 28 September 2011. This Code of Ethics reiterates Colonial's commitment to the principles of corporate ethics and transparency, and establishes a series of basic principles to which all Colonial personnel, partners and suppliers must adhere at all times, as their behaviour may affect Colonial's reputation.

Specifically, and with regard to financial information, Article 6.5 of the Code establishes the following:

"Colonial undertakes as a guiding principle for its corporate behaviour with shareholders, investors, analysts and the market in general, to disclose true and complete information which expresses a true and fair view of the Company and the Group, its corporate activities and its business strategies.

This information shall always be disclosed in accordance with regulations and within the timeframes established by prevailing legislation. Corporate action and the strategic decisions of Colonial are focused on creating value for its shareholders, transparency in its management, the adoption of best corporate governance practices at its companies and the strict compliance with prevailing regulations in this matter."

The internal and external dissemination of the Code of Ethics is the responsibility of Colonial's Regulatory Compliance Unit, which reports to the ACC. This dissemination has been carried out in due compliance with applicable regulations, with receipt and knowledge by each and every Colonial employee assured.

The Regulatory Compliance Unit is responsible for compiling any irregularities or breaches of the Code, and informing the Human Resources department to take the necessary disciplinary action based on the fines and sanctions detailed in the collective bargaining agreement or employment legislation applicable.

The ACC is responsible for assessing the degree of compliance with the Code and preparing an annual report based on its findings.

The Board of Directors is responsible for reviewing and updating the Code of Ethics based on the report drawn up by the ACC.

- **Whistleblowing channel to report any financial and accounting irregularities to the audit committee, in addition to any breaches of the code of conduct and irregular activities within the organisation, informing, where appropriate, whether it is confidential and whether it allows for anonymous communications while respecting the rights of the whistleblower and the reported party:**

Under Article 32 of Colonial's Board Regulations, the ACC is responsible, inter alia, for:

"In relation to information systems and internal control: ... (iv) for establishing and supervising a method that allows employees to make confidential and, if possible and appropriate, anonymous statements on any irregularities, especially financial and accounting irregularities, that may potentially be important to the company."

As noted in the preceding point, the Regulatory Compliance Division, which reports to the ACC, is responsible for managing any irregularities or breaches of the regulations, and specifically, of Colonial's Code of Ethics.

To this end, Colonial has a whistleblower channel through the corporate intranet that enables employees to report irregularities and non-compliance identified in the organisation. It is presently in full and efficient operation for all employees, with all of them having been informed and trained in its use.

This channel is managed by the Regulatory Compliance Division and is regularly reviewed to guarantee its confidentiality and compliance with the regulations applicable.

- **Training programmes and regular refresher courses for personnel involved in the preparation and review of financial information and the assessment of ICFR, covering at least accounting standards, audit, internal control and risk management:**

Colonial has a Training Plan covering all business areas according to the specific needs of each. However, the functional business areas themselves, under the coordination and supervision of the Human Resources department, are responsible for devising and proposing specific training plans for their areas.

For staff involved in preparing and reviewing financial information, training is structured around attending events concerning regulatory updates of financial, accounting and tax regulations, as well as receiving, distributing and analysing documentation from external advisors regarding regulatory developments.

The Regulatory Compliance Unit also provides regular training on the prevention of criminal risks in order to keep the company's personnel up to date with prevention systems in this area. In addition, the Regulatory Compliance Unit, together with the functional areas, is responsible for identifying and distributing regulatory developments that affect Colonial, so that these can be analysed and implemented.

In the event of any regulatory changes of special relevance to Colonial's financial, accounting or tax departments, the Operations-Finance Department proposes the need for specific training to address these changes.

Also, personnel from the Internal Audit Department attended thematic courses and forums outside the Company related to the evaluation of certain internal control and risk management aspects.

F.2. Assessment of risks in relation to financial information.

Report, at least, on:

F.2.1 The main characteristics of the process for identification of risks, including the risk of error or fraud, as follows:

- **Whether the process exists and is documented:**

Colonial has a Risk Management and Control System (RMCS), as indicated in section E.1 of this report.

To this end the managers of the various operating units cooperate in identifying and correcting risk by applying the RMCS, as indicated in sections F.1.1 and F.1.2 of this report.

Colonial's ICFR Organisational and Monitoring Model, as well as its ICFR Internal Control and Risk Management Manual, which aim to ensure the preparation and issuance of reliable financial information, are aligned with and form part of Colonial's general risk policy, the RMCS, which have been approved by the ACC.

- **Whether the process covers all financial reporting objectives (existence and occurrence, completeness, measurement, presentation, disclosure and comparability, and rights and obligations), whether it is updated and how often:**

The ICFR Internal Control and Risk Management Manual provides for the following seven types of risk:

1. Integrity: Transactions, events, assets, liabilities or equity interests that are "not" identified and, consequently, are "not" included in the Company's accounting records. Data entries "not" captured in the ledgers or rejected data entries. Disclosures "not" identified and, consequently, "not" included in the notes to the financial statements or deliberately omitted.

2. Existence: Transactions "not" authorised that are entered into the company's accounting software. Duplicated transactions. Erroneous adjustments in ledgers.

3. Disclosures and comparability: Disclosures “not” identified and, consequently, “not” included in the notes to the financial statements or deliberately omitted. Transactions that have not been recorded consistently over time.

4. Rights and obligations: Incorrect determination of the ability to control the rights arising from an asset or a contract/agreement. Correct determination of the obligations arising from a liability or a contract/agreement.

5. Measurement: Incorrect determination of the value of an asset, liability, income or expense, and which could generate the recording of adjustments in the determination of market values, amortised values, value in use or due to a depreciation error, as well as adjustments made and not properly justified.

6. Classification: incorrect presentation of economic transactions in the financial statements (assets vs. liabilities, income vs. expenses, current vs. non-current, etc.).

7. Transaction cutoff date: incorrect recording of transactions in the accounting period.

Colonial’s ICFR Internal Control and Risk Management Manual is revised and periodically updated by Internal Audit and the Legal Advisory and Operations-Finance Departments, at the proposal of any of these, also taking into account the suggestions and proposals of Internal Audit arising from its reviews. The ACC must approve any revision or amendments to the Manual, while Internal Audit and the Finance Department must be notified and review them in advance.

- **The existence of a process to identify the scope of the consolidated group, considering aspects such as the possibility of complex corporate structures or special-purpose vehicles:**

Colonial’s Board Regulations and, specifically the section regarding the responsibilities of the ACC, stipulate that the responsibilities of the Committee include, among others:

“In relation to information systems and internal control: (i) to supervise the preparation process and completeness of financial information on the Company and, where applicable, the Group, reviewing compliance with regulatory requirements, the composition of the consolidated group and the correct application of accounting criteria...”.

In this regard, Colonial has a consolidation process that stipulates, as a basic procedure, the determination of the Group’s scope of consolidation at the end of every reporting period.

This procedure is implemented by the Accounting, Consolidation and Tax Department, which reports to the Financial Department and the ACC is informed when the scope of consolidation is changed.

- **Whether the process takes account of other types of risks (operational, technology, financial, legal, tax, reputational, environmental risk etc.), which may affect the financial statements:**

As described in the first item of section F.2.1, the basic function of the ACC, as delegated by the Company’s Board of Directors, is to monitor and control risk.

Colonial’s ICFR Organisation and Supervision Model, as well as its Internal Control and Risk Management Manual, are aligned with and form part of Colonial’s general risk policy (see section E of this report), and have been approved by the CAC.

In the process of identifying risks involving financial information within the ICFR system, all the areas of risk identified in Colonial’s risk map have been considered.

- **Which of the entity’s governing bodies supervises the process:**

Colonial’s Board Regulations and, specifically the section regarding the responsibilities of the ACC, stipulate that the responsibilities of the Committee include, among others:

“To directly supervise how the internal control and risk management functions are performed by one of the Company’s officers or internal departments that has been expressly assigned the following functions: (i) to ensure the proper functioning of the control and risk management systems and, in particular, that all the important risks that affect the Company are adequately identified, managed and quantified; (ii) to actively participate in the development of a risk strategy and to take part in the important decisions concerning risk management; and (iii) to ensure that the control and risk management systems in place adequately mitigate the risks within the framework of the policy defined by the Board of Directors.”

In this regard, the ACC is responsible for approving Colonial’s ICFR Internal Control and Risk Management Manual.

As indicated in section F.1.1 and F.1.2 of this report, the Internal Audit function is responsible for monitoring the ICFR system in order to ensure operational effectiveness. The internal auditor shall carry out these tests and report on the conclusions to the ACC, including any internal control weaknesses identified, recommendations for improvement and the general conclusions of the annual audit plan which specifically includes, among others, those related to the ICFR system.

F.3. Control activities.

Provide information, indicating salient features, if available, on at least the following:

F.3.1 Procedures to review and authorise financial information and the ICFR system description to be published on the securities markets, stating those responsible, as well as documentation describing the flow of activities and controls (including those relating to fraud risk) for the different kinds of transactions that may have a material impact on the financial statements, including the procedure for the accounting closure and the specific review of relevant judgments, estimates, measurements and projections.

In relation to procedures for reviewing and authorising the financial information and description of ICFR to be disclosed in the securities markets, as mentioned above, the ACC is responsible for supervising the preparation and disclosure of reliable financial information to the market. In this regard, the Committee has approved a manual for disclosure of statutory information that regulates the procedure for preparing and approving this information.

Colonial's ICFR Internal Control and Risk Management Manual establishes the criteria for identifying the relevant public financial information as follows:

a) Periodic Public Information (PPI) obligations of issuers:

    1. Quarterly Financial Report.

    2. Half-yearly Financial Report.

    3. Annual Financial Report and Annual Corporate Governance Report (ACGR).

b) Annual Report on Directors' Remuneration (IAR).

c) Registration document.

d) Other significant information.

These include an internal control questionnaire that must be completed involving the Operations-Finance Department, the Corporate Development and Management Control Department, both of which report to the General-Corporate Department, through the Legal Advisory Department and, depending on the type of information, ending with the CEO, Board of Directors or the General Meeting of Shareholders itself.

Monitoring of the Manual for Disclosure of Statutory Information as well as the completion of the specific internal control questionnaires are mandatory and subject to review by Colonial's internal auditor.

In terms of the documentation describing activity flows and controls (including those relating to the risk of fraud) of the various types of transaction that may materially affect the financial statements, Colonial has an ICFR Organisational and Monitoring Model approved by the ACC.

The Organisational Model of Colonial's ICFR system is based on two distinct areas:

a) The general control environment, where the main guidelines of operation of the ICFR and high-level roles and responsibilities are developed.

b) Specific ICFR controls, where the operating procedures relating to the preparation of financial information are developed.

In addition, Colonial has an ICFR Internal Control and Risk Management Manual that sets out the specific controls established with regard to the risks relating to financial information and formal documentation.

Colonial has determined what errors or inaccuracies in the financial statements and other public information could severely affect its reputation, image and share price and these are, therefore, included in the ICFR system for monitoring and supervision.

Once the relevant financial information has been determined, the cycles and business processes are identified, which, in both preparation and issue, may have a material impact on the information. Once the processes have been identified, the relevant functional areas and internal auditing then identify the implicit risks of the processes and the corresponding controls. These processes, risks and controls are formally documented so they can be correctly carried out and monitored.

The Company ensures that the identified risks are consistent with the corporate risk model.

The scope of the processes selected ensures that, by complying therewith, complete and reliable financial information is obtained.

The Financial Department and Internal Audit are jointly responsible for identifying the ICFR processes, risks and relevant controls, which are then approved by the ACC. In this process, the Company has specifically considered the potential risk of fraud and has control activities in place to prevent this risk.

The key processes identified at Colonial relating to the ICFR system are:

a) Closing of accounts, including the process of judgements, estimates, measurements and projections.

b) Consolidation and reporting of subsidiaries.

c) Revenue recognition.

d) Asset valuation (determination of the fair value of investment property).

e) Cash, debt and derivatives.

f) Manual for Disclosure of Statutory Information.

g) Procedure for maintaining the Group's accounting policies and the Accounting Policies Manual.

h) Taxes.

i) Reporting systems, including capture and preparation mechanisms for supporting financial information to be issued.

j) Investments and asset acquisitions.

k) Purchases of goods and services.

l) Human Resources.

All key processes are documented and are updated annually to include any potential changes. The key processes at Colonial that have a significant influence on the preparation of financial information are documented through the following:

a) Flow charts of the activities of the processes.

b) Descriptions of the processes, risks and controls in place.

c) Risk and control matrices.

The ICFR Internal Control and Risk Management Manual is an internal regulation that must be adhered to. The most senior-ranking employee in each of the departments involved in the procedures documented in the internal control model is responsible for ensuring that the processes and controls are correctly applied and documented for each accounting period.

In this regard, Colonial has software to monitor the responses to the controls defined in each accounting period for the key processes. Internal audit monitors and supervises compliance with these controls.

Any transactions with a substantial weight of critical judgments, estimates, measurements and projections are specifically monitored, as is the case with real estate asset valuations, the preparation of impairment tests and the preparation of effectiveness tests for derivative financial instruments.

F.3.2 Internal control policies and procedures for IT systems (including access security, control of changes, system operation, continuity and separation of duties) giving support to key Company processes involved in the preparation and publication of financial information.

The Systems function is in charge of Colonial's corporate computer systems. This department reports to the Financial Department, which, in turn, reports to the General-Corporate Department.

At present, the operation and maintenance of Colonial's corporate IT systems supporting financial reporting are outsourced.

Furthermore, the head of IT systems at Colonial is responsible for establishing the IT internal control model regarding secure access, segregation of duties (in coordination with the operating business and support areas) and control of changes, as well as carrying out risk monitoring and control activities arising from the outsourcing of the IT systems.

All Spanish Colonial Group companies operate under one transactional system, SAP. The information systems of the French Group SFL are not fully integrated with Colonial, and, therefore, information is exchanged by exporting data to secure files.

Colonial's IT internal control model includes, among others, the following key processes:

a) Physical security of equipment and data processing centres (in coordination with the external provider).

b) Logical security of the applications (in coordination with the external supplier).

c) Monitoring of Service Level Agreements (SLAs) and Service Level Objectives (SLOs) with external suppliers.

d) Project management, rollouts, developments and upgrades of current systems.

e) Management of operations.

f) Management of infrastructure and communications.

g) Management of back-up and recovery systems (in coordination with the external supplier).

h) Management of users, profiles and accesses.

i) Management of the audits of the IT systems.

F.3.3 Internal control policies and procedures designed to supervise the management of third party subcontracted activities, in addition to any evaluation, calculation or appraisal tasks entrusted to independent experts that may have a material impact on the financial statements.

As described in section F.3.1, Colonial has identified the key processes that may materially affect its financial information. Among the criteria used to identify these processes, the Company has considered criteria for activities with a high level of third-party involvement and also, those that are fully outsourced.

In this regard, the relevant processes involving significant third-party participation are as follows:

a) Valuation of real estate assets: determination of fair value.

b) Financial hedging instruments: effectiveness tests and obtainment of the fair value.

c) IT systems: maintenance and operation.

All processes with substantial third-party involvement have been documented, identifying the risks and controls implemented. The functional areas involved in the various processes are responsible for monitoring them and for implementing the appropriate controls.

The internal audit's annual plan includes the monitoring activities needed to ensure the processes described are correctly executed.

F.4. Information and reporting.

Provide information, indicating salient features, if available, on at least the following:

F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the Company's operating units.

Colonial's ICFR Organisational and Monitoring Model, which has been approved by the ACC, stipulates that the Financial Department is responsible for maintaining documentary records of Colonial's accounting policies and keeping the Group accounting policies manual up to date, which entails resolving queries or settling disputes over their application.

Colonial has a Group Accounting Policies Manual, which has been approved by the ACC, and which must be adhered to by all Group companies. The Financial Department is responsible for preparing and maintaining this manual.

F.4.2 Mechanisms to capture and prepare the financial information with consistent formats, to be implemented and used by all units in the Company or group, which support the main financial statements and the notes, in addition to any information provided on the ICFR.

Colonial has ensured greater control and security in the process of gathering and preparing financial information by implementing a computer tool to facilitate the financial consolidation and financial and operating budget planning of the Group.

The Group Accounting Policies Manual establishes a chart of accounts and templates of financial statements that all Group companies must follow and which are set up in the tool, thereby guaranteeing the uniformity of the financial information.

The preparation of statutory financial information, as well as the individual financial statements for Colonial's national companies, is coordinated centrally by the Finance Department and the Corporate Development and Management Control Department, thereby guaranteeing uniformity.

A significant portion of the details required to prepare this financial information is obtained directly from the IT tool, since it has been customised to do so. For those cases where certain information must be prepared without this tool, Colonial has control mechanisms in place to ensure its completeness and reliability, as well as a physical archive of the information in an internal repository with access limited to the staff involved in preparing the financial information.

Also, Colonial uses a GRC (Governance, Risk and Compliance) IT tool in order to monitor the information specific to ICFR management relating to compliance with the controls established for key procedures defined by the Company for the ICFR systems. Internal audit monitors and supervises the operation of this tool.

F.5. Supervision of system operation.

Provide information, stating the main features, on at least:

F.5.1 ICFR supervisory activities conducted by the Audit Committee and whether the entity has an internal audit department whose competences include supporting the committee in its oversight of the internal control system, including ICFR. State also whether the Company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

The main activities carried out by the ACC in relation to the ICFR system in 2020 consisted of approving the Internal Audit Plan for 2020, which includes monitoring ICFR and being apprised of the related degree of implementation, compliance and effectiveness.

In order to learn about the internal control weaknesses detected in the performance of the external auditors' work, as well as relevant aspects or incidents, the ACC has held meetings with the Company's external auditors.

Lastly, the ACC has performed the following main activities relating to the financial information:

1. Review of the public financial information disclosed to the markets.
2. Analysis of the consistency of the accounting policies used as well as an analysis of the observations and recommendations received from the external auditors.
3. Review of the management report.
4. Review of the information contained in the half-yearly financial statements concerning related-party transactions.
5. Monitoring the effectiveness of relevant processes, risks and controls related to internal control systems and IFRS.

Regarding the internal audit function, Colonial's Regulations of the Board of Directors, and, specifically the section regarding the responsibilities of the ACC, stipulate that the responsibilities of the Committee include, among others:

"Regarding the information and internal control systems: [...] (iii) monitor the independence and efficacy of the internal audit function, proposing the selection, appointment, and removal of the head of internal audit, in addition to proposing the department's budget; [...]; receiving regular reports on its activities, and verifying that senior management is acting on the findings and recommendations of its reports".

In July 2009, the ACC approved Colonial's internal audit regulations. The main responsibilities of this function include periodically verifying the degree of application of the approved policies and procedures that comprise the internal control system, offering suggestions for improvement.

The ACC has already approved the Internal Audit Plan for 2021, including the necessary actions necessary to guarantee monitoring and evaluation of the internal control procedures, the performance of one-off work to verify the operational effectiveness of Colonial's ICFR, with regular reporting of incidences detected and necessary improvement actions, as well as the potential impact on financial information, once verified with the audited areas.

F.5.2 Whether the Company has a discussion procedure whereby the accounts auditor (in accordance with what is set forth in the NTAs), the Internal Audit staff and other experts are able to inform senior management and the Audit Committee or Company directors of any significant weaknesses in internal control identified during the processes of review of annual financial statements or any others entrusted to them. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

Article 8 of Colonial's Board Regulations provides as follows:

"Dealings of the Board of Directors with the external auditor will be through the Audit and Control Committee."

In this regard, Article 32 of the Board Regulations governs the functioning of the ACC and, inter alia, establishes the following functions:

1. Serve as a channel of communication between the Board of Directors and the Company's external auditor, assessing the results of each audit, and in this connection also with the function of regularly collecting information from the auditor on the audit plan and how it is to be carried out.
2. Establish the proper relations with the external auditor to receive information on such matters as may imply threats to their independence for their examination by the Committee and any others relating to the process of development of the audit of accounts and, where applicable, the authorisation of services other than those prohibited, upon the terms established by current regulations, regarding the system of independence, and such other communications established in the accounts auditing laws and auditing standards.
3. Supervise the effectiveness of the Company's internal control, the internal audit and the risk management systems, and discuss with the auditor any significant weaknesses detected in the internal control system during the conduct of the audit.

All these monitoring activities of the Board of Directors and the ACC are conducted throughout the year and included in the agenda of the various sessions based the schedule established for each year.

F.6. Other significant information.

No additional issues to disclose have been identified.

F.7. External auditor report.

Report by:

F.7.1 If the ICFR information supplied to the market has been reviewed by the external auditor, the corresponding report should be attached. If this is not the case, it should explain why.

The ACC and internal audit department performed the ICFR monitoring activities, which supplement the contributions of the external auditor regarding the identification, as appropriate, of the internal control weaknesses identified in the course of their external audit and included in the additional report to the ACC.

In this regard, the latest additional report of the external auditor specifies that no relevant internal control recommendations have been identified.

G. EXTENT TO WHICH THE CORPORATE GOVERNANCE RECOMMENDATIONS ARE FOLLOWED

Please indicate the extent to which the company has followed the recommendations of the Code of Good Governance of Listed Companies.

Should the Company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the Company's behaviour. General explanations are not acceptable.

1. The Bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the Company by acquiring shares on the market.

Compliant

2. When the listed company is controlled, as described in Art. 42 of the Spanish Commercial Code, by another company, whether listed or not, and has, directly or through its subsidiaries, business relations with such entity or one of its subsidiaries (other than the listed company) or carries out activities related to one of them, the listed company must accurately and publicly report the following:

a) The respective business areas and possible business relations between the listed company or its subsidiaries and the parent company or its subsidiaries.

b) The mechanisms in place to solve any conflict of interests that may arise.

Not applicable

3. During the ordinary general meeting, the Chairman of the Board should verbally inform shareholders in sufficient detail of the most relevant aspects of the Company's corporate governance, supplementing the written information circulated in the annual corporate governance report and, in particular:

a) Of the changes that have occurred since the last ordinary general meeting.

b) Of the specific reasons why the company is not following certain recommendations of the Code of Corporate Governance and, if any, the alternative rules applied to this matter.

Compliant

4. The company should draw up and implement a policy of reporting to and contact with shareholders, institutional investors within the framework of their involvement in the company, and with proxy solicitors that complies in full with regulations against market abuse and accords equitable treatment to shareholders in the same position. This policy should be disclosed on the company's website, including the details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

And notwithstanding the legal obligations on sharing insider information and other types of regulated information, the company should also have a general policy regarding the reporting of economic-financial, non-financial and corporate information through the channels it deems appropriate (media, social networks or other channels) that contributes to maximising the disclosure and quality of the information available to the market, investors and other stakeholders.

Compliant

5. That the Board of Directors does not submit to the general meeting a proposal of delegation of powers to issue shares or convertible securities excluding the right to preferential purchase, for an amount above 20% of the share capital at the time of delegation.

And that when the Board of Directors approves any issue of shares or convertible securities excluding preemptive rights, the Company should immediately publish on its website the reports on this exclusion as laid down in commercial law.

Compliant

6. The listed companies which produce the reports listed below, either in mandatory or voluntary form, publish them on their website well in time before the ordinary general meeting is held, although their dissemination is not:

a) Report on the external auditor's independence.

b) Reports of proceedings of the audit committees and the appointments and remuneration committee.

c) Audit committee report on related-party transactions.

Compliant

7. The Company broadcasts live, via its website, the holding of general meetings of shareholders.

The company should also have mechanisms in place that enable voting directly or by proxy through electronic means and, in the case of large-capitalisation companies, that enable them to attend and actively participate in the General Meeting, insofar as is proportionate.

Compliant

8. The Audit Committee should strive to ensure that the Board of Directors can present the company's annual financial statements to the General Meeting of Shareholders in compliance with accounting standards. In those cases where the auditor has included qualifications in the audit report, the chairperson of the Audit Committee should give a clear account of the opinion of the Audit Committee on their scope and content at the General Meeting. A summary of this opinion should be made available to shareholders when calling the meeting, along with the other Board proposals and reports.

Compliant

9. The Company should make public on its website, permanently, the requirements and procedures it will accept to prove ownership of shares, the right to attend the general meeting of shareholders and the exercise or delegation of voting rights.

And such requirements and procedures facilitate the shareholders' attendance and the exercise of their rights and are applied in a non-discriminatory manner.

Compliant

10. Where any legitimate shareholder has exercised, prior to the holding of the general meeting of shareholders, the right to complete the agenda or to submit new resolution proposals, the Company:

a) Immediately disseminates such additional items and new resolution proposals.

b) Makes public the attendance card model, or the proxy or remote voting form with the required changes so that the new items on the agenda and alternative resolution proposals can be voted on, on the terms proposed by the Board of Directors.

c) Submits all these items or alternative proposals to vote and the same voting rules are applied to them as those made by the Board of Directors, including, in particular, presumptions or inferences about the direction of the vote.

d) Announces, after the general meeting of shareholders, the breakdown of the vote on such additional points or alternative proposals.

Compliant

11. In the event that the Company plans to pay premiums to attend the general meeting of shareholders, it will previously establish a general policy on such premiums and this policy is stable.

Not applicable

12. The Board of Directors will perform its duties with unity of purpose and independent judgment, and it will treat all shareholders who are in the same position equally and guide itself by the Company's interests which are understood as achieving a profitable and sustainable long-term business, to promote the Company's continuity and maximise its economic value.

In pursuing the Company's interests, in addition to complying with laws and regulations and acting in good faith, ethically and respecting the commonly accepted uses and good practices, the Board of Directors shall endeavour to reconcile the Company's interests with, where applicable, the legitimate interests of its employees, its suppliers, its customers and those of other stakeholders that may be affected, as well as the impact of the Company's activities on the community as a whole and in the environment.

Compliant

13. The Board of Directors has enough members in order to implement efficient and participative proceedings, which makes it advisable that the Board should have from five to fifteen members.

Compliant

14. The Board of Directors should approve a policy seeking to promote a suitable composition of the Board of Directors, which should:

a) Be specific and verifiable;

b) Ensure that proposals for the appointment or reelection are based on a preliminary analysis of the skills required by the Board of Directors; and

c) Promote knowledge, experience, age and gender diversity. In this sense, measures that encourage a large number of female senior officers in the company will be considered to be measures that promote gender diversity.

The results of the prior analysis of the skills required by the Board of Directors should be written up in the Appointments Committee's explanatory report, to be published when calling a General Meeting of Shareholders where each director is to be ratified, appointed or re-elected.

The Appointments Committee will annually verify compliance with this policy and inform thereof in the Annual Corporate Governance Report.

Compliant

15. The proprietary directors and independent directors should constitute a significant majority of the Board of Directors and the number of executive directors is kept to the minimum necessary, having regard to the complexity of the corporate group and the percentage shareholding of the executive directors in the Company's share capital.

And the number of female directors should represent at least 40% of the members of the Board of Directors by the end of 2022 and onwards, and should not be below 30% before that date.

Partially compliant

At present, female directors in the Company represent 27.27 % of the total, although Colonial's Director Selection Policy's aim is for female directors to be at least 40% of the Board of Director's total before the end of 2022.

16. The percentage of proprietary directors over the total of non-executive directors is not higher than the proportion between the capital represented by such directors and the remainder of the Company's share capital.

This criterion may be reduced:

a) In large-cap companies where few shareholdings are legally considered significant.

b) In companies where there is a diversity of shareholders represented on the Board of Directors and there are no links between them.

Compliant

17. The number of independent directors represents at least half of all directors.

However, where the Company is not highly capitalized or where, still being so, it has a shareholder or several acting together, who control more than 30% of the share capital, the number of independent directors should represent at.

Explain

The company has 4 independent directors out of a total of 11, one less than the number of proprietary directors and double the number of executive directors. Thus, although the percentage of independent directors does not reach the 50% required by the recommendation, in accordance with the company's current shareholder structure it is estimated that representation of this type of directors is considerable, and thus all interests are duly represented in the management body.

18. Companies should post the following director particulars on their websites, and keep them permanently updated:

a) Professional and biographical profile.

b) Other boards of directors on which they sit, whether or not these belong to listed companies, as well as other remunerated activities in which they may be involved.

c) The category to which the director belongs, where applicable, stating, in the case of proprietary directors, the shareholder they represent or to whom they have links.

d) Date when they were first appointed as a director of the company, as well as the dates of any subsequent reappointments.

e) Their holdings of company shares and their stock options.

Compliant

19. The Annual Corporate Governance Report, with prior verification by the Appointments Committee, explains the reasons for the appointment of proprietary directors at the request of shareholders whose shareholding is less than 3% of the share capital; and reasons are given why formal requests for a seat on the board from shareholders with a stake equal to or greater than that of others, at whose request proprietary directors were appointed, have not been respected.

Not applicable

20. Proprietary directors tender their resignation when the shareholders they represent sell their entire shareholding. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant

21. The Board of Directors shall not propose the removal of any independent Director before the statutory period for which they were appointed, except where just cause is found by the Board of Directors following a report from the Appointments Committee. It shall be understood that there is just cause when the director takes up a new post or takes on new duties that prevent him/her from devoting the necessary time to the performance of the duties associated with the directorship, when the director fails to carry out the duties inherent to his/her post or when the director is involved in circumstances which cause him/her to lose his/her independent status in accordance with the provisions of the legislation applicable.

The removal of independent directors from office may also be proposed as a result of public buy-outs, mergers or other similar enterprise-level transactions implying a change in the structure of the Company's capital, where such changes in the Board are due to the proportionality criterion in Recommendation 16.

Compliant

22. Companies establish rules obliging directors to disclose information and, where appropriate, tender their resignation in cases where it is alleged they could harm the company's name and reputation and, in particular, oblige them to inform the Board of Directors of any criminal charges brought against them, as well as any subsequent legal proceedings.

When the Board has been informed of or otherwise been made aware of any of the situations mentioned in the preceding paragraph, it should study the case as soon as possible and, in light of the particular circumstances, decide, based on a report by the Appointments and Remuneration Committee, whether or not to take any action such as opening an internal enquiry, calling on the director to resign or proposing his or her termination. A reasoned account of all this should be given in the Annual Corporate Governance Report, unless there are special circumstances that justify otherwise and which shall be recorded in the minutes.

This is without prejudice to the information to be disclosed by the company, where appropriate, when the relevant measures are adopted.

Compliant

23. All directors clearly express their opposition when they consider that a proposal submitted to the Board for Directors for decision could be contrary to the Company's interests. Moreover, independent and other directors in particular, who are not affected by potential conflict of interest, do the same in the case of decisions that could be detrimental to shareholders not directly represented on the Board of Directors.

And when the Board of Directors adopts significant or repeated decisions on matters with regard to which the director has expressed serious reservations and subsequently opts to resign, the ensuing conclusions drawn and reasons for the resignation are explained in the letter referred to in the following.

This recommendation also extends to the secretary to the Board of Directors, even if the secretary is not a director.

Compliant

24. Directors who give up their place before their tenure expires, through resignation or as agreed by the General Meeting, should state their reasons, or in the case of non-executive directors, their opinion on the Board's decision, in a letter to be sent to all members of the Board of Directors.

Without prejudice to the disclosure of all this in the Annual Corporate Governance Report, insofar as it is relevant for investors, the company should publish the resignation as soon as possible, including sufficient reference to the reasons or circumstances provided by the director.

Compliant

25. In addition, the Appointments and Remuneration Committee shall ensure that non-executive directors have sufficient time to properly perform their duties.

And that the Board regulations sets the maximum number of boards of which the directors may form part.

Compliant

26. The Board of Directors holds meetings as frequently as required in order to carry out its role effectively, at least eight times a year, following the programme and agenda established at the start of the financial year, with each director able to propose for inclusion alternative items not originally on the agenda.

Compliant

27. A Director's absence should be limited to the bare minimum and quantified in the Annual Corporate Governance Report. And, when they must occur, instructions are given to proxies.

Compliant

28. When the directors or the Company secretary express concerns about a particular proposal or, in the case of the directors, about the Company's progress and such concerns are not resolved within the Board of Directors, this is recorded in the minutes at the request of whoever expressed such concerns.

Compliant

29. The Company shall establish suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the Company's expense.

Compliant

30. In addition, regardless of the knowledge required of the Directors to perform their duties, the Company will also offer Directors refresher programs when circumstances so warrant.

Compliant

31. The agenda of the sessions clearly indicates the points on which the Board of Directors will adopt a decision or agreement so that directors can study or seek, in advance, the information required for its adoption.

When exceptionally, for reasons of urgency, the Chairman wants to submit to the approval of the Board of Directors any decisions or agreements not included in the agenda, this will require the express prior consent of the majority of the directors present, which will be duly recorded in the minutes.

Compliant

32. Directors should be regularly informed of the movements in shareholders and of the opinion that significant shareholders, investors and rating agencies have on the Company and its group.

Compliant

33. The Chairman, as responsible for the effective proceedings of the Board of Directors, in addition to exercising the functions legally and statutorily assigned to him/her, prepares and submits to the Board of Directors a program of dates and issues to be addressed; organizes and coordinates the periodic evaluation of the board and, where appropriate, the chief executive officer of the Company; is responsible for the management of the board and the effectiveness of its operation; ensures that sufficient time is devoted to discussion on strategic issues, and arranges and reviews refresher programs for each director, when circumstances so require.

Compliant

34. When there is a coordinating director, the Bylaws or regulations of the Board of Directors, in addition to the powers legally entitled, attribute him/her the following: chairing the Board of Directors in the absence of the Chairman and Vice-Chairmen, if any; echoing the concerns of non-executive directors; maintaining contacts with investors and shareholders to ascertain their views in order to form an opinion about their concerns, particularly in relation to the corporate governance of the Company; and coordinate the Chair´s plan of succession.

Compliant

35. The Secretary to the Board of Directors shall also ensure that the Board of Directors is aware of recommendations on good governance that apply to the Company and that are part of the Code of Good Governance for listed companies.

Compliant

36. The complete Board of Directors will evaluate, once a year, and adopt, where applicable, an action plan to correct the deficiencies identified with respect to:

a) The quality and efficiency of the Board of Director's performance.

b) The operations and the composition of its committees.

c) The diversity of Board membership and competences.

d) The performance of the Chairman of the Board of Directors and the Chief Executive Officer of the Company.

e) The performance and contribution of each Director, paying particular attention to those who are in charge of the various board committees.

The evaluation of the various committees will be based on the reports they submit to the Board of Directors, and for the latter, evaluation will be based on the one submitted by the Appointments Committee.

Every three years, the Board of Directors will be assisted to carry out the evaluation by an external consultant, whose independence will be verified by the Appointments Committee.

Business relationships that the consultant or any Company in its group have with the Company or any Company of its group should be detailed in the annual corporate governance report.

The process and the evaluated areas will be further described in the annual corporate governance report.

Compliant

37. When an Executive Committee exists, there must be at least two members who are non-executive directors, at least one of whom must be an independent director. The secretary of the Board of Directors should also act as secretary to the Executive Committee.

Compliant

38. The Board of Directors is always aware of matters dealt with and decisions adopted by the Executive Committee and all the members of the board receive a copy of the minutes of the meetings of the Executive Committee.

Compliant

39. The members of the Audit Committee, and especially its chairperson, are appointed taking into account their expertise in the field of accounting, audit or financial and non-financial risk management.

Compliant

40. To supervise the division that fulfils the internal audit duties to ensure the proper functioning of the information and internal control systems, which are functionally dependent on the non-executive Chairman of the Board or the Audit Committee.

Compliant

41. The head of the unit handling the internal audit function should present an annual work programme to the Audit Committee for its approval by the Committee or by the Board, report directly to it on its implementation, including any incidents and limitations on its scope, the outcome and follow-up of its recommendations, and submit a report on its performance at the end of each year.

Compliant

42. In addition to those as legally established, the Audit Committee is responsible for the following:

1. With regard to information systems and internal control:

    a) Supervise and assess the preparation and the integrity of the financial and non-financial information as well as the financial and non-financial risk control and management systems regarding the company and, where applicable, the group – including operational, technological, legal, social, environmental, political and reputational risks or those related to corruption – checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

    b) Monitor the independence of the unit handling the internal audit; propose the selection, appointment and removal of the head of the internal audit service; propose the service’s budget; approve or propose to the Board the approval of the internal audit annual work plans, ensuring that its activity focuses primarily on the main risks the company is exposed to (including reputational risks); receive regular reports on its performance; and verify that senior management are acting on the findings and recommendations of its reports.

    c) Establish and supervise a whistleblowing mechanism whereby employees and anyone related to the company such as directors, shareholders, suppliers, contractors or subcontractors, can report any significant irregularities that they detect in their company or group, including financial or accounting irregularities. Said mechanism must ensure confidentiality and, in any case, provide for cases in which the reporting can be made anonymously, respecting the rights of the whistleblower and the reported party.

    d) Ensure that internal control policies and systems put in place are effectively implemented in practice.

2. With regard to the external auditor:

    a) Examine the circumstances behind the resignation of the external auditor, should this occur.

    b) Ensure that the remuneration for the external auditor for his or her work does not compromise his or her integrity or independence.

    c) Ensure that the Company notifies the change of auditor through the CNMV and said notification is accompanied by a statement citing any disagreements the Company may have had with the outgoing auditor and, if any, of their content.

d) Ensure that the external auditor annually holds a meeting with the full Board of Directors to report on the work done and the evolution of the Company´s accounting and risk situation.

e) Ensure that the Company and the external auditor adhere to current regulations regarding the provision of non-audit services as well as the limits on the auditor's business concentration and, in general, the other rules on auditor independence.

Compliant

43. The Audit Committee may summon any employee or executive of the Company; this includes appearances without the presence of any other executive.

Compliant

44. The Audit Committee is informed about the operations of structural and corporate changes that the Company plans to carry out, for analysis and preliminary report to the Board of Directors on their economic conditions and their accounting impact, and especially, if any, on the proposed swap equation.

Compliant

45. The risk management and control policy should at least specify or determine:

a) The different types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks, including those related to corruption) that the Company faces, including financial and economic risks, contingent liabilities and other risks not found on balance sheets.

b) A risk management and control model based on different levels with a specialised risk committee, whenever this is foreseen in the sectoral guidelines or when the company deems it appropriate.

c) The level of risk that the Company considers acceptable.

d) The measures foreseen to mitigate the impact of identified risks, should they materialise.

e) The information and internal control systems to be used to control and manage the abovementioned risks, including contingent liabilities or off-balance sheet risks.

Compliant

46. Under the direct supervision of the Audit Committee or, if any, of a specialised committee of the Board of Directors, there is an internal function of risk control and management exercised by a unit or internal department of the Company that has expressly attributed the following functions:

a) Ensure the proper functioning of risk management and control systems and, in particular, that all significant risks affecting the Company are adequately identified, managed and quantified.

b) Actively participate in the development of a risk strategy and take part in the important decisions concerning risk management.

c) Ensure that the risk management and control systems adequately mitigate risks within the framework of the policy defined by the Board of Directors.

Compliant

47. Members of the Appointments and Remuneration Committee – or both Committees if they were separate – are designated by ensuring that they have the knowledge, skills and experience appropriate to the duties that they are to perform and that most of these members are independent directors.

Compliant

48. Highly-capitalized companies have an Appointments Committee and a separate Remuneration Committee.

Explain

In view of the current structure of the Company, in particular the number of employees and executives, as well as its organisation and activity, it is considered appropriate to maintain a single appointments and remuneration committee.

49. The Appointments Committee should consult with the Company's Chairman of the Board of Directors and chief executive officer of the company, especially on matters relating to executive directors.

Any Director may request that the Appointments Committee take into consideration potential candidates to fill director vacancies if he/she feels that they are suitable.

Compliant

50. The duties of the remuneration committee must be exercised with independence and include, in addition to those indicated by law, the following:

a) Propose to the Board of Directors the standard conditions for senior officers' employment contracts.

b) Check compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy applied to directors and senior officers, as well as the remuneration systems that include shares and how they are implemented, in addition to guaranteeing that their individual remuneration is proportional to that which is paid to other directors and senior officers of the Company.

d) Ensure that no conflict of interests interferes with the independence of the external advice given to the Appointments and Remuneration Committee.

e) Verify the information on the remuneration of directors and senior officers found in various corporate documents, including the annual report on director remuneration.

Compliant

51. The Remuneration Committee should consult with the Chairman and chief executive officer of the Company, especially on matters relating to executive directors and senior officers.

Compliant

52. The rules regarding the composition and proceedings of the supervising and control committees are listed in the Board Regulations, are consistent with those applicable to the legally mandatory committees under the foregoing recommendations, and include the following:

a) They should be composed exclusively of non-executive directors, with a majority of independent directors.

b) The chairmen should be independent directors.

c) The Board of Directors should appoint the members of these committees, taking into account the knowledge, skills and experience of the directors and the responsibilities of each committee; deliberate on its proposals and reports; and, at the first plenary session of the Board following their meetings, receive an account of their activity and a report on the work carried out.

d) The committees should seek external advice when they deem it necessary to perform their duties.

e) Minutes of meetings should be taken, and copies sent to all directors.

Compliant

53. Monitoring compliance with the company's policies and regulations on environmental, social and corporate governance as well as the internal codes of conduct should be attributed to one or more committees within the Board of Directors; these committees may be the Audit Committee, the Appointments Committee, a specialised committee on social sustainability or responsibility, or any other specialised committee created specifically for such duties by the Board of Directors by exercising its powers to self-organise. Said committee should be composed solely of non-executive

directors, the majority of whom should be independent and should be specifically assigned the minimum functions indicated in the following recommendation.

Compliant

54. The minimum duties mentioned above are as follows:

a) Monitor compliance with the Company's corporate governance rules and internal codes of conduct, and ensure that the corporate culture fits its purpose and values.

b) Monitor compliance with the general policy on economic-financial, non-financial and corporate reporting, as well as communications with shareholders and investors, proxy advisors and other stakeholders. Monitor the way in which the Company communicates and interacts with small and medium shareholders.

c) Periodic assessment and review of the Company's corporate governance system and environmental and social policy to ensure that they fulfil their mission of promoting its business activity and keep the legitimate interests of other stakeholders in mind.

d) Ensure that the Company's environmental and social practices match the strategy and policy set.

e) Supervising and evaluating relations with different stakeholders.

Compliant

55. That the sustainability policies on environmental and social matters identify and include at least:

a) The principles, commitments, targets and strategy regarding shareholders, employees, clients, suppliers, social and environmental issues, diversity, tax responsibility, respect for human rights and the prevention of corruption and other illegal conducts.

b) The methods or systems used to monitor compliance with the policies and the related risks and the management thereof.

c) Mechanisms used to monitor non-financial risks, including those related to ethical matters and business conduct.

d) The channels of communication, participation and dialogue with stakeholders.

e) Responsible communication practices that prevent manipulation of information and protect integrity and honour.

Compliant

56. The compensation of the Directors is what is necessary to attract and retain Directors with a desirable profile, to compensate them for the dedication, qualifications and responsibility that the position entails, and to ensure that to the amount does not interfere with the independence of Non-Executive Directors' decisions.

Compliant

57. Executive Directors are restricted to variable remuneration linked to the performance of the Company and to their personal performance, as is the compensation in the form of shares, stock options or rights to shares or instruments that are referenced to the value of the stock and long-term savings systems such as pension plans, retirement schemes or other social security systems.

Delivery of shares as remuneration can be contemplated for non-executive directors on condition that they hold them until they cease to be directors. The foregoing will not apply to shares that the director needs to dispose of, if appropriate, to meet the costs related to acquisition.

Compliant

58. In the case of variable remuneration, remuneration policies should include precise limits and technical safeguards to ensure they reflect the professional performance of the recipients and not only the general progress of the markets or the company's activity sector or circumstances of this kind.

And in particular, the variable components of remunerations:

a) Should be linked to performance criteria that are predetermined and measurable, and these criteria should consider the risk taken to obtain a result.

b) Should promote the sustainability of the Company and include non-financial criteria that are suitable for creating long-term value, such as compliance with the Company's internal rules and procedures and its policies for risk management and control.

c) Should be set on the basis of a balance between fulfilling short-, medium- and long-term goals, to remunerate the results from continued performance over a sufficient period of time to appreciate their contribution to sustainable value creation, so that the elements that measure the results do not revolve solely around specific, occasional or extraordinary events.

Compliant

59. Payment of variable remuneration components should be subject to sufficient verification to ensure that predetermined performance criteria have effectively been met. Companies must include in the annual directors' remuneration report the criteria regarding the time and methods required for said verification according to the nature and characteristics of each variable component.

In addition, companies should consider introducing a malus clause based on deferring, for long enough, the payment of part of the variable components that implies their total or partial loss in the event that, prior to the time of payment, an event occurs that makes this advisable.

Partially compliant

The Company's Board of Directors, following the proposal made by the Appointments and Remuneration Committee, intends to put to the vote at the next Ordinary General Meeting a new director's remuneration policy for 2021, 2022 and 2023 (the "New Remuneration Policy"). According to this New Remuneration Policy, the Board of Directors would be able to, when proposed by the Appointments and Remuneration Committee, cancel (malus) all or part of the annual variable remuneration under certain circumstances.

60. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Compliant

61. A significant percentage of the variable remuneration of executive directors is linked to the delivery of shares or financial instruments referenced to its value.

Compliant

62. Once the shares, options or financial instruments corresponding to the remuneration systems have been allocated, the executive directors will not be allowed to transfer their ownership or exercise them until at least three years have elapsed.

There is an exception for cases when the director maintains a net economic exposure to the variation in the share price for a market value equivalent to at least twice their annual fixed remuneration through the ownership of shares, options, or other financial instruments at the time of the transfer or exercise of those share options.

The foregoing will not apply to shares that the director needs to sell to meet the costs related to their acquisition or, when supported in its assessment by the Appointments and Remuneration Committee to deal with any extraordinary situations that may arise.

Compliant

63. Contractual agreements include a clause that allows the Company to claim reimbursement of variable components of remuneration when payment has not been adjusted to the return conditions or when they have been paid based on data that are subsequently credited with inaccuracy.

Compliant

64. Payments for contract termination should not exceed an amount equivalent to two years of the total annual remuneration and they should not be paid until the Company has been able to verify that the director has met the criteria or conditions established for payment.

For the purposes of this recommendation, any payments arising from contract termination, whose accrual or payment obligation arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the Company must be considered, including any amounts from long-term savings schemes that have not been previously consolidated and amounts paid under post-contractual non-competition agreements.

Compliant

H. OTHER INFORMATION OF INTEREST

1. Complete and reasoned view of the governance structure and practices of the Company or its group, describe them briefly.

2. Any other information, clarification or observation related to the above sections of this report may be included in this section insofar as they are relevant and not repetitive.

Specifically indicate whether the Company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. Also state whether the Company voluntarily subscribes to other international, sectoral or other ethical principles or standard practices. If applicable, identify the code and date of adoption. In particular, it will be specified whether the Company has adhered to the Code of Good Tax Practice of 20 June 2010:

1. On 10 December 2015, the Board of Directors of the Company resolved to adhere to the Code of Good Tax Practices. This resolution was communicated to the tax authorities on 8 January 2016.

2. On 27 July 2016, as a result of an amendment to the Regulations of the Board of Directors, it was decided that the Appointments and Remuneration Committee would be responsible for supervising compliance with the rules of corporate governance and other related matters. By virtue of the foregoing and to implement best corporate governance practices at Colonial, the Appointments and Remuneration Committee created the Corporate Governance Unit, reporting directly to the Committee and composed of the Chairman of the Appointments and Remuneration Committee and the Head of Legal Advisory at the company.

   Furthermore, on 17 December 2020, the Board resolved to amend the Board Regulations to align them with the new amendments to the good governance recommendations approved by the CNMV in June 2020. On the same date, the Board constituted the Sustainability Committee, whose primary duties include periodically ensuring proper compliance with the environmental and sustainable development policies approved by the Company.

3. Regarding section C.1.3, although there were no changes in the director categories in 2020, a new Independent Lead Director was appointed, following the resignation as director of Mr Fernández-Lerga Garralda on 30 June. Accordingly, at the proposal of the Appointments and Remuneration Committee, the Board of Directors approved the appointment of Mr Luis Maluquer Trepat as Lead Independent Director, with effect from 30 June, following the resignation of Mr Carlos Fernández-Lerga Garralda as director.

4. Regarding the information on the Audit Committee in section C.2.1, other than auditing, the following main services were provided by the external auditor in 2020: the independent review of ESG indicators in the Annual Integrated Report and the study on the main characteristics of SOCIMIs (real estate investment trusts) in Spain.

This annual corporate governance report was approved by the Company's Board of Directors at its meeting held on:

25/02/2021

List whether any directors voted against or abstained from voting on the approval of this Report.

No

Contact details

Investor Relations
Tel. +34 93 404 7898
inversores@inmocolonial.com

Shareholders Office
Tel. +34 93 404 7910
accionistas@inmocolonial.com

Web
www.inmocolonial.com

Capital Market registry data
Stock market
Bloomberg: COL.SM
ISIN Code: ES0139140042
Indices: MSCI, EPRA (FTSE EPRA/NAREIT Developed Europe and FTSE EPRA/NAREIT Developed Eurozone), IBEX35, Global Property Index 250 (GPR 250 Index) & EUROSTOXX 600

About Colonial
Inmobiliaria Colonial, SOCIMI, S.A.

Madrid office
Castellana Av. 52
28046 Madrid

Barcelona office
Diagonal Av. 532
08006 Barcelona

Paris office
42 rue Washington
75008 Paris

Colonial is a Spanish listed REIT company (SOCIMI), leader in the European Prime office market with presence in the main business areas of Barcelona, Madrid and Paris with a prime office portfolio of more than two million sqm of GLA and assets under management with a value of more than €11bn.

Colonial

Castellana Av. 52
28046 Madrid
Tel. +34 91 782 08 80

Diagonal Av. 532
08006 Barcelona
Tel. +34 93 404 79 00

42 rue Washington
75008 Paris

inmocolonial.com