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**ISSUER IDENTIFICATION DATA**

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Reference reporting date:

[ 31/12/2019 ]

Tax  
number:

[ A-28027399 ]

Company Name:

[ **INMOBILIARIA COLONIAL, SOCIMI, S.A.** ]

Registered office:

[ PASEO DE LA CASTELLANA, 52 MADRID ]

**A. OWNERSHIP STRUCTURE**

A.1. Fill in the following table on the company's share capital:

Date of last change	Share capital (€)	Number of shares	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:

- Yes  
 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	
AGUILA, LTD		5.68		1.86	7.54
BlackRock, Inc		3.02		0.75	3.77
PGGM VERMOGENS MSBEHEER B.V.		5.01			5.01
PGGM LISTED REAL ESTATE PF FUND	5.01				5.01
Qatar Investment Authority		20.21			20.21
INMO, S.L.		5.71			5.71
DIC Holding LLC	4.29				4.29

Details of the indirect stake:

Indicate the most significant movements in the shareholder structure during the year:

Most significant movements

N/A

Name or corporate name of indirect holder	Name or corporate name of direct holder	% voting rights attached to the shares	% voting rights through financial instruments	% total voting rights
Qatar Investment Authority	DIC Holding LLC	4.29		4.29
Qatar Investment Authority	Qatar Holding Netherlands BV	15.92		15.92
AGUILA, LTD	PARK, S.A.R.L.	5.68		5.68
AGUILA, LTD	SIERRA NEVADA (BERMUDA) LP		1.86	1.86
INMO, S.L.	TRUDONBA XXI, S.L.	5.71		5.71
BlackRock, Inc	BlackRock holding	3.02	0.75	3.77
PGGM VERMOGENSEMSBEHEER B.V.	PGGM LISTED REAL ESTATE PF FUND	5.01		5.01

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 Juan José Brugera Clavero	0.05	0.00	0.02	0.00	0.07	0.00	0.00
Mr Pedro Viñolas Serra	0.08	0.00	0.05	0.00	0.13	0.00	0.00
Mr Carlos Fernández González	0.00	15.75	0.00	0.00	15.75	0.00	0.00
Mr Javier López Casado	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Mr Carlos Fernández-Lerga Garralda	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mr Luis Maluquer Trepát	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mr Javier Iglesias de Ussel Ordis	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
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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 <u>may be transferred</u> through financial instruments
Mr Carlos Fernández-Lerga Garralda	Eur-Consultores, S.L.	0.00	0.00	0.00	0.00
Mr Luis Maluquer Trepát	Ms Ms Marta Maluquer Domingo	0.00	0.00	0.00	0.00
Mr Carlos Fernández González	Grupo Finaccess S.A.P.I. de C.V.	15.75	0.00	15.75	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:

Name or company name of the related party	Type of relationship	Brief description
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**A.5.** Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant stakes, and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities:

Name or company name of the related party	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 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 on 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 director or representative, related	Name or company name of the shareholder significant related	Company name of the group company of the significant shareholder	Description of the relationship/position
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
Sheikh Ali Jassim M. J. Al-Thani	Qatar Investment Authority	Qatar Investment Authority	Colonial's proprietary director proposed by Qatar Investment Authority.
Sheikh Ali Jassim M. J. Al-Thani	Qatar Investment Authority	Al Nuran Bank	Director

Sheikh Ali Jassim M. J. Al-Thani	Qatar Investment Authority	26 Champs Elysees	Director
Sheikh Ali Jassim M. J. Al-Thani	Qatar Investment Authority	Happag Lloyd	Director
Sheikh Ali Jassim M. J. Al-Thani	Qatar Investment Authority	Rayyan Islamic Bank	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	Bevco Lux, S.A.R.L.	Director
Mr Juan Carlos García Cañizares	Aguila Ltd	SIN International Holdings, S.A.R.L.	Director
Mr Juan Carlos García Cañizares	Aguila Ltd	Park, S.A.R.L.	Director
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 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.

**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  
 No

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 (DIC) and QATAR HOLDING NETHERLANDS BV (QH)	11.12	<u>QH and DIC lock-up clauses</u> : 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. <u>Transfer of</u>	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

		<p><u>shares after the initial period</u>: 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. <u>Prohibition of transfer of shares to a competitor</u>: 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.</p>	<p>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.</p>
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Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable:

Yes  
 No

Expressly indicate any amendments to or termination of such covenants, agreements or concerted actions during the year:

N/A

**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:

Yes  
 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
578,866	-	0.11

(\*) Through:

Name or corporate name of the direct holder of an ownership interest	Number of direct shares
N/A	

Explain the significant changes that occurred during the year:

Explain the significant changes

As part of the share delivery plan approved by the General Meeting of Shareholders held on 21 January 2014, in May 2019 a total of 493,894 shares of the company's treasury shares were delivered to the beneficiaries of the plan, including the executive directors. In addition, on 18 December 2019, 300,000 shares were acquired as part of the implementation of the share delivery plan.

**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 Inmobiliaria Colonial, SOCIMI, S.A. (the "Company" or "Inmobiliaria 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	39.48

**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  
 No

Description of the restrictions
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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.**

Yes  
 No

If applicable, explain the measures approved and the terms under which these restrictions may be non-enforceable:

**A.14. Indicate whether the company has issued securities not traded in a regulated market of the European Union.**

Yes  
 No

Where applicable, state the various classes of shares, and the rights and obligations attached to each class:

N/A

**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:

Yes  
 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):

Yes  
 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:

Date of General Meeting	Attendance information					Total
	% of physical presence	% proxy	% distance voting			
			Electronic voting	Other		
29/06/2017	36.82	30.65	0.00	10.52	77.99	
Of which Floating Capital	3.80	19.12	0.00	10.52	33.44	
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	

**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:

- Yes  
 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  
 No

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, 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. 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 vote at the General Meeting of Shareholders:

- Yes  
 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 company 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	Resolution of the General Meeting of Shareholders
Mr Pedro Viñolas Serra	-	Executive	Vice Chairman and Chief Executive Officer	18/07/2008	24/05/2018	Resolution of the General Meeting of Shareholders
Mr Carlos Fernández-Lerga Garralda	-	Independent	Coordinating Independent Director	19/06/2008	24/05/2018	Resolution of the General Meeting of Shareholders
Sheikh Ali Jassim M. J. Al-Thani	-	Proprietary	Director	12/11/2015	28/06/2016	Resolution of the General Meeting of Shareholders
Mr Adnane Mousannif	-	Proprietary	Director	28/06/2016	28/06/2016	Resolution of the General Meeting of Shareholders
Mr Carlos Fernández González	-	Proprietary	Director	28/06/2016	28/06/2016	Resolution of the General Meeting of Shareholders
Mr Javier López Casado	-	Proprietary	Director	24/05/2018	24/05/2018	Resolution of the General Meeting of Shareholders

Mr Juan Carlos García Cañizares	-	Proprietary	Director	30/06/2014	24/05/2018	Resolution of the General Meeting of Shareholders
Mr Javier Iglesias de Ussel Ordís	-	Independent	Director	19/06/2008	24/05/2018	Resolution of the General Meeting of Shareholders
Mr Luis Maluquer Trepat	-	Independent	Director	31/07/2013	24/05/2018	Resolution of the General Meeting of Shareholders
Ms Silvia Alonso-Castrillo Allain	-	Independent	Director	24/01/2019	14/06/2019	Resolution of the General Meeting of Shareholders
Ms Ana Bolado Valle	-	Independent	Director	14/06/2019	14/06/2019	Resolution of the General Meeting of Shareholders
Ms Ana Cristina Peralta Moreno	-	Independent	Director	14/06/2019	14/06/2019	Resolution of the General Meeting of Shareholders

Total number of directors	13
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Indicate the directors who have left by resignation, removal or any other cause, from the Board of Directors during the reporting period:

Name or company name of the director	Category of the director when they left	Date of last appointment	Date of departure	Special committees of which the director was a member	Indicate whether the director left prior to the end of their term of office
Ms Ana Sainz de Vicuña Bemberg	Independent	24/05/2018	24/01/2019	Audit and Control Committee	Yes

Reason for leaving the Board and other observations
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Ms Ana Sainz de Vicuña Bemberg presented her resignation for strictly professional reasons, as a consequence of having assumed the management of her family's group of companies.

As reported on the occasion of the General Meeting of Shareholders held on 24 May 2018, on 19 June 2020, 12 years will have passed since the first appointment of Mr. Carlos Fernández-Lerga Garralda and Mr Javier Iglesias de Ussel Ordís as independent directors of the Company, i.e. the maximum period established by the regulations for a director to be considered independent. Thus, Mr Carlos Fernández-Lerga Garralda and Mr Javier Iglesias de Ussel Ordís have committed to placing their position at the disposal of the Company so that the Board of Directors may take the appropriate decisions in the best interests of the Company.

C.1.3 Complete the following tables on board members and their respective categories:

EXECUTIVE DIRECTORS		
Name or company name of the director	Position in the company organisation chart	Profile
Mr Juan José Brugera Clavero	Chairman	<p>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.</p> <p>Previously he was Chief Executive Officer of Mutua Madrileña, CEO of SindiBank and Deputy General Manager of Banco de Sabadell.</p> <p>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.</p> <p>He is an Industrial Technical Engineer and holds an MBA from ESADE. PDG from IESE and Honorary Doctorate from the University of Rhode Island</p>
Mr Pedro Viñolas Serra	Vice Chairman and Chief Executive Officer	<p>He is a graduate in Business Management and MBA from ESADE and Universidad Politècnica de Catalunya, and holds a Diploma in Business Management from Universidad de Barcelona, where he also studied Law.</p> <p>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.</p> <p>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 Société Foncière Lyonnaise and sits on its executive committee. He is 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).</p>

Total number of executive directors	2
% of the total board	15.39

EXTERNAL PROPRIETARY DIRECTORS		
Name or company name of the director	Name or corporate name of significant shareholder who is represented or has proposed the appointment	Profile
Sheikh Ali Jassim M.J. Al-Thani	Qatar Investment Authority	<p>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.</p> <p>Until 2016, he was Vice President, 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.</p> <p>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 Société Foncière Lyonnaise (SFL).</p>
Mr Adnane Mousannif	Qatar Investment Authority	<p>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.</p> <p>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.</p>
Mr Carlos Fernández González	Grupo Finaccess S.A.P.I. de C.V. Carlos Fernández González	<p>As an Industrial Engineer he has attended senior management programmes at the Instituto Panamericano de Alta Dirección de Empresa.</p> <p>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. Since his appointment as CEO and until 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.</p> <p>Furthermore, he was 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).</p> <p>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- with a presence in Mexico,</p>

		<p>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.</p>
<p>Mr Javier López Casado</p>	<p>Grupo Finaccess S.A.P.I. de C.V.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
<p>Mr Juan Carlos García Cañizares</p>	<p>Aguila, LTD</p>	<p>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.</p> <p>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.</p> <p>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 Anheuser Busch Inbev and in the consumer, financial system, natural resources and energy sectors worldwide, among others. He is a member of various boards of directors, including Bevco Lux S.A.R.L. and Samson &amp; Surrey S.A.R.L. in Luxembourg, Bavaria, S.A. and Valorem, S.A. in Colombia and the Genesis Foundation in the United States.</p>



Total number of proprietary directors	5
% of the total board	38.46

EXTERNAL INDEPENDENT DIRECTORS	
Name or company name of the director	Profile
Mr Carlos Fernández-Lerga Garralda	<p>Degree in Law from the University of Navarra, Master's degree in European Studies from the University of Leuven (Belgium) and postgraduate commercial law specialisation courses at the Bank of Spain's Training Centre. He completed his studies in international law at the Academy for International Law at The Hague, in comparative law and international organisations in Strasbourg and at the Collège Universitaire d'études fédéralistes, Nice, Val d'Aoste.</p> <p>From 1978 to 1983 he was Technical Advisor of the Ministry and Secretary of State for European Community Affairs, participating in negotiations for Spain's accession to the European Union. From 1984 to 1986, he held the position of General Manager of the European Union Advisory Service at the Banco Hispano Americano Group. He has also been Chairman of Iberdrola Ingeniería y Construcción S.A. and Director of Abantia Corporación. He has also been Coordinating Director, member of the Audit Committee and Chairman of the Appointments and Remuneration Committee at Gamesa Corporación Tecnológica, S.A. (Lead Independent Director) and General Director of La Caixa. Member of the International Secretariat of World Federalist Youth (Amsterdam, the Netherlands); Secretary of the European League for Economic Cooperation (ELEC), Madrid; Secretary of the Foundation for Progress and Democracy, Deputy (Treasurer) of the Governing Board of the Madrid Bar Association, member of the Executive Committee of Real Instituto Elcano for international and strategic research and Trustee of the Spain/US and Spain/China Council Foundations. He has also taught extensively in the School of Political Science at the Complutense University and the Institute of European Studies at the University of Alcalá de Henares, among other institutions, and has authored numerous publications on legal issues.</p> <p>He is currently a Director of Editorial Ecoprensa, S.A. (El Economista) and continues to practice law from his office Carlos Fernandez-Lerga Abogados/Eurconsultores, devoting himself mainly to legal advice in Commercial and Civil Law. He has been a member of the Board of Directors of Société Foncière Lyonnaise since 2017.</p>
Mr Javier Iglesias de Ussel Ordís	<p>Javier Iglesias de Ussel y Ordís has a wealth of experience in financial circles. In 1974, he joined Lloyds Bank International in London, where he held different positions of responsibility for Corporate Banking in Dubai, São Paulo, Asunción and Madrid for over 21 years. In 1995, he joined The Bank of New York and was appointed Country Manager for the Iberian Peninsula. He moved to New York in 2002, and was appointed Division Head for Latin America. From 2008 to December 2013, he ran the Representation Office of Chilean bank Banco de Crédito e Inversiones. Mr Iglesias de Ussel has been an Independent Director of Inmobiliaria Colonial since 2008, and has also been an Independent Director of Aresbank since March 2015.</p> <p>Mr Iglesias de Ussel holds a degree in modern history from the University of Barcelona and throughout his career has been involved in numerous business administration, marketing, risk analysis and money laundering prevention courses. He lived outside Spain for 22 years, and speaks English, French and Portuguese.</p>
Mr Luis Maluquer Trepat	<p>He holds a degree in Law from the University of Barcelona and a Diploma in International Institutions from the University of Geneva.</p> <p>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).</p> <p>He is the founding partner of Despacho Maluquer Advocats, SCP, and is a board member and secretary to a number of companies, including Société Foncière 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.</p>

<p>Silvia Mónica Alonso-Castrillo Allain</p>	<p>Holds a degree in Political Sciences from the <i>Sciences Po University (Paris)</i> 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.</p> <p>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).</p> <p>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.</p> <p>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.</p> <p>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.</p>
<p>Ms Ana Bolado Valle</p>	<p>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.</p> <p>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.</p> <p>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.</p>
<p>Ms Ana Cristina Peralta Moreno</p>	<p>Ms Ana Peralta is currently an Independent Director of BBVA, S.A., Inmobiliaria Colonial, SOCIMI, S.A. and GREENERGY RENOVABLES, S.A.</p> <p>She has extensive 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.</p> <p>From 2009 to 2012 she sat on the Management Committee at Banco Pastor, where she worked as General Manager of Risk.</p> <p>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.</p> <p>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).</p>

Total number of independent directors	6
% of the total board	46.15

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
N/A		

**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 other 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
N/A			

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 board members				% of total directors of each category			
	2019	2018	2017	2016	2019	2018	2017	2016
Executive	0	0	0	0	0.00	0.00	0.00	0.00
Proprietary	0	0	0	0	0.00	0.00	0.00	0.00
Independent	3	1	1	1	50.00	25.00	25.00	25.00
Other External Female	0	0	0	0	0.00	0.00	0.00	0.00

Directors								
Total	3	1	1	1	23.08	9.09	10.00	9.09

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  
 No  
 Partial policies

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 which 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 women members of the Board of Directors in 2019. 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, the Policy has among its objectives that by 2020 the number of female directors should represent at least 30% of the total 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 2019, the appointment of three independent directors was submitted to the General Meeting of Shareholders for approval. To this end, 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 duties 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 sought individuals who meet the requirements of professional qualification and honorability, as well as capacity, as provided for in the Selection and Diversity Policy. In addition, the ARC has ensured that the selection processes favour the diversity of knowledge and experience, training, age, disability and gender of the Directors, and do not suffer from implicit biases that could entail discrimination and, in particular, that they 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.

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 board members, and for the company to deliberately strive to include as candidates:

women who meet the professional profile sought and that will ensure a balanced ratio of women and men:

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, maintains, 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, resulting in the appointment, by the General Meeting of three new independent 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. 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 favour the diversity of knowledge and experience, training, age,

disability and gender of the directors, and do not suffer from implicit biases that could entail discrimination and, in particular, that they 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, explain the reasons:

Explanation of the reasons

The objective of Colonial, in application of its Selection and Diversity Policy, is to promote the increase of this diversity in all its facets, both in terms of knowledge and profiles and gender. The aim is to maintain the trend seen during the year 2019, with the appointment of three new independent female directors on the Board, which were the only appointments made during the year. In this way, the presence of women on the Board is increasing, with the necessary actions being taken to achieve the objective of at least 30% participation of women in the highest governing body of the Company. Thus, the company currently has three independent female directors, which represents 50% of the total number of independent directors. In short, measures were taken in 2019 to increase the presence of female directors, with this commitment to continue increasing the presence of female directors in this body remaining firm, so that in 2020 the percentage of female directors will be at least 30%.

**C.1.7 Explain the conclusions of the appointments committee on the verification of compliance with the director selection policy. And, specifically, how this policy addresses the objective of female directors accounting for at least 30% of the total number of members of the Board of Directors by 2020.**

As part of the verification of compliance with the Selection and Diversity Policy of Inmobiliaria Colonial, SOCIMI, S.A., during 2019 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. By virtue of the foregoing, and in order to continue promoting the increase in the number of female directors on the Board of Directors in 2020, the ARC agreed to submit to the Board of Directors the proposed resolution for the ratification and appointment of Ms Silvia Mónica Alonso-Castrillo Allain, as well as the proposed appointments of Ms. Ana Peralta Moreno and Ms. Ana Bolado Valle, all of them as independent directors.

**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
N/A	

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.

Yes  
 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?
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Mr Juan José Brugera Clavero	Société Foncière Lyonnaise	Chairman of the Board of Directors	No
Mr Pedro Viñolas Serra	Société Foncière Lyonnaise	Director	No
Mr Luis Maluquer Trepas	Société Foncière Lyonnaise	Director	No
Mr Carlos Fernández-Lerga Garralda	Société Foncière Lyonnaise	Director	No
Sheikh Ali Jassim M.J. Al-Thani	Société Foncière Lyonnaise	Director	No
Mr Pedro Viñolas Serra	Utopicus Innovación Cultural, S.L.	Director	No
Mr Pedro Viñolas Serra	Inmocol Torre Europa, S.A.	Director	No
Mr Pedro Viñolas Serra	Colonial Tramit, S.L.	Natural person representing 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 official securities 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
Mr Carlos Fernández González	AmRest Holdings SE	Director
Mr Carlos Fernández González	Restaurant Brands New Zealand Limited	Director
Mr Juan Carlos García Cañizares	Valorem, S.A.	Director
Ms Ana Bolado Valle	Unicaja Banco, S.A.	Board member
Ms Ana Bolado Valle	Metrovacesa, S.A.	Board member
Ms Ana Cristina Peralta Moreno	Grenergy Renovables, S.A.	Independent director
Ms Ana Cristina Peralta Moreno	Banco Bilbao Vizcaya Argentaria, S.A.	Independent director

C.1.12 Indicate and, explain where appropriate, whether the company has established rules on the maximum amount of company boards the company's directors may sit on, identifying, if any, where these rules are established:

Yes  
 No

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 best interests of the company, establishes in its Regulations of the Board of Directors that directors may not sit on more than three boards of directors of Spanish listed companies other than Colonial. 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).	6,294
Amount of pension rights accumulated by the current directors (thousands of euros).	714
Amount of pension rights accumulated by the former directors (thousands of euros).	-

C.1.14 List any members of the senior management who are not also executive directors and state the total remuneration accrued by them during the year:

Name or corporate name	Position (s)	
MR ALBERTO ALCOBER TEIXIDO	Business Manager	
MR CARLOS ESCOSA FARGA	Internal Auditor	
MS CARMINA GANYET CIRERA	Corporate General Manager	
MS NURIA OFERIL COLL	Manager of Legal Counsel	
Total remuneration of senior management (thousands of euros)		3,045

C.1.15 Indicate whether any amendments have been made to the Board regulations during the fiscal year:

Yes  
 No

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. For the shareholders at the General Meeting to have the information required for the appointment of the directors, from the publication of the call notice and until the General Meeting is held, the Company must display on its corporate website a permanent publication of at least these details regarding 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 the ARC explanatory report containing the findings of the analysis performed beforehand on 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 2018 financial year was satisfactory. However, in order to maintain the purpose pursued by the Company, the recommendations for improvement proposed for 2019 included the implementation of a greater degree of gender diversity on the Board of Directors, an aspect which, as indicated, has been implemented with the appointment of three new independent female directors in 2019, through the submission by the Board of Directors to the General Meeting, at the proposal of the ARC, of the appointment of these independent female directors. The proposals were approved by the General Meeting on 14 June 2019.

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, Independent Lead Director and the Secretary to the Board. 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 evaluating the Board of Directors, Chairman, CEO, Lead Independent Director, and the Board Secretary, as well as its own composition, competences and operation, for submission to the Board. 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, the Lead Independent Director 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 business relationship with the consultant 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, the Lead Independent Director and the Secretary of the Board, where the consultant maintained at all times his independence throughout the process of evaluating the process relating 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 the 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 CNR, 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. 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, 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. 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?

- Yes  
 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:

- Yes  
 No

C.1.22 Indicate whether the Bylaws or the board regulations set any age limit for directors:

- Yes  
 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:

- Yes  
 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	9
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 meetings of the Appointments and Remuneration Committee	8
Number of meetings of the Executive Committee	2
Number of meetings of the Audit and Control Committee	9

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	9
% of attendance in person out of the total votes during the fiscal year	94.50

Number of meetings with attendance in person, or by proxy with precise instructions, of all the directors	9
% of votes cast with attendance in person, or by proxy with precise instructions, out of the total votes during the fiscal year	100%

C.1.27 Indicate whether the consolidated and individual annual financial statements submitted to the Board for their preparation are certified beforehand:

- Yes  
 No

Identify, where applicable, the person(s) who certified the Company's individual and consolidated annual financial statements to be prepared by the Board:

Name	Position
Ms Maria Angeles Arderiu Ibars	Chief Financial Officer

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements prepared by it from being submitted to the general meeting with reservations in the audit report.

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 2019.

C.1.29 Is the secretary to the board a director?

- Yes  
 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 a regulatory announcement 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. Where appropriate, identify the incoming and outgoing auditors:

Yes  
 No

Explain any disagreements with the outgoing auditor and the reasons for same:

Yes  
 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 fees received for such work and the percentage they represent of the fees billed to the company and/or its group:

Yes  
 No

	Company	Group companies	Total
Amount for non-audit work (thousands of Euros)	161	35	196
Amount of fees of other non-audit work/Amount of audit work (in %)	50.31	10.09	29.39

C.1.33 Indicate whether the audit report for the annual financial statements of the previous fiscal year included any reservations or qualifications. 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 reservations or qualifications.

Yes  
 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	3	3

	Individual	Consolidated
Number of years audited by the current audit firm/number of years the company or its group has been audited (as a %)	9.09	9.09

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  
 No

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 advice 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, give details of whether the company has established rules obliging directors to report and, where applicable, resign in any circumstances that might jeopardise the company's credit or reputation:

- Yes  
 No

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 whether any of the members of the Board of Directors have informed the company of any indictments or the commencement of oral proceedings against him/her for any of the offences specified in Article 213 of the Spanish Limited Liability Companies Law:

- Yes  
 No

C.1.38 Detail any significant agreements entered into 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.

Colonial has arranged two syndicated loans amounting to €875 million, which contain an acceleration clause in the event of a change of control.

On 14/11/2018 Colonial signed a bilateral loan for an amount of 50 million euros which provides for acceleration in the event of a change of control.

On 20/02/2019 Colonial signed two bilateral loans for an amount of 145.7 million euros which also provide for acceleration in the event of a change of control. Both loans are sustainable because their margin will vary according to the rating Colonial obtains in ESG (environmental, social and corporate governance) from the sustainability agency GRESB.

In addition, the Company has made several issues of fixed-income securities under the Euro Medium Term Note ("EMTN Programme"), which provides for the early maturity of the debentures, at the bondholder's option, in the event of a change of control leading to the loss of the investment grade rating. The total amount of emissions under the EMTN Programme is 2.6 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 of Directors, Chief Executive Officer and Corporate General Manager	<p>Executive Directors will receive, in accordance with their relevant service agreement approved by the Board of Directors, a payout as compensation for an unjustified dismissal or non-renewal of their office, or a material reduction of their respective functions. They will also be entitled to it (i) in the event of a waiver or resignation from their position due to a change of control at the Company or significant change in the composition of the Board of Directors 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 of Directors. Said 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.</p> <p>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. There is also a long-term incentive plan approved by the General Meeting that entails the allocation of ordinary shares in the Company conditioned to meeting certain criteria each year. 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 an early settlement of the Plan and to the 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 will lose any rights to shares that have been granted.</p>

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	X	
	Yes	No
Is the general meeting informed of the clauses?		X

## 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
Mr Carlos Fernández-Lerga Garralda	Chairman	Independent
Mr Javier Iglesias de Ussel Ordís	Member	Independent
Mr Luis Maluquer Trepát	Member	Independent
Ms Ana Bolado Valle	Member	Independent
Mr Adnane Mousannif	Member	Proprietary
Mr Juan Carlos García Cañizares	Member	Proprietary

% of executive directors	0.00
% of proprietary directors	33.33
% of independent directors	66.67
% 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 most significant actions during the fiscal year and how it effectively carried out each of the functions conferred to it by Law or 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, 1. Evaluate the skills, knowledge and experience required on 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. 2. Establish a target representation rate for the less-represented gender on the Board, laying down guidelines to achieve it. 3. Make appointment proposals to the Board of 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 thereof by the General Meeting. 4. Report on proposals for appointment of other 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. 5. Report the proposals for the appointment and removal of senior officers and the basic conditions of their contracts. 6.



Examine and organise the succession of the Board Chairman and of the CEO of the Company and, where applicable, make recommendations to the Board to ensure a well-planned and orderly succession. 7. 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. With respect to its operation, the committee meets whenever at least two of its members request it or its Chairman agrees, who is responsible for convening it. 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. Its resolutions shall be adopted by a majority of those present in person or by proxy, and the Chairman will have the casting vote in the event of a tie. Members of the ARC will not take part in deliberating or voting the resolutions or decisions if they, or their related party, have a direct or indirect conflict of interest. Members of the ARC shall refrain from taking part in deliberations or voting on any resolutions or decisions in which they or any persons related thereto may have a direct or indirect conflict of interest. In this regard, in 2019, the Committee carried out the following functions: i) Coordinated and submitted to the Board reports on the assessment of the Board of Directors, of the Committee and the performance of the Chairman of the Board, the CEO, the Independent Lead Director and the Secretary to the Board, supported by the advice from Spencer Stuart; ii) Led the directors' Training and Knowledge Refresher Plan iii) Led the ESG policy; iv) Analysed the qualifications of the members of the Board of Directors in accordance with corporate texts, the Spanish Limited Liability Companies Law and corporate governance recommendations; v) Reported in favour and proposed to the Board of Directors the approval of the Annual Report on Directors' Remuneration; vi) Ensured compliance with the remuneration policy established by the Company and, in particular, proposed to the Board of Directors the variable remuneration to be paid to the Chairman and the CEO; vii) Reported in favour and proposed to the Board of Directors the approval of the directors' remuneration policy for the years 2020, 2021 and 2022; viii) Analysed the objectives of variable compensation for the year 2019 so as to assess the performance of the Management Committee; ix) Reviewed the succession plan of the Chairman of the Board of Directors and the CEC; x) Distributed to all directors the tentative annual timetable of meetings of the ARC; xi) Proposed the number of shares due to beneficiaries of the share delivery plan approved by the General Meeting of Shareholders on 21 January 2014; xii) Proposed to the Board of Directors that it submit to the General Meeting setting the number of Board members at 13; xiii) Proposed to the Board of Directors the appointment of Mr Pedro Viñolas Serra as Vice-Chairman of the Board of Directors; xiv) Proposed to the Board of Directors the appointments of Ms Silvia Mónica Alonso-Castrillo Allain, Ms Ana Bolado Valle and Ms Ana Peralta Moreno as independent directors of the Company; xv) Proposed to the Board of Directors the appointment of members of the ACC and the ARC; xvi) Reported in favour on the fixed and variable compensation of the Company's management team proposed by the CEO; and xvii) Reported to ARC members on the actions of the Corporate Governance Unit.

Executive Committee		
Name	Position	Category
Mr Juan José Brugera Clavero	Chairman	Executive
Mr Pedro Viñolas Serra	Deputy Chairman	Executive
Mr Carlos Fernández González	Member	Proprietary
Mr Adnane Mousannif	Member	Proprietary
Mr Juan Carlos García Cañizares	Member	Proprietary
Mr Carlos Fernández-Lerga Garraida	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 conferred to this Committee 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 by Law or 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 conflict of interest and who must abstain shall be removed 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. In 2019, the Committee met twice and among its most important actions was the analysis of different investment proposals by the Company.

Audit and Control Committee		
Name	Position	Category
Mr Javier Iglesias de Ussel Ordís	Chairman	Independent
Mr Carlos Fernández-Lerga Garralda	Member	Independent
Mr Luis Maluquer Trepát	Member	Independent
Ms Ana Cristina Peralta Moreno	Member	Independent
Mr Javier López Casado	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, 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 most significant actions during the fiscal year and how it effectively carried out each of the functions conferred to it by Law or Bylaws or other corporate agreements.

The ACC comprises a minimum of 3 and a maximum of 8 directors, all of which must be non-executive directors, appointed by the Board. The ACC members shall have relevant technical knowledge in relation to the Company's sector of activity. The ACC shall appoint a Chairman, who must be an independent Director and shall be replaced every 4 years, and may be re-elected after 1 year has elapsed from the date on which his/her 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: 1. 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. 2. Supervise the effectiveness of internal control, the internal audit and the risk management systems, and discuss with the auditor any significant weaknesses detected. 3. Supervise the drawing up and presenting of required financial information and submit recommendations and proposals to the Board to safeguard its integrity. 4. 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. 5. 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. 6. 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. 7. Inform the Board of all matters established by law, the Bylaws and Board Regulations. 8. 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 refrain 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. Among the activities performed by the ACC in 2019, the following are worth mentioning: i) Acted as a communications channel between the Board and the external auditor; ii) Issued before the accounts audit report a report on the independence of the auditors; iii) Supervised the efficiency of the internal control, the internal audit and, in particular, the risk management systems in the Company, including those relative to taxes for the purposes of due compliance with applicable legislation, and discussed with the auditor the material weaknesses in the internal control identified during the audit; iv) Approved the internal audit plan for 2019; v) Approved the proposal for re-election of the auditor for 2020; vi) Approved the report on risk control and management policy vii) Monitored the strategy and practices regarding corporate social responsibility; viii) Monitored compliance with the internal code of conduct; ix) Monitored the process of preparing and filing the required financial information; x) Promoted and led compliance culture of the Company's rules and corporate texts throughout the organisation xi) Reported on the Annual Corporate Governance Report for submission to the Board of Directors; xii) Assessed its own functioning as part of the process of self-assessment of the Board of Directors and of its committees; xiii) Analysed and reported on the Company's transactions with treasury shares to be submitted to the Board of Directors; xiv) Reported to the Board of Directors, through the Chairman, about

the contents of the Committee meetings; xv) Updated the Company's risk map; xvi) Supervised the implementation of measures agreed as part of the action plan and improvement plan for the Company's cybersecurity; xvii) Submitted a positive report to the Board of Directors on the merger of the Company's wholly owned subsidiaries; xviii) Analysed reports presented by internal audit and the business area on the contracting of works and construction suppliers.

Identify the directors who are members of the audit committee appointed with regard to his or her 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	Mr Javier Iglesias de Ussel Ordís/ Mr Carlos Fernández-Lerga Garralda, Mr Luis Maluquer Trepapat/Ms Ana Cristina Peralta Moreno/Mr Javier López Casado
Date the Chairman was appointed as such	24/01/2019

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 board members							
	2019		2018		2017		2016	
	Number	%	Number	%	Number	%	Number	%
Appointments and Remuneration Committee	1	16.67	0	0.00	0	0.00	0	0.00
Executive Committee	0	0.00	0	0.00	0	0.00	0	0.00
Audit and Control Committee	1	20.00	1	25.00	1	25.00	1	20.00

C.2.3 Indicate, where applicable, the existence of regulations governing the Board Committees, where they can be accessed, and any amendments thereto during the fiscal year. Also state whether any voluntary annual reports have been produced on the activities of each committee.

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 2019. Likewise, the Appointments and Remuneration Committee carried out the same evaluation of its structure, organisation, operation and competences, and the report on the result of the evaluation lists the significant actions carried out in the 2019 financial year. 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.

**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 positive report from the ACC, in the following cases, among others: -From a director to provide Colonial's companies with professional services. The employment or any other type of relationship that executive Directors have with the Company is exempt for these purposes. - For a director, a significant shareholder or his/her representative on the Board, or a related party to sell or otherwise provide supplies, materials, goods or rights, in general, to Colonial or other companies in its Group in exchange for any type of economic compensation. - For the companies in the Group to provide supplies, materials, goods or rights, in general, to a director, a significant shareholder or his/her representative on the Board, or a related person that are outside the provider's normal business. - For the provision of work, 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 not carried out at arm's length. - For any other legal business with Group companies in which the director or a related party has a direct or indirect interest. The aforementioned approval by the Board of Directors shall not be necessary when such transactions have the following three characteristics simultaneously: 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	-	-	-	-

**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 executives:**

Name or company name of the directors or executives	Name or company name of the related party	Link	Nature of transaction	Amount (thousands of euros)
No data	-	-	-	-

- D.4.** Indicate any significant operations carried out by the Company with other companies in the same group, provided that they are not eliminated when preparing the consolidated financial statements and are not part of the Company's usual business in terms of purpose and conditions.

In any case, all intracompany operations with companies established in countries or jurisdictions considered as a safe haven must be reported:

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 with 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 methods established to detect, determine and resolve any conflicts of interest between the company and/or the group, directors, executives or significant shareholders.

Under the Company Bylaws, directors shall refrain from taking part in deliberations or voting on any resolutions or decisions in which the directors or related parties may have a direct or indirect conflict of interest. The votes of the directors who are affected by such conflict of interest and who must abstain shall be removed 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. The Regulations of the Board of Directors also stipulate that the duty of loyalty requires that directors refrain from taking part in deliberations 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 interest. Furthermore, Directors should take all necessary measures to avoid situations where their interests, on his/her own behalf or otherwise, may be in conflict with the corporate interests and with their duties to the Company. In particular, the Director should refrain from: a) entering transactions with the Company, unless these are ordinary operations under the standard conditions applied to customers and of scarce relevance, in other words, operations whose information is not required to produce a true image of the shareholder's equity, the financial statements or the Company's results; b) using the Company's name or invoking his/her appointment as Director to wrongfully influence private operations; c) making use of the corporate assets, including the Company's confidential information, for personal purposes; d) benefiting from the Company's business opportunities; e) gaining advantages or compensation from third parties other than the Company and its Group, on account of the performance of his/her role, save when these are given as mere gifts or business courtesies; f) carry out activities, on his/her own behalf or otherwise, that would be in actual competition, effective or potential, with the Company or that, in any other way, would be in constant 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 the 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. In all other cases, this may be granted by the Board of Directors provided that the members granting it remain independent in connection with the director who has been excused. 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 covenant not to compete with the Company may only be waived under circumstances that should not entail any damages to the Company or if there were damages, these would be offset by the benefits it would be entitled to. The General Meeting shall grant dispensation through an express and separate resolution.

The General Meeting of Shareholders, held on 14 June 2019, approved the waiver for the director Ms Ana Bolado Valle for the position of member of the Board of Directors of Metrovacesa, S.A., insofar as, in the current situation, no damage could be expected for Colonial.

- D.7.** Is more than one Group company listed in Spain?

Yes  
 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 ones 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. Likewise, and for the adequate application of these policies, the Company has different mechanisms whose purpose is to deploy in an operational manner the control systems and prevention measures necessary to achieve the business objectives.

- ✓ In this regard, and in order to better manage risks, Colonial's RMCS differentiates between the different types of risks to which the Group is exposed according to their origin in two major areas: 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 in the countries where the Group operates and from changes in investors' own expectations.
- Market risks arising from changes in the business model itself, the greater complexity of implementing the investment strategy, and the fluctuation of the real estate market.
- Financial risks related to restrictions in the capital markets, interest rate fluctuations, impact of changes in tax regulations (mainly due to the Socimi regime) and counterparty risks of its 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 faced by Colonial in achieving its targets include:

- Strategic risks related to the internationalisation and size of the Group, to the high concentration of office rental activities in *prime areas* of Barcelona, Madrid and Paris, and to the strategy in the *coworking* 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, damage to and maintenance of real estate assets, management of the level of debt and loss of the current credit rating, failures in information systems and cyberattacks, 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, including tax risks concerning loss of Colonial's REIT status and loss of its French

subsidiary Soci t  Fonci re Lyonnaise's status as a listed property investment company ("SIIC").

**E.4. State whether the company has risk tolerance levels, 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 fiscal 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 2019, risks inherent to the Company's activity materialised, and the established control systems worked correctly, allowing for these risks to be managed appropriately. The main risks that materialised during the aforementioned financial year include:

The increased complexity of investment operations in new assets in a context of high competition, high prices and product shortages in the areas where the Group focuses its strategy.

Political instability has generated some uncertainty in the economic and business environment and also in the large international investment groups.

The high leasing levels, reaching record highs in occupation and rents from property, represent a challenge to be maintained for the coming years.

The risks associated with climate change have led to the development of specific policies and actions aimed at improving the quality of buildings and the measurement of their energy consumption levels, as well as optimising their environmental impact and the well-being of their occupants.

**E.6. Explain any response and supervision plans in place for the company's main risks, including tax risks, as well 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)**

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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. Oversight of the preparation and filing of 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. Report, in advance, to the Board of Directors on all matters provided for in the Law, the Company Bylaws and the Regulations and, in particular, on the financial information that the Company must make public periodically.

Minutes shall be taken of all Committee meetings and 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 across 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:

- Establishment of a general environment of appropriate control, setting out the main guidelines of operation of the ICFR and senior-level roles and responsibilities.
- Identification of major risk events, which, if they occur, may materially affect financial information.
- 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.
- 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.
- 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, reporting whether this is confidential, as the case may be:

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, auditing, 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:

"In relation to information systems and internal control: ... (ii) to conduct a periodic review of the internal control and risk management systems in such a way that the main risks are identified, managed and notified properly."

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 judgements, estimates, valuations and forecasts.

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) Regulatory Announcements.

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 resolving queries or settling 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 the scope of the ICFR assessment during the year and the procedure used by the person in charge to report the results, 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 2019 consisted of approving the Internal Audit Plan for 2019, 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:

*"The Audit and Control Committee, with respect to the information and internal control systems, shall:*

*(iii) monitor the independence and efficacy of the internal audit function, proposing the selection, appointment, re-election and removal of the head of internal audit; propose the department's budget, receiving regular report-backs on its activities and verifying that senior management are 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 2019, 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:

*"Dealing 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 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 financial 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.
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's 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 internal control recommendations have been identified.

These monitoring activities are considered to be appropriate and sufficient and, therefore, it is not considered necessary to submit the ICFR information to additional external





review.

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED SPANISH COMPANIES

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**G. EXTENT TO WHICH THE CORPORATE GOVERNANCE RECOMMENDATIONS ARE FOLLOWED**

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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  Explain

2. When a dominant and a subsidiary company are listed on the stock market, the two should provide detailed disclosures on:

- a) Their respective areas of activity and possible business relations between them, as well as those of the subsidiary listed company with other companies belonging to the same group.
- b) The mechanisms in place to resolve any conflicts of interest that may arise.

Compliant  Partially compliant  Explain  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  Partially compliant  Explain

4. The company will define and promote a policy of communication and contact with shareholders, institutional investors and proxy advisors, respecting the rules on market abuse and treating shareholders who are in the same position equally.

And the company should make this policy public via its website, including information on the way it has been put into practice and identifying the interlocutors or persons responsible for carrying this out.

Compliant  Partially compliant  Explain

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 the right to preferential purchase, the Company should immediately publish on its website the reports on this exclusion as laid down in the companies laws.

Compliant  Partially compliant  Explain

6. The listed companies which produce the reports listed below, either in mandatory or voluntary form, publish them on their website with sufficient notice before the ordinary general meeting is held, although their dissemination is not mandatory:

- 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.
- d) Report on the corporate social responsibility policy.

Compliant  Partially compliant  Explain

7. The Company broadcasts live, via its website, the holding of general meetings of shareholders.

Compliant  Explain

8. The Audit Committee ensures that the Board of Directors should seek to present the accounts to the General Meeting of Shareholders without limitations or qualifications in the audit report and, in exceptional cases where there are qualifications, both the chairman of the Audit Committee and the auditors should clearly explain to shareholders the contents and scope of such limitations or qualifications.

Compliant  Partially compliant  Explain

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  Partially compliant  Explain

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 form of proxy or remote voting with the changes required so that the new items on the agenda and alternative resolution proposals can be voted on, in 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       Partially compliant       Explain       Not applicable

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.

Compliant       Partially compliant       Explain       Not applicable

12. The Board of Directors shall perform its duties with unity of purpose and independent judgment and it shall 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 maximize 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       Partially compliant       Explain

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 between five and fifteen members.

Compliant       Explain

14. The Board of Directors approves a policy of selection of directors that:

- a) Is specific and verifiable.
- b) Ensures that proposals for appointment or reappointment are based on a preliminary analysis of the needs of the board of directors.
- c) Promotes the diversity of knowledge, experience and gender.

The result of the previous analysis of the needs of the board of directors is collected in the committee's report justifying the appointments to be published when the general meeting of shareholders is called, in which the ratification, appointment or re-election of each director is submitted.

And the selection policy promotes the goal that by 2020 the number of female directors will represent no less than 30% of the total members of the Board of Directors.

The appointments committee will annually verify compliance with the policy of selection of directors and inform thereof in the annual corporate governance report.

Compliant  Partially compliant  Explain

15. The proprietary directors and independent directors 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.

Compliant  Partially compliant  Explain

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 the shareholdings legally considered significant are low.
- b) In companies where there is a diversity of shareholders represented on the board of directors and there are no links between them.

Compliant  Explain

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

Compliant [  ]      Explain [X]

The company has 6 independent directors out of a total of 13, one more than the number of proprietary directors and triple 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 [X]      Partially compliant [  ]      Explain [  ]

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 stake 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.

Compliant [  ]      Partially compliant [  ]      Explain [  ]      Not applicable [X]

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 [X]      Partially compliant [  ]      Explain [  ]      Not applicable [  ]

21. The Board of Directors will 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  Explain

22. Companies establish rules obliging directors to provide information and, where appropriate, tender their resignation in cases where it is alleged they could prejudice the good name and reputation of the Company and, in particular, oblige them to inform the Board of Directors of any criminal lawsuits they may be involved in, as well as any subsequent legal proceedings.

In any event, if a Director is prosecuted or has a court order issued against him or her initiating trial proceedings for any of the offences defined in corporate law, the board of directors should examine the case as soon as possible and, in view of the particular circumstances, decide whether or not he/she should remain in office. The board of directors should also give a reasoned account of these circumstances in the annual corporate governance report.

Compliant  Partially compliant  Explain

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 directors and other directors in particular, who are not affected by potential conflict of interest, should 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 must be explained in the letter referred to in the following recommendation.

recommendation.

Compliant  Partially compliant  Explain  Not applicable

24. When, whether due to resignation or any other reason, a director leaves his or her position before the end of the term, the reasons are explained in a letter sent to all the members of the Board of Directors. Irrespective of whether such resignation is filed as a regulatory announcement, the motive for the same must be explained in the Annual Corporate Governance Report.

Compliant  Partially compliant  Explain  Not applicable

25. In addition, the Appointments Committee will 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  Partially compliant  Explain

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 year, with each director able to propose for inclusion alternative items not originally on the agenda.

Compliant  Partially compliant  Explain

27. Directors' absences 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  Partially compliant  Explain

28. When the directors or the 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  Partially compliant  Explain  Not applicable

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  Partially compliant  Explain

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  Explain  Not applicable



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 wishes to submit for 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  Partially compliant  Explain

32. Directors should be regularly informed of the movements in shareholdings and of the opinions that significant shareholders, investors and rating agencies have of the Company and its group.

Compliant  Partially compliant  Explain

33. The chairman, as the person responsible for the proper functioning of the board of directors, in addition to exercising the functions assigned to him by law and the bylaws, should prepare and submit to the board a schedule of dates and items to be discussed; organise and coordinate regular assessment of the board and, where applicable, assessment of the company's chief executive; take responsibility for management of the board and of the effectiveness of its functioning; ensure that sufficient time is allocated to discuss strategic issues, and agree and review programmes to update knowledge for each director, when circumstances so advise.

Compliant  Partially compliant  Explain

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  Partially compliant  Explain  Not applicable

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  Explain

36. The complete Board of Directors should evaluate, once a year, and adopt, where applicable, an action plan to correct deficiencies identified with respect to:
- The quality and efficiency of operation of the board of directors.
  - The operations and the composition of its committees.
  - The diversity of Board membership and competences.
  - The performance of the Chairman of the Board of Directors and the Chief Executive Officer of the Company.
  - 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  Partially compliant  Explain

37. When an Executive Committee exists, the framework for the participation of the different categories of directors will be similar to that of the Board of Directors itself, and its Secretary will be the secretary to the board.

Compliant  Partially compliant  Explain  Not applicable

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  Partially compliant  Explain  Not applicable

39. The members of the Audit Committee, and especially its chairman, are appointed taking into account their knowledge and expertise in the field of accounting, audit or risk management, and the majority of such members are independent directors.

Compliant  Partially compliant  Explain

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  Partially compliant  Explain

41. The head of the division that fulfils the internal audit duties will present its annual work plan to the Audit Committee in which it directly reports any incidents that may have arisen during its implementation, submitting this information at the end of each year in an activity report.

Compliant  Partially compliant  Explain  Not applicable

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 the process of preparing and the integrity of the financial information on the Company and, where applicable, to the Group, reviewing compliance with the regulatory requirements, the proper delimitation of its scope of consolidation and the correct application of accounting principles;
- b) Ensure the independence and effectiveness of the internal audit processes, proposing the election, appointment, re-election and removal of the head of the internal audit division in addition to proposing the budget for this service, approving both orientation and its operating plans, ensuring that their activity is focused mainly on the risks that are relevant to the Company, receiving regular information on their activities and verifying that senior management is taking into account the conclusions and recommendations of the Committee's reports.
- c) Establish and supervise 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.

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 as a regulatory announcement to the CNMV and that this notification is accompanied by a statement citing any disagreements the Company may have had with the outgoing auditor and, if there were such disagreements, to discuss them.
- 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  Partially compliant  Explain

43. The Audit Committee may summon any employee or executive of the Company; this includes appearances without the presence of any other executive.

Compliant  Partially compliant  Explain

44. The Audit Committee should be informed of 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  Partially compliant  Explain  Not applicable

45. The control and risk management policy should specify at least:

- a) The different types of financial and non-financial risks (including operational, technological, legal, business, environmental, political and reputational) that the Company faces, including financial and economic risks, contingent liabilities and other off-balance sheet risks.
- b) Setting the level of risk that the Company considers acceptable.
- c) The measures planned to mitigate the impact of identified risks, should they materialise.
- d) 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  Partially compliant  Explain

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 the control and risk management systems and, in particular, that all the important 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 control and risk management systems in place adequately mitigate the risks within the framework of the policy defined by the Board of Directors.

Compliant  Partially compliant  Explain

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  Partially compliant  Explain

48. Highly-capitalized companies have an Appointments Committee and a separate Remuneration Committee.

Compliant [  ]      Explain [  ]      Not applicable [  ]

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 [  ]      Partially compliant [  ]      Explain [  ]

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 any conflicts of interest do not interfere with the independence of the external advice given to the committee.
- e) Verify the information on directors' and senior officers' remuneration found in various corporate documents, including the annual report on directors' remuneration.

Compliant [  ]      Partially compliant [  ]      Explain [  ]

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 [  ]      Partially compliant [  ]      Explain [  ]

52. The rules regarding the composition and proceedings of the supervisory and control committees should be listed in the Board Regulations and be consistent with those applicable to the legally mandatory committees under the foregoing recommendations, including 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 after 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 [ ]

Partially compliant [ ]

Explain [ ]

Not applicable [X]

53. Monitoring of compliance with the rules of corporate governance, internal codes of conduct and corporate social responsibility policy should be conferred on one or several committees of the board of directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee, if any, or a specialised committee that the board of directors, in the exercise of its powers of self-organisation, decides to create for this purpose, to which are conferred the following minimum functions:
- a) Overseeing compliance with the Company's internal codes of conduct and its rules of corporate governance.
  - b) Supervising the Company's communication strategy and its relations with shareholders and investors, including small and medium shareholders.
  - c) Regular assessment of the adequacy of the Company's corporate governance system so that it may fulfil its mission of promoting its business activity and keep the legitimate interests of other stakeholders in mind.
  - d) Reviewing the Company's corporate responsibility policy, ensuring that it is aimed at creating value.
  - e) Monitoring the Company's social responsibility strategy and practices and assessing its degree of compliance.
  - f) Supervising and evaluating relations with different stakeholders.
  - g) Evaluating all matters that relate to the Company's non-financial risks, including operational, technological, legal, social, environmental, political and reputational risks.
  - h) Coordinating the process of reporting non-financial information and information on diversity, in accordance with applicable regulations and international reference standards.

Compliant

Partially compliant

Explain



54. The corporate social responsibility policy should include the principles or commitments, which the Company voluntarily undertakes in its relationship with the different stakeholders and identify at least:
- a) The objectives of the corporate social responsibility policy and the development of support tools.
  - b) The corporate strategy related to sustainability, the environment and social issues.
  - c) Specific practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, tax responsibility, respect for human rights and the prevention of illegal conduct.
  - d) Methods or systems monitoring the results of the implementation of the specific practices identified in the previous point, the associated risks and their management.
  - e) The mechanisms for monitoring non-financial risk, ethics and business conduct.
  - f) The channels of communication, participation and dialogue with stakeholders.
  - g) Responsible communication practices that prevent manipulation of information and protect integrity and honour.

Compliant  Partially compliant  Explain

55. The company should report in a separate document or in the management report on matters related to corporate social responsibility, using any of the internationally accepted methodologies.

Compliant  Partially compliant  Explain

56. Directors' remuneration 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 the amount does not interfere with the independence of non-executive directors' decisions.

Compliant  Explain

57. Executive directors are restricted to variable remuneration linked to the performance of the Company and to their personal performance, as is the remuneration 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 shall not apply to shares that the director needs to dispose of, if appropriate, to meet the costs related to acquisition.

Compliant  Partially compliant  Explain

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 internal rules and procedures of the Company and its policies for control and risk management.
- c) Should be configured on the basis of a balance between compliance with short-term, medium-term and long-term objectives, to remunerate output for continuous performance over a period of time that is sufficient to appreciate the contribution to the sustainable creation of value, in such a way that the items measuring this performance do not focus only on sporadic, occasional or extraordinary facts.

Compliant  Partially compliant  Explain  Not applicable

59. The payment of a significant part of the variable components of remuneration should be deferred for a period sufficient to ensure that the previously established minimum performance conditions have been met.

Compliant  Partially compliant  Explain  Not applicable

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  Partially compliant  Explain  Not applicable

61. A significant percentage of the variable remuneration of executive directors should be linked to the delivery of shares or financial instruments referenced to their value.

Compliant  Partially compliant  Explain  Not applicable

62. Once the shares or options or rights over shares corresponding to the remuneration systems are allocated, directors will not be able to transfer ownership of a number of shares equivalent to twice their fixed annual remuneration, or to exercise the options or rights until at least three years have elapsed since they were allocated.

The foregoing shall not apply to shares that the director needs to dispose of, if appropriate, to meet the costs related to acquisition.

Compliant  Partially compliant  Explain  Not applicable

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  Partially compliant  Explain  Not applicable

64. Payments for contract termination do not exceed the established amount equivalent to two years of total annual remuneration and they are not paid until the Company has been able to verify that the director has met the performance criteria previously established.

Compliant  Partially compliant  Explain  Not applicable

**H. OTHER INFORMATION OF INTEREST**

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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 concerned and the 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, following an amendment of the Regulations of the Board of Directors, it was decided that the Appointments and Remuneration Committee would have competences in relation to supervision of compliance with the rules of corporate governance and other issues related thereto. 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.

3. With regard to section A.3, the female directors who are not shown in the table (Ms. Silvia Mónica Alonso-Castrillo Allain, Ms Ana Bolado Valle and Ms Ana Cristina Peralta Moreno) do not hold any voting rights over shares or financial instruments of the Company.

4. With regard to section C.1.2, Ms Silvia Mónica Silvia Mónica Alonso-Castrillo Alain was appointed as an independent director by co-option by the Board of Directors on 24 January 2019. Subsequently, the Ordinary General Meeting of Shareholders held on 14 June 2019 ratified her appointment as an independent director of the company.

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This annual corporate governance report was approved by the Company's Board of Directors at its meeting held on:

List whether any directors voted against or abstained from voting on the approval of this Report.

Yes  
 No