

Colonial

REPORT OF THE APPOINTMENTS AND REMUNERATION COMMITTEE ON ITS OPERATIONS

1. INTRODUCTION

The Appointments and Remuneration Committee of Inmobiliaria Colonial, S.A. (the “**Company**”) is issuing this report on its activities in 2015 (the “**Report**”) in accordance with Article 34 of the Regulations of the Board of Directors.

2. COMPOSITION OF THE COMMITTEE

At 31 December 2015, the Committee was composed of five members, and was thus in compliance with the minimum set forth in Article 33 of the Regulations of the Board of Directors, which state that the Committee is to be made up of a minimum of three and a maximum of eight Directors.

All of the members of the Committee are non-executive directors, including two independent directors and three proprietary directors. The Committee is presided by an independent director. The composition thus conforms to Article 33 of the Regulations of the Board of Directors.

At 31 December 2015, the composition of the Company’s Committee was as follows:

Name/Corporate name	Position	Capacity
Carlos Fernández-Lerga Garralda.....	Chairman	Independent Director
Juan Villar-Mir de Fuentes	Board Member	Proprietary Director
Juan Carlos García Cañizares	Board Member	Proprietary Director
Francesc Mora Sagués ⁽¹⁾	Board Member	Proprietary Director
Javier Iglesias de Ussel Ordis	Board Member	Independent Director

(1) On 6 May 2016, Francesc Mora Sagués submitted his resignation as a member of the Board of Directors of the Company and of the remaining committees to which he belonged (Significant Event no. 238360).

In 2015, there were no changes in the composition of the Committee.

In addition to the members of the Committee, the meetings were attended, as a guest, by the Chief Executive Officer, Pedro Viñolas Serra, who reported to the Committee primarily on the Company's systems for compensating employees and senior managers.

The Committee’s members have the knowledge, qualifications and experience required to fulfil their functions thereon.

3. OPERATIONS OF THE COMMITTEE

In 2015, the Committee met on five occasions. The dates of the meetings were as follows: 22 January, 19 February, 25 February, 14 April and 12 November.

Regarding the preparation for and the conducting of the meetings, the Committee Chairman calls meetings sufficiently in advance, and all, or a majority, of the Committee members attend. Prior to each meeting, Committee members are provided information on the issues to be addressed therein, so as to encourage their active participation and the well-reasoned adoption of resolutions.

Lastly, it should be stressed that the secretary kept minutes of all of the meetings, setting forth the proceedings, content, deliberations and resolutions that were adopted. The minutes of the Committee meetings are available both to the Committee members and to the Board members.

4. COMPETENCIES OF THE COMMITTEE

The Committee efficaciously fulfils the duties that correspond to it under Article 33 of the Regulations of the Board of Directors. In particular, in 2015 the Committee fulfilled the following duties:

- Ensuring that the Company's remuneration policy is abided by, and in particular proposing to the Board of Directors the remuneration policy for directors and senior management, the individual remuneration of the chairman of the Board and of the Chief Executive Officer, and the remaining conditions of their contracts in order for their contracts to be adapted to the new Corporate Enterprise Act, as well as reporting to the Board of Directors on the proposed remuneration of senior management.
- Proposing, in accordance with the fulfilment of the indicators, the number of shares to be received by the beneficiaries of the Share Delivery Plan approved by the General Shareholders' Meeting on 21 January 2014.
- Initiating an analysis of the Company's remuneration policy for the coming three years, starting in 2016, including a possible new remuneration system for the Chairman and the Chief Executive Officer.
- Proposing the annual maximum limit for the total amount of remuneration of directors.
- Examining and organising the succession of the Chairman of the Board and of the chief executive of the Company.
- Reporting to the Board on the evaluation of the Committee's own operations, of the operations of the Board of Directors and of the Chairman's and Chief Executive Officer's fulfilment of their duties.
- Proposing to the Board of Directors the contents of the annual report on remuneration of Board members.
- Analysing the modifications to the texts of corporate governance of the Company affecting the Appointments and Remuneration Committee and its functions in order to adapt them to the new Corporate Enterprise Act.
- Issuing a favourable opinion of the appointment of directors of both Colonial and of its subsidiaries.

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