Colonial

2021

Integrated
Annual Report

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COMMUNICATION ON PROGRESS

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

We welcome feedback on its contents.

Summary

CHAPTER

1

Key highlights

1.1. Key highlights

1.1.1 Key highlights

+9%
Total Shareholder Return (based on NTA)

€12.04/share
Net Tangible Assets (NTA)

€12.4bn
Gross Asset Value of the portfolio +6% like-for-like

€128M
Recurring Net Profit

€ 24.6 cts./share
Recurring EPS (Earnings per share)

€314M
Gross Rental Income +2% like-for-like

€293M
Net Rental Income +3% like-for-like

Letting activity
170,344 sqm
signed +75% vs. the previous year

96% Occupancy
Occupancy levels (98% in Paris)

95%
Assets with energy certification

> €500M
New acquisition program in Paris & Barcelona

€349M
Non-core disposals

100%
"Green bonds", the 1st and only company in the IBEX35

–9%
Energy intensity reduction LFL 21/19 (+12% LFL 21/20)

70% annual
Renewable energy +766 bp

–32%
GHG emissions intensity (Scopes 1&2) –32% LFL 21/19 (+29% LFL 21/20)

+28%
Hours of training

27%
Women on the board

Growth in signed rents and indexation capturing

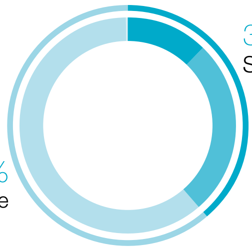
Significant progress in the renovation program

Consolidated Group

Valuation – by use

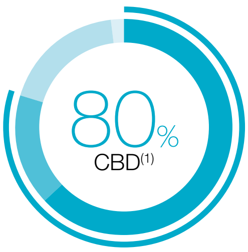
Offices · Retail · Others

Valuation – by market



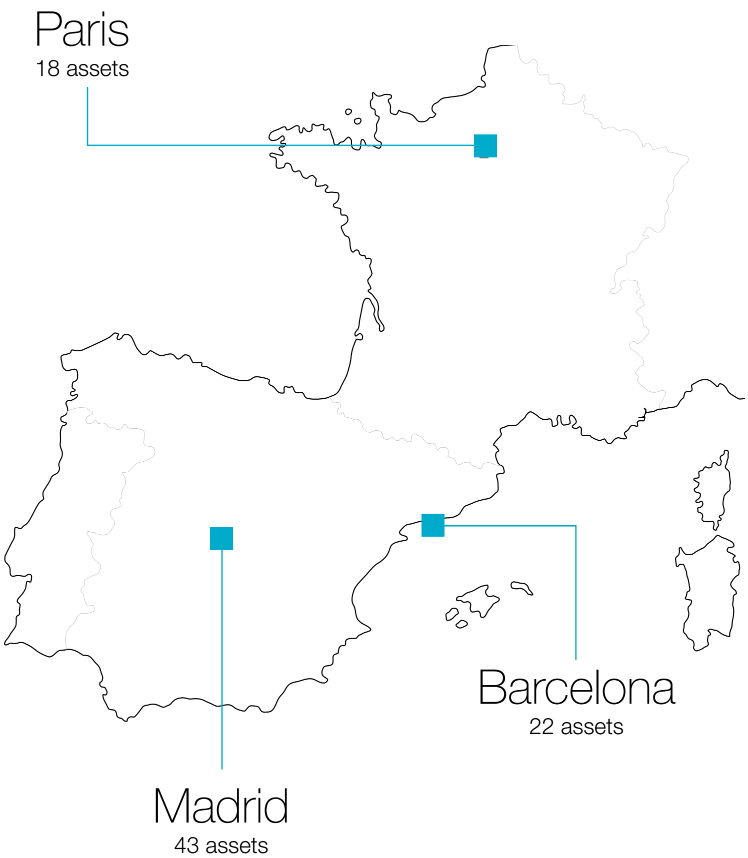
Barcelona · Madrid · Paris · Others

Offices Valuation – by area



Prime CBD · CBD · BD · Others

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



Notes: Logistics and other centres are not included.
The Viapark asset (retail) is included in Madrid

LTV

35.8%

With a liquidity of €2,359M

Rating S&P

BBB+

Stable, the highest in the Spanish Real Estate sector

Successful tender offer on of SFL reaching a 98.3% stake

Leadership in ESG and decarbonization

The only office Real Estate company in Europe with an A rating in CDP

1.1.2 EPRA Performance Measures - Summary Table

As at 31 December

	12/2021		12/2020	
	€m	€ per share	€m	€ per share
EPRA Earnings	120	0.23	133	0.26
EPRA NTA	6,496	12.04	5,728	11.27
EPRA NDV	5,957	11.04	5,195	10.22

	2021	2020
EPRA Net Initial Yield	2.8%	2.9%
EPRA "topped-up" Net Initial Yield	3.0%	3.1%
EPRA vacancy rate	4.0%	4.8%
EPRA Cost ratio (including vacancy costs)	20.7%	20.1%
EPRA Cost ratio (excluding vacancy costs)	18.8%	18.7%

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

1.1.3 Financial, operational and ESG highlights

Return to growth - Colonial closes 2021 with solid results in all KPIs

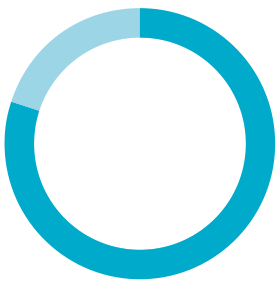
↘ The Group registers a net profit of €474m (+€471m)

Financial Highlights

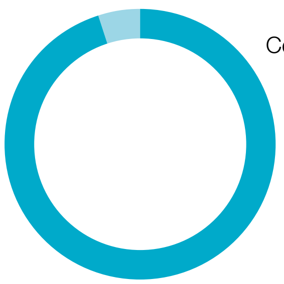
	2021	2020	Var.	LFL
Net Tangible Assets (NTA) - €/share	12.04	11.27	+7%	
Recurring EPS - €Cts/share	24.59	27.06	(9%)	
Comparable recurring EPS - €Cts/share[1]	30.43	27.06	+12%	
Net Tangible Assets (NAV) - €m	6,496	5,728	+13%	
GAV Group €m	12,436	12,020	+3%	+6%
Gross Rental Income - €m	314	340	(8%)	+2%
Net Rental Income - €m	293	318	(8%)	+3%
Recurring Net Profit - €m	128	138	(7%)	
Attributable Net Profit - €m	474	2	↑↑	

Portfolio Grade A Prime

GAV 12/21 €12,436m



CBD
80%



Energy Certification
95%[5]

Operational Highlights

EPRA Occupancy	96%
Collection Rate Ofices[2]	**100%**
Release Spread [3]	+7%
Barcelona	+24%
Madrid	+4%
Paris	+2%
Rental Growth[4]	+5%
Paris	+8%
Barcelona	+3%
Madrid	+1%

(1) Recurring results excluding non-strategic disposals and the impact of the renovation program tenant rotation and other non-like-for-like items.
(2) Collection rates at December 2021.
(3) Signed rents on renewals vs. previous rents.
(4) Signed rents vs. market rents at 31/12/2020 (ERV 12/20).
(5) Portfolio in operation.

Total Shareholder Return (based on NTA) of +9%

> Net Tangible Assets (NTA) per share of €12.04, +7%.

> Net Tangible Assets (NTA) of €6,496m, +13%.

Gross Asset Value of the portfolio of €12,436m, +6% like-for-like

> Portfolios in Paris & Barcelona +6% like-for-like.

> Madrid portfolio with an increase of +7% like-for-like.

> Successful project delivery with significant value creation.

Strong growth in Net Results and solid Recurring EPS

> Net Profit of €474m, +€471m vs. the previous year.

> Recurring EPS (Earnings per share) of €24.6cts, reaching the high end of the guidance.

> Recurring EPS like-for-like[1] up +12% Year on Year.

Rental Income with solid growth

> Gross Rental Income of €314m, +2% like-for-like.

> Net Rental Income of €293m, +3.3% like-for-like (Paris +6.4% like-for-like).

Strong acceleration in operating fundamentals

> More than 170,000 sqm of letting volume, +75% vs. the previous year.

> Significant progress in the renovation program (35,000 sqm signed in 2H21).

> Occupancy levels of 96%, (98% in Paris).

> Growth in signed rents and indexation capturing.

> +5% vs ERV 12/20[2] (+8% in Paris).
+7% of release spread[3] (+24% in Barcelona).

Acquisitions to drive future growth

> Successful tender offer on of SFL reaching a 98.3% stake.

> New acquisition program in Paris & Barcelona – more than €500m of investment.

> Non-core disposals for €349m, with a premium of +11% above the appraisal value.

Leadership in ESG & Decarbonization

> CDP 2021 Rating A, the highest rating: among the 12 best real estate companies in the world.

> GRESB 2021 Rating of 94 points, leader in listed offices in Western Europe.

> Improvement in the Sustainalytics Rating 2021, the highest rating in the industry in 2022.

> Vigeo 2021 Rating at the high end of the sector: A1+ rating.

A strengthened balance sheet for future growth

> Conversion of all bonds to "green bonds", the 1st and only company in the IBEX35.

> LTV of 35.8% with a liquidity of €2,359m.

> Successful Liability Management of more than €1,0bn.

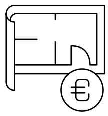
> Reduction of the Group's cost of debt, reaching 1.4%.

(1) Recurring results excluding non-strategic disposals and the impact of the renovation program tenant rotation and other non-like-for-like items.
(2) Signed rents vs. market rents at 31/12/2020 (ERV 12/20).
(3) Signed rents on renewals vs. previous rents.

1.2. Highlights 2021

1.2.1 Annual Results 2021 - Return to growth

Total Shareholder Return of +9%, reaching an NTA of €12/share

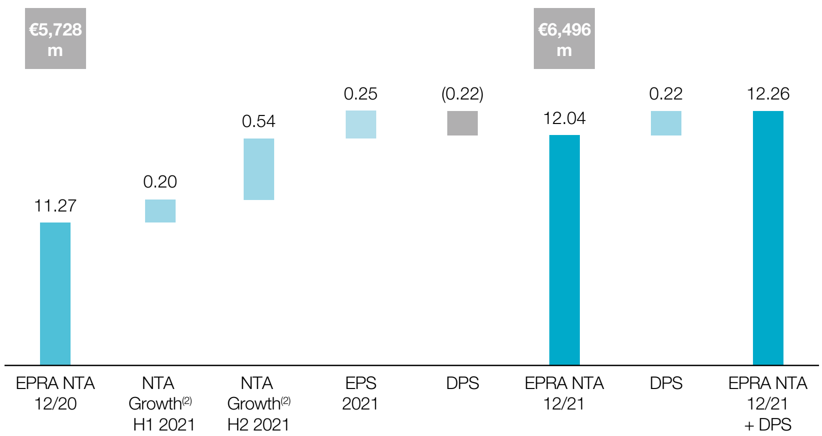


12.26
€/share (+9%)

1. Growth in Net Tangible Assets (NTA) up to €6,496m, +13%

Colonial closed 2021 with Net Tangible Assets (NTA) of €12.04/share, corresponding to a year-on-year increase of +7% which, together with the dividend paid per share of €0.22/share, amounts to a Total Shareholder Return of +9%.

EPRA NTA €/share



Total Shareholder Return[1]

	12 months
NTA Growth per share	+7%
Dividend per share	+2%
Total Return per share	**+9%**

(1) Total shareholder return understood as NTA (NAV) growth per share + dividends.
(2) NTA growth excluding EPS and DPS paid.

In absolute terms, the net value of the assets (NTA) amounts to €6,496m, an annual increase of +13%, a value increase of more than €768m in a year.

This important growth in NTA has been achieved thanks to an industrial Real Estate strategy with a significant Alpha component in returns, mainly due to:

1. A strong increase in the value of the prime asset portfolios in the three markets, driven by a strong demand for prime Grade A buildings.
2. Solid fundamentals of Colonial's assets with high occupancy levels and solid increases in rental prices highlighting, in particular, the strength of the Paris portfolio.
3. The important degree of progress in the project portfolio, specifically the delivery and rental of the Prime Marceau in Paris and Diagonal 525 projects in Barcelona.
4. The acceleration of the renovation program, substantially improving rental levels, as well as the value of the assets.
5. The successful execution of the takeover bid on Société Foncière Lyonnaise with attractive terms for Colonial's shareholders.

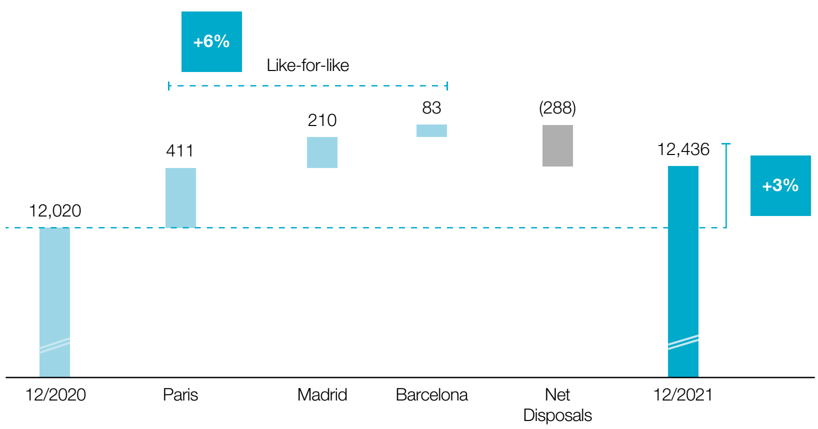
2. Increase in the value of the real estate portfolio of +6% like-for-like

The gross asset value of the Colonial Group at the close of 2021 amounted to €12,436m (€13,091m including transfer costs), showing **an increase of +6% like-for-like compared to the previous year**.

The portfolios in the three cities show solid growth. The portfolios in **Paris and Barcelona both increased +6% like-for-like** and the properties in **Madrid went up +7% like-for-like**.

Globally, an acceleration in value growth took place in the second half of the year, with an increase of +4% like-for-like for all properties.

Variance analysis value 12 months - €m



GAV variance LFL

	2021	1H 2021	2H 2021
Total LFL	+6%	+2%	+4%
Paris	+6%	+2%	+4%
Madrid	+7%	+3%	+4%
Barcelona	+6%	+4%	+2%

The growth in asset value is based on (1) the growing demand of the market for prime Real Estate in the city centre, (2) the solid fundamentals of Colonial's portfolio with an occupancy of 96% and rents signed at the high end of the market and (3) the successful generation of Alpha real estate value through the Project Portfolio and the Renovation Program.

In 2021, €349m in non-core assets were disposed of with a premium over the appraisal value of +11%. More than €263m correspond to the signing of the two sales in Paris that comprised the Alpha V program of the previous year.

Additionally, Colonial divested two non-strategic assets in Spain in the second half of 2021, optimizing the prime profile of the Group's portfolio.

At 31 December 2021, the exposure of Colonial's property portfolio to CBD areas was at 80%, +266 bps compared to the previous year and 95% of the portfolio in operation hold energy efficiency certifications, an improvement of 194 bps compared to the previous year.

Including the impact of net disposals, the asset value increased +3% compared to the previous year.

Net profit of €474m and recurring profit of €128m

1. Net profit of €474m, +€471m compared to the previous year

The Colonial Group closed 2021 with a net profit of €474m, +€471m compared to the closing of the previous year.

The significant increase in Net Results is due to:

1. A strong increase in the value of the prime asset portfolios in the three markets, driven by a strong demand for prime Grade A buildings.

2. The important degree of advances in the project portfolio and the acceleration in the renovation program, substantially improving rental levels, as well as the value of the assets.

3. The successful execution of the acquisition of 16.6% of Société Foncière Lyonnaise with very attractive terms for Colonial's shareholders.

4. A solid recurring result of more than €128m based on an asset portfolio with high occupancy levels and solid increases in rental prices, specifically in the Paris portfolio.

2. Net recurring profit of €24.6cts/share, reaching the high end of the guidance

Colonial closed 2021 with a net recurring profit of €128m, corresponding to €24.6cts/share, achieving the high end of the guidance range of €23-25cts/share that the Company communicated to the capital markets.

It is important to highlight that the strong acceleration in the results in the fourth quarter is due to the increase in inflation captured by the indexation clauses in the Colonial Group's contract portfolio. Likewise, the recurring earnings reflect the strict management of operating and SG&A costs.

Compared to the previous year, the recurring earnings have decreased, reflecting the impact of the disposals of non-strategic assets, as well as the acceleration of the renovation program.

1. The **execution of the disposals of non-strategic assets** with premiums over valuation have resulted in a year-on-year reduction of €13m in net results due to lower rents in exchange for an improved quality of the cash flow of the post-sales portfolio.

2. The start and the **acceleration of the portfolio's renovation program** with the aim of repositioning portfolio assets with significant value creation potential and future cash flow reversion based on a real estate transformation of the assets. This program involves temporary tenant rotation with a negative impact on EBITDA rents of €16m in the 2021 results.

The active management of these buildings has a temporary impact on income in exchange for an increase in rental levels in the portfolio once let again, as well as the potential for value creation in each asset.

3. Net recurring like-for-like results higher than the previous year

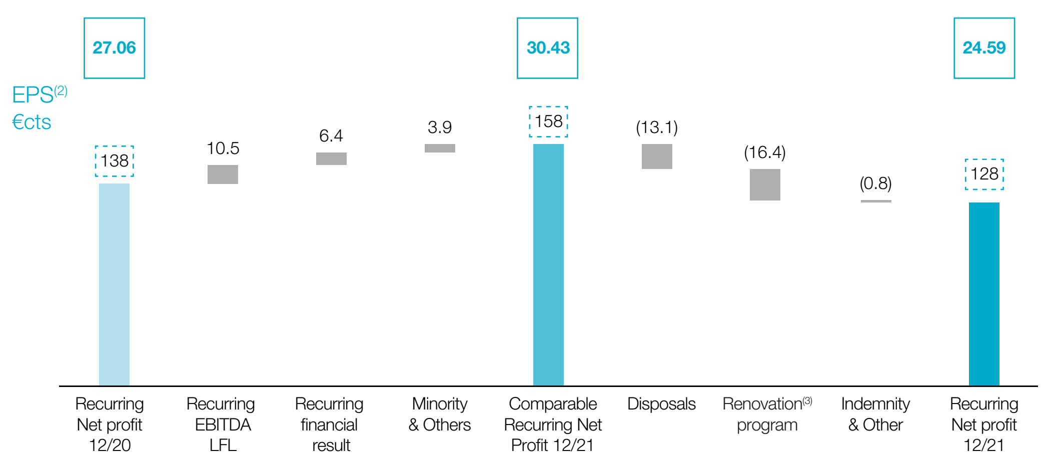
Excluding the effects of the active management of the portfolio, the **Comparable Recurring Net Profit amounts to €158m**, a figure **+15% higher than the result of the previous year**.

The comparable recurring[1] results per share (recurring EPS) is at €30.43cts, a figure +12% higher than the same period of the previous year.

Profit & Loss Account

Results analysis - €m	2021	2020
Gross Rents	**314**	**340**
Recurring EBITDA	249	272
Recurring financial result	(80)	(87)
Income tax expense & others - recurring	(12)	(14)
Minority interests - recurring	(29)	(34)
Recurring Earnings	**128**	**138**
Change in fair value of assets & provisions	444	(75)
Non-recurring financial result & MTM	(30)	(33)
Income tax & others - non-recurring	(3)	(0)
Minority interests - non-recurring	(65)	(26)
Profit attributable to the Group	**474**	**2**

Recurring Earnings - Variance Analysis



(1) Recurring results excluding non-strategic disposals and the impact of the renovation program tenant rotation and other non like-for-like items.
(2) Recurring earnings per share.
(3) Tenant rotation renovation program.

4. Gross rental income of €314m, +2% like-for-like

Colonial closed 2021 with **€314m of Gross Rental Income**, a figure 8% lower than the previous year, due to 1) the disposal of non-strategic assets in 2020 and the beginning of 2021; and 2) the acceleration of the renovation program of the Group.

In like-for-like terms, the Gross Rental Income increased by +2% compared to the same period of the previous year.

5. EBITDA rents of €293m, +3.3% like-for-like

The net rental income (EBITDA rents) increased +3.3% like-for-like, driven by an increase of +6.4 % in the Paris portfolio.

December cumulative - €m

	2021	2020	Var.	Var. LFL
Rental revenues Group	314	340	*(8%)*	*+2%*
EBITDA rents Group	**293**	**318**	***(8%)***	***+3.3%***
EBITDA rents Paris	*168*	*172*	*(2%)*	*+6.4%*
EBITDA rents Madrid & Barcelona	*125*	*146*	*(14%)*	*In line*

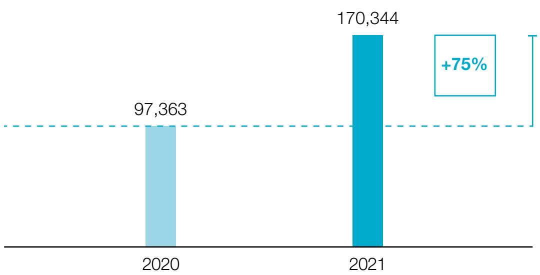
1.2.2 Significant acceleration in operating fundamentals

1. More than 170,000 sqm of letting volume: the second highest figure in Colonial's history

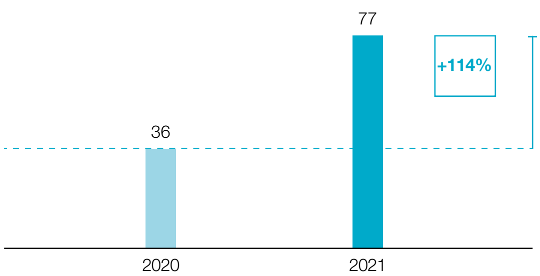
At the close of 2021, the Colonial Group had signed **118 rental contracts** in the office portfolio, corresponding to **170,344 sqm, exceeding the letting volume of the previous year by +75%**.

This volume of signed contracts is the second highest in Colonial's history, only surpassed by 2019, a year of record results in all metrics.

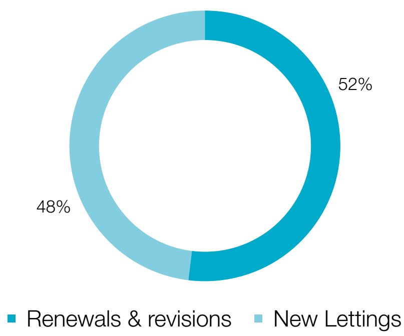
Sqm signed - sqm

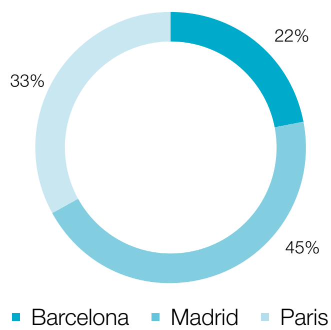


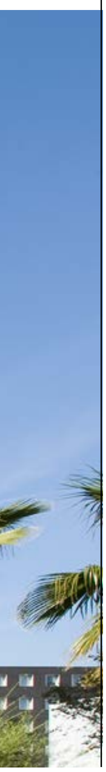
Annualized GRI signed contracts - €m



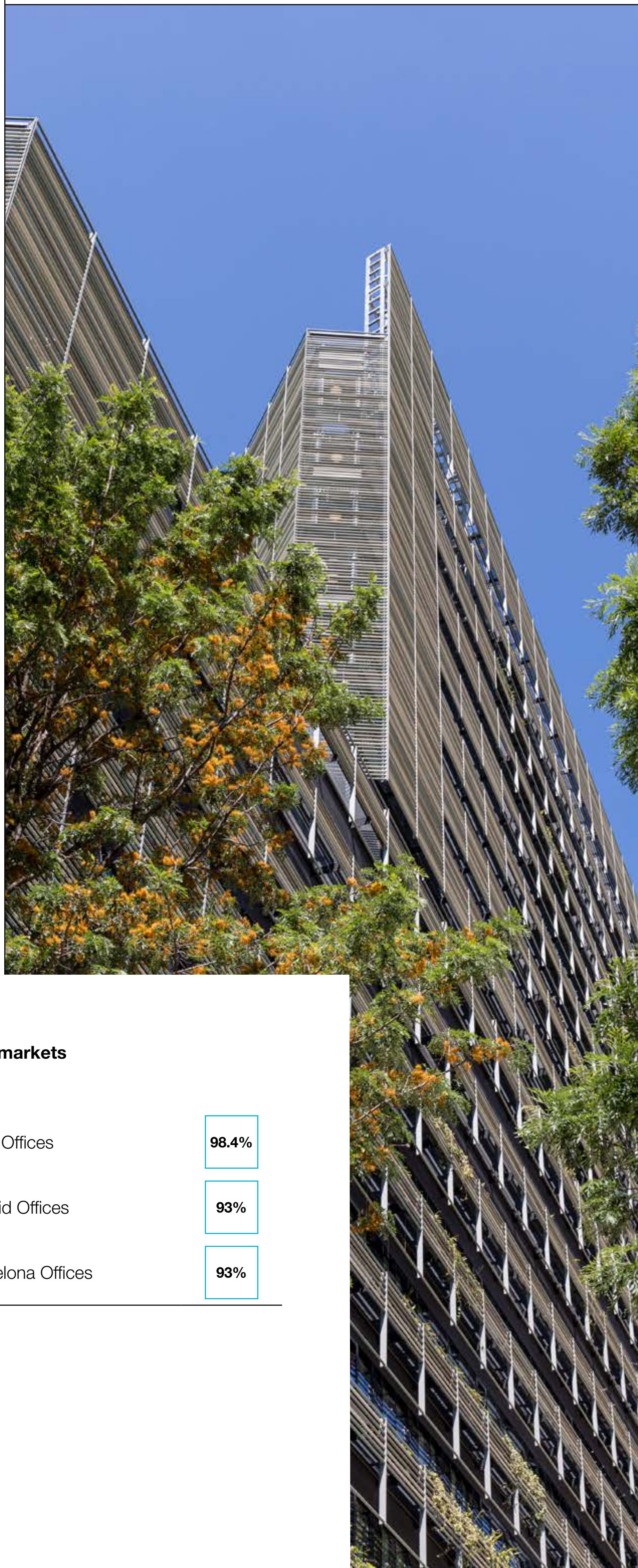
Breakdown of letting activity







In economic terms (sqm signed multiplied by signed rents), **the take-up levels doubled compared to the previous year (+114% vs 2020)**, signing contracts for a volume of more than €77m in annualized rents.

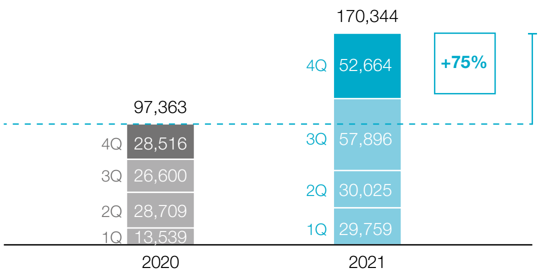


2. Acceleration in take-up in the second half, increasing occupancy to 96%

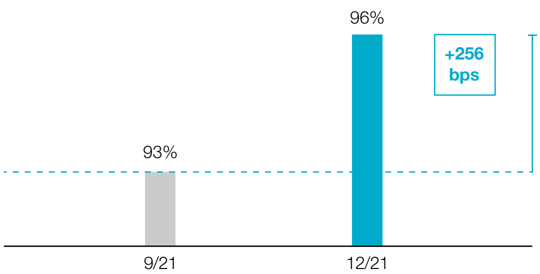
In **the second half of 2021, there was an acceleration with the signing on more than 110,000 sqm (a figure higher than the letting activity in the whole 12 months of the previous year)**. The third and fourth quarters exceeded more than 50,000 sqm of signed contracts, with high volumes in the Madrid and Paris portfolios.

It is important to highlight that two thirds of the contracts signed in the fourth quarter correspond to surface areas entering into operation, mainly from the renovation program, improving the occupancy rate of the Group by more the 250 bps in one quarter up to 96% (highlighted is the high occupancy rate of the Paris portfolio, exceeding 98%).

Sqm signed - sqm



EPRA occupancy - Group



By markets

Paris Offices	**98.4%**
Madrid Offices	**93%**
Barcelona Offices	**93%**

3. Capturing rental prices at the high end of the market: polarization effect of the Grade A portfolio

In 2021, the Colonial Group signed contracts with rental prices at the high end of the market.

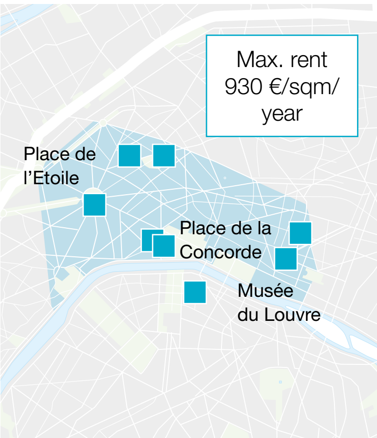
The maximum rents signed in the portfolio of the Group reached **€930/sqm/year in Paris**, as well as **€35/sqm/month in Madrid and €28/sqm/month in Barcelona**. With these price levels, Colonial's portfolio clearly sets the benchmark for prime assets in each of the markets in which it operates.

Colonial's portfolio attracts top tier demand at maximum prices, given the prime locations, the high-quality eco-efficiency levels of the buildings and the fact the carbon footprint ratios are among the lowest in the market. Specifically, the average intensity of carbon emissions of the buildings where contracts have been signed reaches 7 $kgCO_2e$/sqm (carbon intensity of Scopes 1 & 2), one of the most eco-efficient levels in the sector in Europe.

76% of the 170,344 sqm signed in 2021 correspond to buildings located in the CBD areas in Madrid and Barcelona, as well as in the CBD and the central 7ème district in Paris.

Paris

Letting volume - sqm	
Total	56,472
Thereof CBD & 7ième	55,226



Washington Plaza

16,020 sqm let

#Cloud

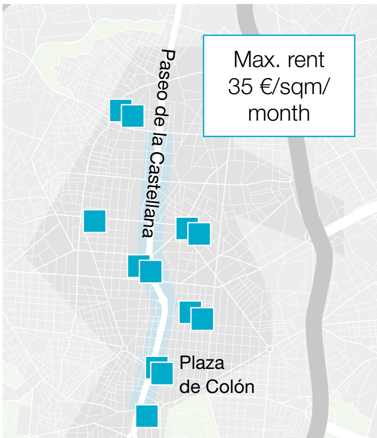
15,194 sqm let

Cézanne Saint-Honoré

8,688 sqm let

Madrid

Letting volume - sqm	
Total	76,779
Thereof CBD	45,076



P. J. Maragall

15,420 sqm let

J. Abascal, 56 & 45

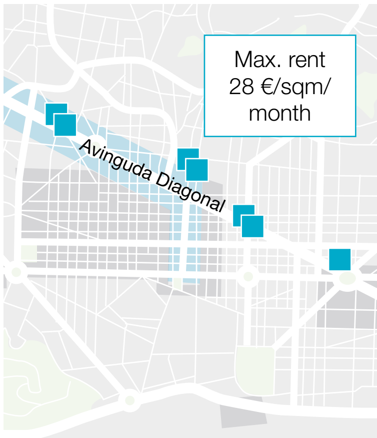
7,702 sqm let

Santa Engracia

4,168 sqm let

Barcelona

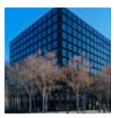
Letting volume - sqm	
Total	37,093
Thereof CBD & 22@	29,049



Diagonal Glòries

11,672 sqm let

Diagonal, 609



9,634 sqm let

Diagonal, 682

1,449 sqm let

4. Acceleration in market rent growth in the fourth quarter

Growth in the market rents of the portfolio, with an acceleration in the fourth quarter

The **Colonial Group** closed the year with **a growth of +5% in rental prices** compared to the market rent (ERV) at December 2020. **The highest growth was registered in the Paris portfolio**, where the prices **were signed +8% above the market rent at December 2020**.

Specifically highlighted is the **accelerated growth in the last quarter of the year**, where the rents increased **by +8% versus market rents**. The **Barcelona** portfolio registered an increase of **+10%** vs. the market rents at December 2020, **followed by Paris and Madrid with +9% and +5%, respectively**.

Strong price increases	Maximum rent signed	Rental growth vs ERV[1]			Release Spread[2]		
		3Q acum.	4Q	2021	3Q acum.	4Q	2021
Paris	930 €/ sqm/ year	+7%	+9%	+8%	+2%	+2%	+2%
Barcelona	28 €/ sqm/ month	+2%	+10%	+3%	+24%	+25%	+24%
Madrid	35 €/ sqm/ month	(1%)	+5%	+1%	+2%	+10%	+4%
Total offices		+4%	+8%	+5%	+7%	+7%	+7%

(1) Signed rents vs ERVs at 31/12/2020.
(2) Signed rents on renewals vs previous rents.

Solid rent increases from renewals, reaching double-digits in Barcelona

The **release spreads (signed rental prices vs. previous rents) at the close of 2021** were at **+7% for 2021**. These ratios highlight the reversionary potential of Colonial's contract portfolio with significant improvement margins on current passing rents. Worth mentioning is the high **release spread of +24% in the Barcelona portfolio**.

5. A well-positioned portfolio to capture additional growth through indexation

Colonial's contract portfolio is well-positioned to capture the full impact of the current high indexation levels. Almost all of the contracts have indexation clauses. In Madrid and Barcelona, all the contracts are indexed according to the consumer price index with the exception of contracts with 2 clients in the public administration where due to Spanish regulation indexation cannot be applied. In Paris, 100% of the contracts are indexed, with the ILAT index being the main benchmark, in addition to the ICC and ILC indexes, all of which are also currently at positive levels.

Colonial's portfolio was able to attract high levels of indexation in all of its contracts from the fourth quarter. This has meant registering an additional increase in rental income that allowed the Colonial Group to close with a net recurring earnings per share at the high end of the guidance.

1.2.3 Project Portfolio - additional rents and value creation

1. Delivery of Diagonal 525 in the Barcelona CBD and of 83 Marceau in the Paris CBD

The delivery in 2021 of **Diagonal 525 in the Barcelona CBD and 83 Marceau in the Paris prime CBD means annual revenues of €11m and a significant value creation** on total cost.

Diagonal 525 - CBD Barcelona

5,700 sqm

> Naturgy Headquarters with a 10-year mandatory contract.

> Rents signed at €28/sqm/month – reference rent in the prime CBD of Barcelona and doubling the rent of the previous contract.

Value creation vs. total cost	**+40%**
New rents vs. previous rents	**+100%**

83 Marceau - Prime CBD Paris

9,000 sqm

> 100% rented at maximum market rent prices.

> Goldman Sachs is the main tenant occupying 6,500 sqm with a 12-year contract.

> 2022 is the first year with the full impact of rents (entry into operation in the last quarter of 2021).

Value creation vs. total cost	**+108%**
New rents vs. previous rents	**+70%**

2. Progress on the projects to be delivered in 2022 with strong market interest

In 2022, more than 49,000 sqm will enter into operation in Madrid and Paris with a **significant impact on value creation** as well as **the Colonial Group's revenues**.

Velázquez 86D - CBD Madrid

16,000 sqm

> 1,900 sqm of commercial surface area rented to date–12% of the building.

> Advanced conversations for the half of the building.

> Expected delivery in the first half of 2022.

Miguel Ángel 23 - CBD Madrid

8,000 sqm

> Net zero building, one of the most eco-efficient buildings in Madrid.

> Advanced conversations with potential clients for the total surface area.

> Expected delivery in the first half of 2022.

Biome - Paris City Centre (15ième Arrond.)

24,500 sqm

> 12 potential clients have seen the asset.

> Potential interest for a sizeable demand from the audio-visual and technology sectors.

> Expected delivery in the second half of 2022.

1.2.4 Renovation Program

The Colonial Group continues with its renovation program of 108,000 sqm spread across 9 assets in the portfolio. During the second half of 2021, **35,000 sqm in rental contracts were signed which correspond to annual revenues of €22m**.

1. Acceleration of the renovation program in Paris

In Paris, the renovation program includes 32,000 sqm. During the second half of 2021, the commercialization of these surfaces was accelerated, with a take-up of more than 27,800 sqm, resulting in 88% of the renovation program total in Paris, with signed rents at the high end of the market.

Cézanne Saint Honoré

Prime CBD - 10,000 sqm

> 8,700 sqm rented (90% of the total)

Washington Plaza

Prime CBD - 10,000 sqm

> 10,000 sqm rented (100% of the total)

103 Grenelle

Paris 7ième - 5,600 sqm

> 4,500 sqm rented (80% of the total)

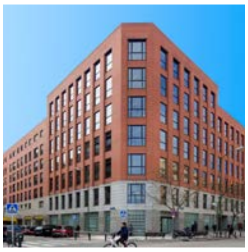
Charles de Gaulle

Neuilly - 6,300 sqm

> 4,400 sqm rented (70% of the total)

2. Commercial acceleration in Madrid and Barcelona

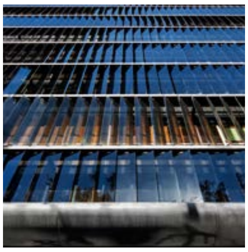
In Spain, the letting activity reactivated in the last quarter of the year, with the signing of the first pre-rentals in December 2021.



Ortega y Gasset

MAD CBD - 7,800 sqm

> Completed



Diagonal, 530

BCN CBD - 12,900 sqm

> Final phase

Cedro

MAD Sec - 14,400 sqm

> 47% rental

Torre Marenostrum

BCN 22@ - 22,400 sqm

> 7,500 sqm let

> 14,900 sqm final phase

Parc Glòries II

BCN 22@ – 17,900 sqm

> Early 2023

In Madrid, in the Cedro building, located in Alcobendas, 47% of the surface area was rented at above-market prices and very advanced-stage conversations are taking place to rent the remaining 53%. In Ortega y Gasset, work is being done to close the rental of close to 40% of the building in the first quarter of 2022.

In Barcelona, the Diagonal 530 building is already in full commercialization stage, attracting prime demand in the City. The works on the main tower of the Torre Marenostrum continue and will be delivered in the first quarter of 2022. In Parc Glories II, the exit of the current tenant has been signed for December 2022, and the repositioning works will take place in the first quarter of 2023.

1.2.5 Growth through acquisitions

Corporate Operation Alpha VI and the new acquisitions program Alpha VII

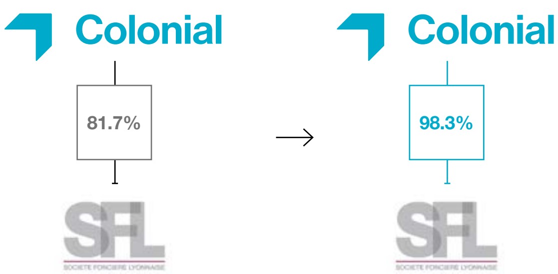
1. Alpha VI - Colonial reaches a 98.3% stake in SFL

In the first half of 2021, the Colonial Group communicated its intention to strengthen its stake in its Paris subsidiary SFL through the joint acquisition by Colonial and SFL of the rest of the stake held in SFL by Predica and other minority shareholders through a voluntary mixed tender offer. This transaction was successfully completed in the third quarter of 2021.

On 4th August 2021, the asset swap between SFL and Predica was completed, where SFL recovered full ownership of the Washington Plaza and ParHolding assets. In exchange, new joint ventures were created between SFL and Predica on the four agreed assets (Cézanne, 103 Grennelle, Cloud and 92 CE) where SFL maintains a 51% stake.

Furthermore, an agreement between Colonial and Predica was signed where the French company swapped 5% of SFL shares in exchange for new Colonial shares, amounting to 4.2% of the shareholding.

On 8th September 2021, the voluntary mixed takeover was completed on the 5% shares in the hands of SFL's minority shareholders. The tender offer launched by Colonial was widely accepted among the minority shareholders of SFL. Finally, after the completion of these operations, Colonial's stake in SFL increased from 81.7% to 98.3%.



This transaction has enabled Colonial to consolidate its leadership in the prime offices sector in Europe, reinforcing its position in the French market, the number one European offices market, and it specifically enables the Company to:

1. **Increase its exposure to prime office assets in Paris, specifically obtaining a greater exposure to large projects in Paris** with significant value creation potential.

2. **Simplification the Colonial Group's shareholding structure, and an increase in the free float** of the Company **of approximately €400m** (in terms of NTA).

3. **Create value for Colonial's shareholders with a positive impact on the EPS and an improvement in the capital structure.**

2. Alpha VII - launch of a new acquisitions program

The Colonial Group has relanced an acquisition program securing the investment of two assets for a total acquisition volume of more than €500m with annual rental income of more than €20m. Likewise, capital has been recycled by divesting the secondary assets of Parc Cugat and the Mercedes Open Parc for a total disposal price of €66m and a premium on GAV of 6%.

ALPHA VII

New Acquisition Program

> More than €500m investment in 2 grade A assets

> More than €20m of GRI per year

> Secured rents for coming 8 to 12 years

> Limited capex deployment

> Prime factory potential after contract expiry

Acquisition of Amundi Headquarters in Paris City Center (15ième Arrond)

> 39,500 sqm

> 12-year contract

> BREEAM & HQE Certified

> Acquisition to be signed H2/22

Danone headquarters in Barcelona CBD

> 8,750 sqm

> 9-year contract

> LEED Gold candidate

> Acquired 12/21

Capital recycling

> Secondary and non-core assets

> Limited additional value creation

> Enhancement of portfolio quality

Disposal of Parc Cugat & Las Mercedes Retail

> **Disposal Price: €66m**

> Premium on GAV 6%

Acquisition of the Danone Headquarters - Barcelona CBD

At the end of 2021, **the Colonial Group acquired the asset of Buenos Aires 21 in Barcelona**.

The asset has a surface area of 8,784 sqm above ground and is located in the prime area next to Diagonal in Barcelona. The asset is the headquarters of the food multinational Danone with a mandatory contract until 2029. The acquisition of the asset includes a renovation project for the façade and the common spaces of the building that will enable an improvement in energy efficiency of the asset and obtain the LEED Gold certification.

This acquisition once again shows how the Colonial Group is capable of recycling capital invested in secondary areas and invest them in CBD areas creating shareholder returns.

Acquisition of the Amundi headquarters in the centre of Paris - $15^{\text{ième}}$ arrondissement

In February 2022, the Colonial Group through SFL reached an agreement "promesse d'achat" for the purchase of the 91 Pasteur building of almost 40,000 sqm located in the centre of Paris (15th district).

The building is the headquarters of Amundi, one of the main financial asset managers in Europe listed on the Euronext.

With this investment, the Group will incorporate the 7th largest office building in Paris. This building offers floors of more than 2,000 sqm, a lot of light and a very efficient distribution. The building was fully renovated in 2012 and a limited capex investment is expected. At present, it already has HQE and BREEAM energy certification.

The asset is located in the heart of the 15eme arrondissement in Paris, close to the Montparnasse station, a market currently under full renovation. It is a market with excellent public transport connections that attracts high demand for office spaces. All of the large buildings in the area already have approved renovation projects for the next 5 years, showing the dynamics of this submarket.

Divestments of non-strategic assets - Parc Cugat & Las Mercedes

In the second half of 2021, the Colonial Group executed the sale of two secondary assets: the Parc Cugat office building located in Sant Cugat del Vallés in Barcelona, and the commercial asset Las Mercedes Open Park. Both transactions have closed at a price with a total premium of +6% over GAV.

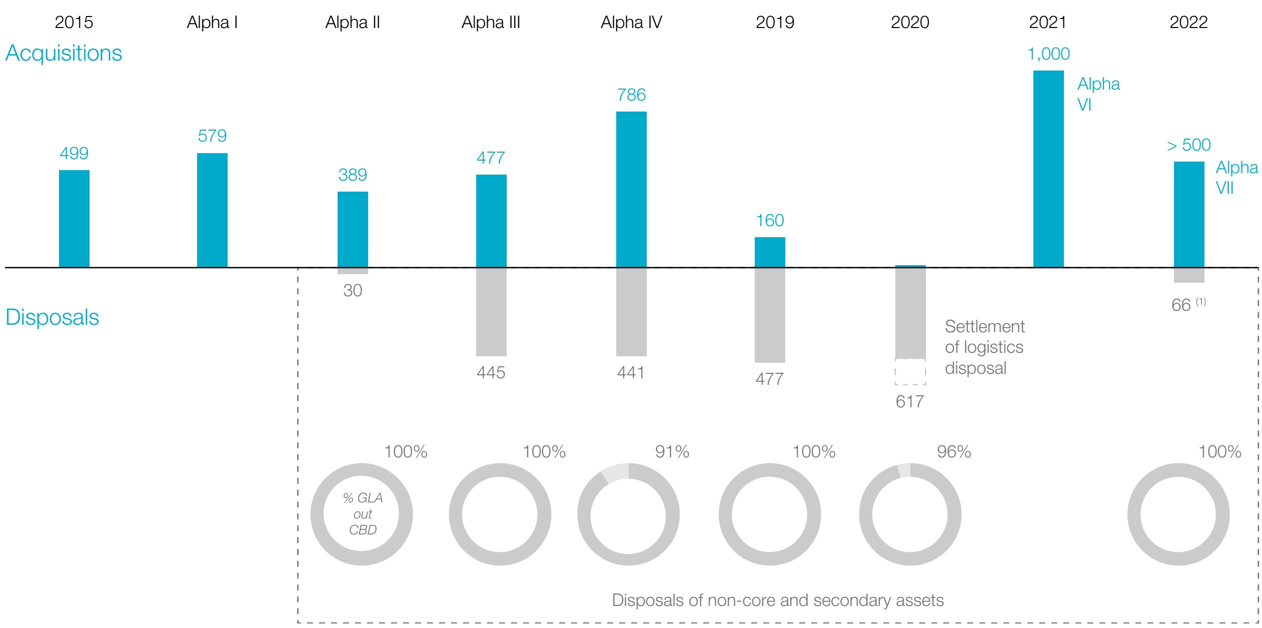
Parc Cugat is located in the peripheral submarket of Sant Cugat del Vallés, in Barcelona, and has a limited perspective of future value creation due to its secondary nature and location in an environment which makes rental price increases difficult.

Las Mercedes Open Park is a non-core commercial asset coming from the Axiare acquisition. This asset, located in a secondary commercial area in Madrid, requires an investment in renovation, as well as the active management of its tenants.

3. Launch of a new investment program

With the execution of Alpha VI and the new Alpha VII program of organic acquisitions, the Company will become again a net buyer in 2021 and 2022.

Net investments since 2015 - €m



(1) Disposals settled in September and November 2021.

In the first quarter of 2021, the final part of the 2020 disposal program was formalised for €283m. Specifically, the sale of the two mature core assets in Paris were notarized: 112 Wagram and 9 Percier, as well as the retail asset Les Gavarres in Tarragona coming from the Axiare acquisition.

1.2.6 Leadership in ESG and Decarbonization

1. European leadership in eco-efficient buildings

    > 95% of the assets in operation have the highest energy certification.

    > Substantial improvement of 194 bps in one year.

2. **CDP**: Maximum rating by the leading index in carbon: **A rating**

    > The only real estate office entity in Europe with an A rating.

    > Only 5 real estate companies in Europe.

    > Only 12 real estate companies worldwide.

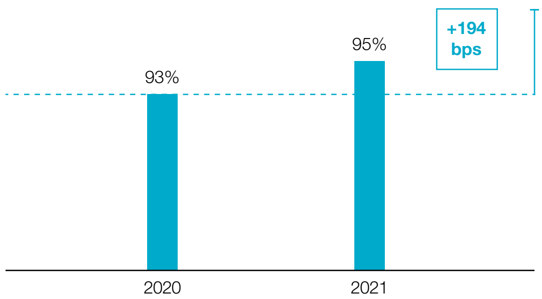
    > Part of the select group of 200 companies of a total of more than 13,000 companies in the world with A rating.

3. **GRESB**: Rating leader of listed office companies in Western Europe - **Rating 94/100**

    > Continuous improvement in GRESB, scaling more than 30 points in recent years.

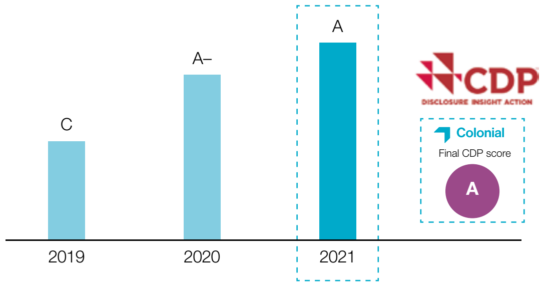
    > GRESB Benchmark development: rating of 97/100.

Portfolio with Leed / Breeam[(1)] - Value



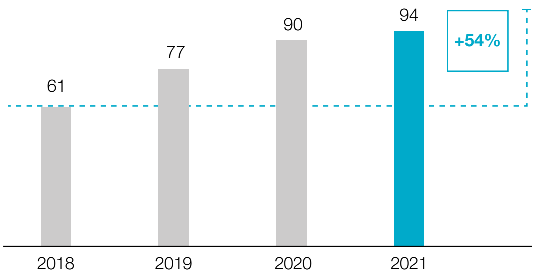
(1) Office Portfolio in operation.

Evolution of CDP score



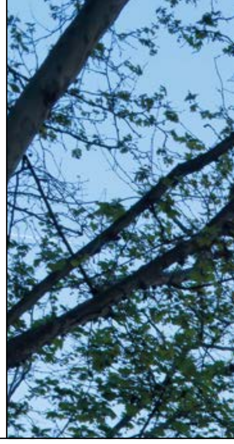
GRESB standing investments

Evolution of GRESB score



GRESB development

GRESB ★★★★★ 2021



4. **VIGEO**: Rating at the high end of the sector **–A1+ rating**
   - Top 3% of the 4,892 companies rated globally.
   - 4th of 90 companies within the financial services sector - Real Estate.
   - Increase in the rating by 36% in two years.

A1+

Rank in Sector	4/90
Rank in Region	95/1615
Rank in Universe	100/4892

5. **SUSTAINALYTICS**: Good management of ESG policies - **Rating 10.1 points**
   - Top 21 of the 431 listed real estate companies analysed.
   - Awarded the Industry Top Rated of 2022, as well as the ESG Regional Top Rated.

6. **MSCI**: Benchmark rating for listed companies **–A rating**
   - Highest rating awarded on an international level and ahead of competitors.
   - Strong rating in Corporate Governance.

LAST UPDATE: December 24, 2021

7. **FTSE4Good**: High end rating - **Rating 4/5**
   - Rating above the Office Reits sector average and the Spanish sector average.
   - Percentile range of 96% in the ICB real estate subsector.


1.2.7 A solid capital structure

1. The Colonial Group converts all its current bonds into green bonds

In February 2022, Colonial and its French subsidiary SFL successfully executed the conversion of all of the Group's bonds for a total amount of €4,602m to "green bonds", after the approval of its bondholders. Colonial reached this milestone after guaranteeing the possession of an investment portfolio that is environmentally sustainable with a value equal to or higher than that of its financing. With this transaction, Colonial has become the first IBEX-35 company to have the entirety of its bonds qualified as "green". This type of debt is intended to finance "green assets" which are those that have a positive impact on the environment. The intention of the Group is that any bond proposed for issue in the future be issued under this framework as "green bonds".

2. Liability Management

In 2021, the **Colonial Group successfully carried out liability management of its debt for more than €1,000m**. Specifically, the following operations were carried out:

1. In **June and July 2021, Colonial** carried out a bond issuance, **amounting to €500m which was later extended up to €625m**. The issue has a maturity of 8 years and a coupon of 0.75%, the lowest in the history of the Group at that date.

   In parallel, Colonial announced the **buyback of the totality of its bonds, maturing in 2023, amounting to €306m** with an accrued annual coupon of 2.728%. Additionally, Colonial announced a **buyback of €306m for its bonds maturing in 2024**.

2. Likewise, in August and September 2021, **SFL repurchased the totality of its bonds maturing in November 2021, with a pending nominal amount of €250m** and a coupon of 1.88%. Additionally, there was an early cancellation of a mortgage-secured loan **maturing in July 2022 for a total of €196m**.

3. In October 2021, **SFL carried out a bond issuance in the French market, amounting to €500m** and maturing in April 2028. **The issue has a coupon of 0.5%, the lowest level reached in the history of the Group**.

The Group's spot financial cost is 1.4%, 30bps lower than the cost of the previous year.

3. A strong balance sheet for future growth

At the close of 2021, the Colonial Group had a **solid balance sheet with an LTV of 35.8%**.

The liquidity of the Group amounted to €2,359m, between cash and undrawn credit lines. This liquidity enables the Group to assure its financing needs in the coming years covering the debt maturities through to 2024.

Colonial's **solid financial profile has enabled the Group to maintain its credit rating by Standard & Poor's of BBB+ stable**, the highest in the Spanish real estate sector.

1.2.8 Solid bases for future growth as of the 2021 results

Acceleration in the growth of the EPS as of 2022

Colonial closed 2021 with a return to growth and solid results in all metrics.

Additionally, the Group is advancing in multiple initiatives towards future growth:

A. **Operation Alpha VI - Acquisition of SFL**

- Increase in Colonial's stake in SFL from 81.7% to 98.3%, with attractive terms for Colonial's shareholders.
- Increased exposure to assets and prime products in the Paris market, with a solid growth profile.
- Potential financial-fiscal optimizations with a positive impact in the medium term.

B. **Reversionary potential in the portfolio - €35m in additional annual rents**

- **Price reversion**: The impact of renewing all the contracts in the contract portfolio at current market prices is €20m in additional annual rents.

  This impact is +11% for the Paris portfolio and +19% and +10% for the Barcelona and Madrid portfolios.

- **Occupancy reversion**: The impact of renting all the available surfaces areas in the comparable portfolio (excluding projects and renovation programs) at current market prices (without growth or inflation) will result in €15m in additional annual rents.

C. **Project portfolio - €79m in annual rents**

Colonial manages a project portfolio of more than 189,000 sqm with more than €79m in annual rents.

- 2021 Deliveries: Diagonal 525 in Barcelona and 83 Marceau in Paris provide €11m in annual rents, of which only €4.5m were registered in 2021 due to not being in operation for the whole year.
- Deliveries over 49,000 sqm in 2022: with strong interest in Miguel Angel 23, Velazquez 86D and Biome: progressive impacts of higher rents in 2022 with consolidation in 2023.
- Deliveries > 2023: more than €44m in additional rents, including €16m in Louvre Saint Honoré, already pre-let.

D. **Renovation program - More than €40m in additional annual rents**

More than 107,000 sqm in renovation programs, of which 64,000 sqm are already pre-let.

- Delivery of more than 41,000 sqm in 2022, of which 39% are already pre-let.
- Delivery of more than 17,000 sqm in 2023-24.
- Recurring analysis of new repositioning opportunities.

E. **Acquisition Program - More than €20m in additional annual rents in the short term**

- Purchase of the Danone Headquarters in Barcelona CBD.
- Purchase of the Amundi Headquarters in Paris (only partially in 2022).
- New acquisition program in the medium term and the tactical rotation of non-core assets.
- More than €2,140m liquidity for future acquisition and project development.

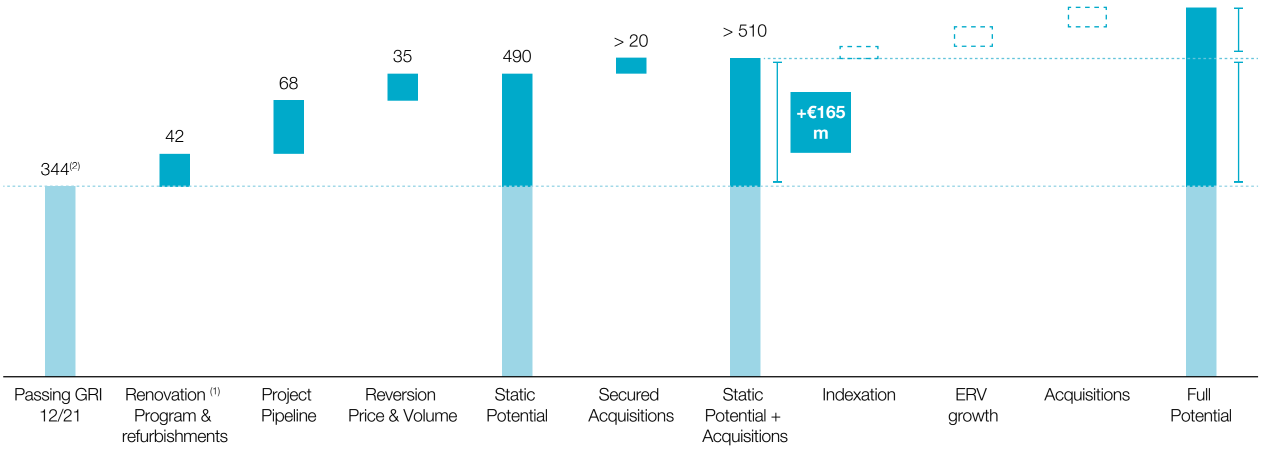
F. **Capturing of high indexation levels (CPI)**

- The Group's contract portfolio is well-positioned to capture the positive impacts of indexation at the beginning of the year in the 3 markets in which it operates.
- There are no cap clauses in the rental contracts that can limit this effect.

G. **Acceleration in rental increase for Grade A assets in CBD areas**

The polarization trend of the demand drives the growth of Grade A assets in the CBD areas.

- The Paris market offers strong rental growth for premium products given the scarcity of the offer and solid demand with very positive future perspectives.
- The Barcelona and Madrid markets offer a very attractive growth profile for Grade A product in the CBD, which was also reflected in the acceleration at the end of 2021.



(1) Includes passing rents of project pipeline of €11m.
(2) Excluding the Danone HQ acquisition at the end of 2021.

CHAPTER

2

Chairman and CEO interview

2. Chairman and CEO interview

Juan José Brugera
Chairman

Pere Viñolas
CEO

At present, we seem to be emerging from the pandemic, yet the European economy has still not recovered to pre-pandemic levels of activity.

How would you sum up the year 2021?

Juan José Brugera

We closed the year with a net profit of €474m, significantly higher than the previous year, driven by a solid recurring result and a strong increase in the value of the asset portfolio.

In addition, we have successfully executed a major corporate transaction by acquiring 16.6% of our subsidiary SFL, increasing Colonial's exposure to the Paris prime market by nearly €1,000m.

The net asset value (i.e., the value of our shares based on the market value of our assets) is more than €6,500m, which has increased by +13% year-on-year.

Our net asset value per share reached €12.04/share and consequently the total shareholder return including the dividend paid of €0.22/share was +9%.

Pere Viñolas

The year 2021 is marked by the Colonial Group's return to growth across all parameters.

We have signed contracts for more than 170,000 sqm, the second-largest take-up volume in the Group's history. It is also worth highlighting the acceleration of activity in the second half of 2021 in which more than 100,000 sqm were contracted, a figure higher than the one achieved throughout the whole of the previous year. Signed rents are at the high end of the market with solid year-on-year growth.

Our net revenues increased by +3% like-for-like, driven by the Paris portfolio, which grew by +6%. As such, net recurring earnings per share increased by +15% like-for-like.

The Group's asset portfolio has increased by +7% like-for-like, year-on-year, bringing the total value of the Colonial Group's asset portfolio to more than €12,400m.

Colonial is renowned for its commitment to prime offices and its leadership in sustainability.

How is this strategy reflected in the 2021 results?

Juan José Brugera

The Colonial Group's corporate strategy is based on investing in prime assets in the best locations in European cities to ensure attractive and sustainable long-term returns for our shareholders and all our stakeholders.

The pandemic has once again shown the success of our strategy: our assets attract the best clients who pay high-end rents because our offices offer them high added value for their employees.

This polarisation effect towards prime products has been consolidated in the pandemic, during which time the Colonial Group has achieved strong operational results in a difficult environment for the real estate markets. Now that real estate markets are recovering, we are the first to benefit from this growth.

An important aspect in this context is our leadership in ESG and sustainability in particular. More than 95% of our portfolio of assets in operation have the highest eco-efficiency certificates (BREEAM/LEED), this level of eco-efficiency is unique in the European sector.

Colonial also wants to show its continued support for the United Nations Global Compact, signed in 2019, as well as the renewal of its commitment to the 10 principles concerning Human Rights, Labour Rights, the Environment and the fight against corruption.

In terms of our carbonisation strategy, we are clearly leading the sector. The Colonial Group has obtained the highest rating in decarbonisation management from the prestigious CDP (Carbon Disclosure Project): only 12 real estate companies worldwide have achieved this level of excellence, only 5 of which are in Europe, with Colonial being the only real estate company which specialises in offices.

Pere Viñolas

The Colonial Group's high standards in eco-efficiency together with a strong commitment to decarbonisation are an important element of our Corporate Strategy. It is clear to us that they represent a competitive advantage and are complementary to providing our clients with the best services and workspaces.

The Board of Directors has approved a new decarbonisation plan that will allow us to reach carbon neutrality by 2030, 20 years earlier than anticipated in our first strategic sustainability plan.

In early 2022, this plan was scientifically verified and accredited by the Science Based Targets Initiative, confirming our ambitious target.

At the beginning of 2022, thanks to our portfolio of offices with the highest levels of eco-efficiency, we converted all of our bonds (more than €4,500m) into Green Bonds. As a result, we are the first and only company in the IBEX35 with all its bonds classified as Green Bonds. This consolidates our position among the leaders in the European real estate sector.

We are committed to creating and delivering the best products for our clients through initiatives such as the project pipeline, the renovation program and recurrent investment in our operating portfolio. We are also committed to technology and digitalisation to consolidate our leadership.

The results are clear: top-quality clients with high loyalty rates, taking advantage of the added value provided by our spaces. On this basis, we have achieved rental price increases, revenue growth, asset value increases and an attractive return in terms of net asset value (NAV) for all our shareholders.

You mentioned that 2021 was a return to growth.

What does this mean for the future of the Colonial Group?

Juan José Brugera

We are well positioned with our diversified prime portfolio in Paris, Madrid and Barcelona and we will continue to attract the best clients.

Several assets in our project portfolio and renovation program enter into operation this year, securing significant additional revenue.

We will also reap the full benefit of our acquisition of a 16.6% stake in our subsidiary Société Foncière Lyonnaise, which was only registered in the last quarter of 2021.

We have bought back assets that will provide us with additional income: Danone's headquarters in Barcelona and Amundi's headquarters in Paris.

Ultimately, we are once again looking for attractive growth opportunities for our shareholders.

Pere Viñolas

Based on all the initiatives mentioned by the Chairman, we expect strong growth in the recurring earnings per share over the next two years.

In terms of asset value, we are making progress in maximizing capital gains from our project portfolio and our renovation program.

Following a cycle of the disposal of non-strategic assets, we have prepared the Company for strong future growth through our asset portfolio and new acquisitions.

CHAPTER 3

Corporate Strategy

3.1. Colonial's strategy: Mission, Vision and Values

The Group's strategy is focused on generating a long-term sustainable return and thus creating long-term value for shareholders, investors, employees, clients and all stakeholders.

I. The Colonial Group's Mission

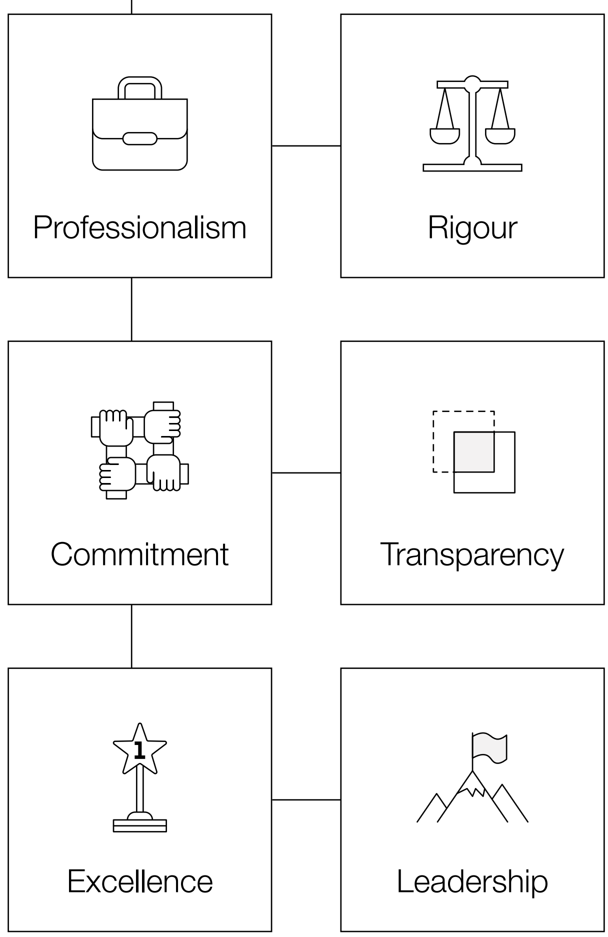
To create long-term value for shareholders, investors, employees and all stakeholders through investments and the management of office buildings that enable our clients to realise their full potential.

II. The Colonial Group's Vision

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

III. Values

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



3.2. Business model and value creation

3.2.1 Business Model

Implementation of the strategy prioritises a long-term sustainable return based on the highest quality and excellence in all areas and is reflected in the following pillars of our business model.

1. Focused on the highest quality prime offices business to achieve maximum returns with minimum risk.

   Colonial is a property management company focused on the prime office sector. Its portfolio consists of 83 assets (22 in Barcelona, 43 in Madrid and 18 in Paris) and it has an EPRA occupancy rate of 96% at 31 December 2021.

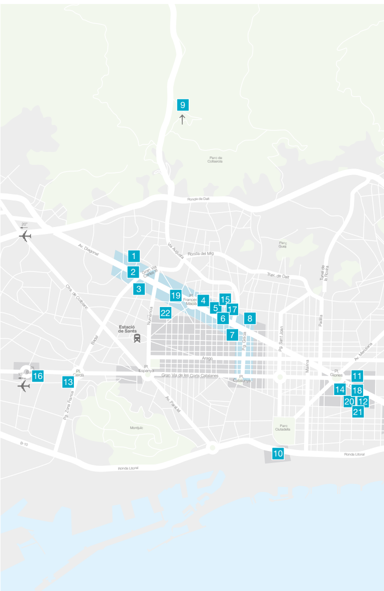
   Our clients, with more than 100,000 users spread across the Group's properties, enjoy the best office buildings and locations in the city centres. All buildings are located just a few minutes' walk from the public transport network, providing the best connections to all parts of the cities and the airports.

In addition, the unbeatable locations in our property portfolio allow our employees, clients and other stakeholders to enjoy all the amenities of the city centres, such as housing, leisure facilities, restaurants, professional services and medical services, among others.

The Colonial Group has a unique and unrivalled office portfolio, 80% of which is located in the CBD of Barcelona, Madrid and Paris, a fact that sets it apart from any other European listed company, as shown in the maps below:

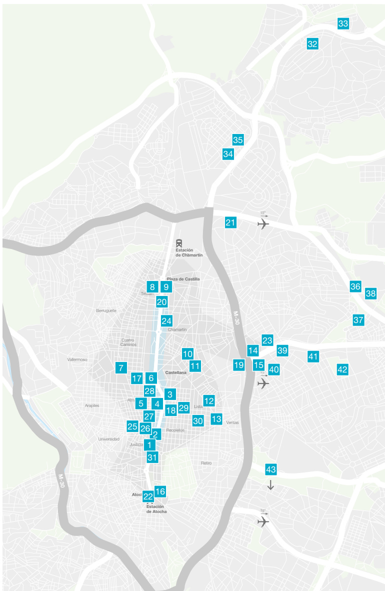
Barcelona

Colonial Portfolio - maximum signed rents



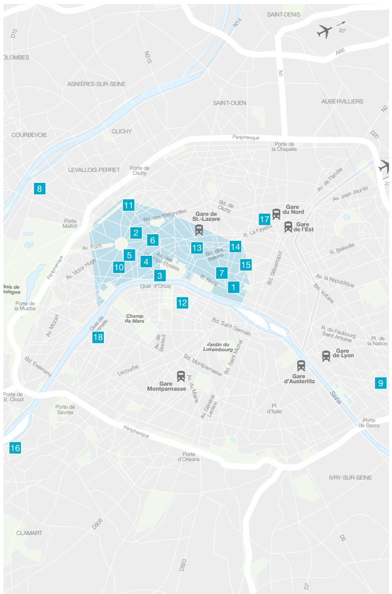
Madrid

Colonial Portfolio - maximum signed rents



Paris

Colonial Portfolio - maximum signed rents



2. Committed to offering and creating the best office product through the active management of the properties, striving to achieve the highest standards of sustainability and efficiency.

   95% of our office portfolio meets the highest LEED & BREEAM energy certification standards. Colonial therefore guarantees one of the most eco-efficient portfolios in the eurozone.

3. Strong commitment to climate change and in particular to the decarbonisation of the real estate sector based on an efficient portfolio management.

   The Colonial Group is committed to becoming a company with a carbon neutral office portfolio by 2030, setting emission reduction targets aligned with and confirmed by the Science Based Targets initiative (SBTi) to contribute to limiting the increase in the earth's average temperature to below 1.5ºC.

   At the close of 2021, the Colonial Group reduced the portfolio's like-for-like carbon footprint intensity for Scopes 1 (direct emissions) and 2 (indirect emissions) by 56%, from the base year of 2018, thereby accelerating its strategic decarbonisation plan.

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

   82% of our client portfolio has been associated with the Colonial Group for more than five years, developing their business strategies in our buildings.

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

   The Colonial Group is implementing a new strategic human resources plan in order to accelerate and consolidate the leadership of its teams.

6. The highest standards in corporate governance, both nationally and internationally.

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

The CBD locations optimise travel to the offices and facilitate a lower carbon footprint.

Colonial's decarbonisation strategy is not only focused on improving the eco-efficiency performance indicators and the carbon footprint and decarbonisation of its prime office portfolio in CBD locations, but also on offering its clients a more environmentally and economically efficient office option.

In the office rental business, office location of is one of the key factors in differentiating the type of assets. CBD locations are those with the strongest demand and attract first-class clients, consequently attracting the highest rents.

A prime location also reduces the carbon footprint of the clients' travel, due to a reduction in the commuting distance from their homes, as well as the method of transport used for this purpose.

7. Maximum financial discipline to ensure an attractive risk-adjusted return which is sustainable in the long term.

   > Profitability is based on the generation of a stable cash flow from prime portfolio rents in conjunction with value creation through real estate transformation and new prime product creation.

   > Financial discipline with a solid capital structure and a clear vocation to maintain the highest credit rating standards and an Investment Grade financial structure.

   > Solid, sustainable long-term capital structure, committed to sustainable financing. The first and only IBEX 35 company with all its bonds being Green Bonds.

Colonial has a product strategy based on the "3 E's": Efficiency, Experience and Environment.

Efficiency: This is sought in the type of product. Colonial invests in real estate spaces with horizontal buildings and spacious floor plans. This type of asset offers greater efficiency, providing a competitive advantage over other types of assets, such as towers for example, as horizontal surface areas save space and therefore rent for their clients. In addition, a more efficient product design allows for multi-tenant buildings with a high degree of client diversification.

Experience and Environment: For Colonial, a key part of its strategy is how its activity affects the **environment** and it therefore seeks excellence in ESG and decarbonisation. For this reason, Colonial seeks to meet the highest standards of efficiency, social policy and governance; proof of this is the constant improvement in the different ESG ratings in which the company participates, such as GRESB, CDP, MSCi and Vigeo.

According to the latest Paris Workplace survey, an annual study led by SFL, future office demand will focus on two aspects in particular: users value optimal commuting times and a satisfactory **experience** at the workplace, i.e., an urban environment with lots of amenities.

The Group has achieved a high volume of contract renewals, resulting from the application of the "3 E's" strategy by the entire Colonial team. A high percentage of our clients remain in Colonial's assets for more than five years. This high customer retention capacity confirms the Group's strong resilience and creates recurring revenue for the Company.

In addition, this prime asset portfolio allows the Company to attract the best clients with a high level of solvency.

Colonial is committed to being at the forefront of the real estate sector and to further innovation as a driver of value generation, mainly through providing flexible spaces and through the digitalisation of its buildings.

3.2.2 Commitment across the entire value chain

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

As a result, significant know-how has been generated in the company to achieve excellence in the different phases of an office building value chain: acquisition, renovation, commercialisation, management and sale, where applicable.

Colonial's employees oversee all phases of the value chain, paying particular attention to those areas aimed at customer satisfaction. Identifying the location, product design, dealing with and managing clients, as well as offering new services are very important aspects of our value chain and are therefore managed internally.

In the same way, we also rely on the best professionals and external partners in those cases where it is more efficient to do so with the help of third parties, as shown in the following table:

	Procurement	Restoration and Refurbishment	Commercialisation	Property Management	Sale
Colonial Teams	Investment, Corporate and Legal teams	Project Teams	Commercial and Legal teams	Real estate management, Projects and Legal teams	Investment, Corporate and Legal teams
Partners	Shareholders, brokers, capital market	Architects, engineering companies, construction companies	Clients, Brokers	Clients, service and maintenance companies	Shareholders, brokers, capital market

3.3. ESG strategy and decarbonisation

3.3.1 Materiality analysis and stakeholders

Materiality analysis

The Colonial Group's ESG strategy is based on maximising value for its shareholders and all its stakeholders, reinforcing a relationship of trust and quality by assessing their expectations and concerns. In order to identify and respond to these key issues, the Colonial Group uses a materiality analysis. The concept of materiality is fundamental as it allows the ESG issues of greatest importance to be highlighted and prioritised for our business model.

The materiality analysis enables the Colonial Group to focus its strategy and business objectives on the issues that have the greatest impact. It also establishes a dialogue with key stakeholders on the organisation's strategic matters, creating transparency and commitment on both sides and identifying stakeholder needs in order to continuously adapt the company's strategy as required. This communication is key to ensuring that our stakeholders can understand how the different relevant issues relate to and are integrated into our strategy.

Monitoring the main trends and potential challenges facing companies in the global real estate market is essential for a clear analysis in line with the legislation and priorities of the sector.

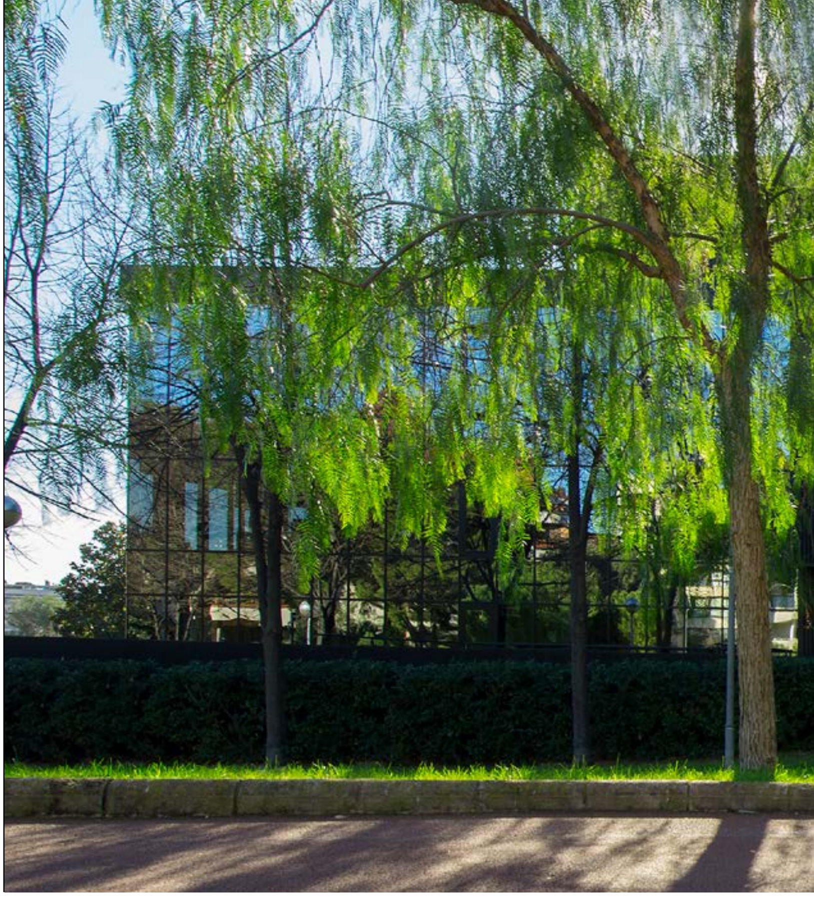
The Group has carried out a strategic review and assessment process of the issues relevant to Colonial and all its stakeholders through the ESG Committee and reviewed by the Sustainability Committee. The result of this review is reflected in the new materiality analysis.

In particular, 17 aspects relevant to the Group have been identified, which have been synthesised and grouped into 11 key issues. All these material aspects analysed and identified by the Colonial Group are set out in the materiality matrix, highlighting their level of priority.

The matrix consists of two dimensions or axes. The horizontal axis shows the stakeholder priorities determined by the most important views and the vertical axis shows the assessment of sustainability issues in terms of relevance for the company.

The different analysis points are directly linked to the SDGs and are classified according to the Company's three ESG pillars:

Environmental	Social	Governance
Resilience and low-carbon future	Office buildings with a positive social impact	Responsible practices across the entire value chain
"Built to last"	*"Built to gather"*	*"Built together"*
Building developments and efficient operations built for the future	Providing our clients with the spaces they want to work in	Committing to the highest standards of corporate governance and transparency
1. Sustainable investment	6. Tenant relations and satisfaction	10. Ethics and transparency
2. Energy and carbon efficiency	7. Attractive workplaces	11. Responsible value chain
3. Sustainable construction	8. Community impact	
4. Circular economy	9. Human capital	
5. Biodiversity		
		



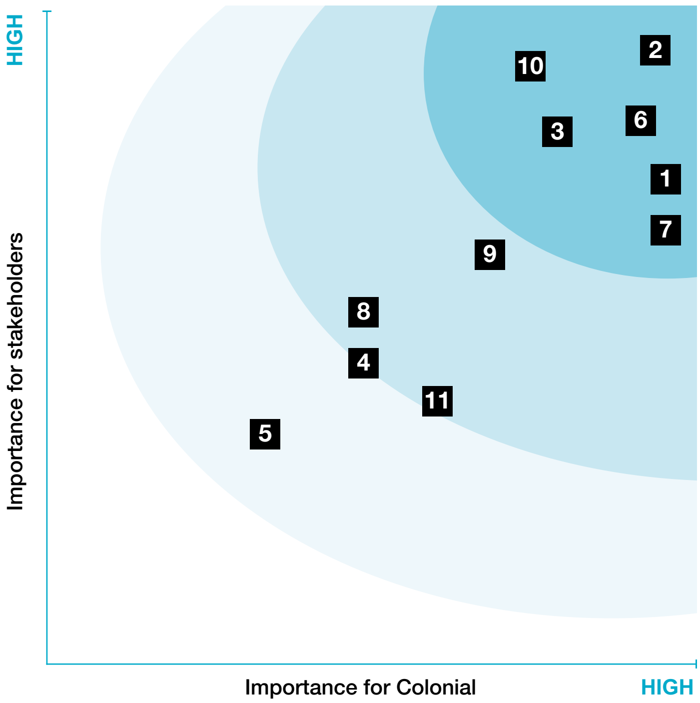
Some of these issues are explained in more detail below, as they encompass different interpretive aspects that are important to highlight:

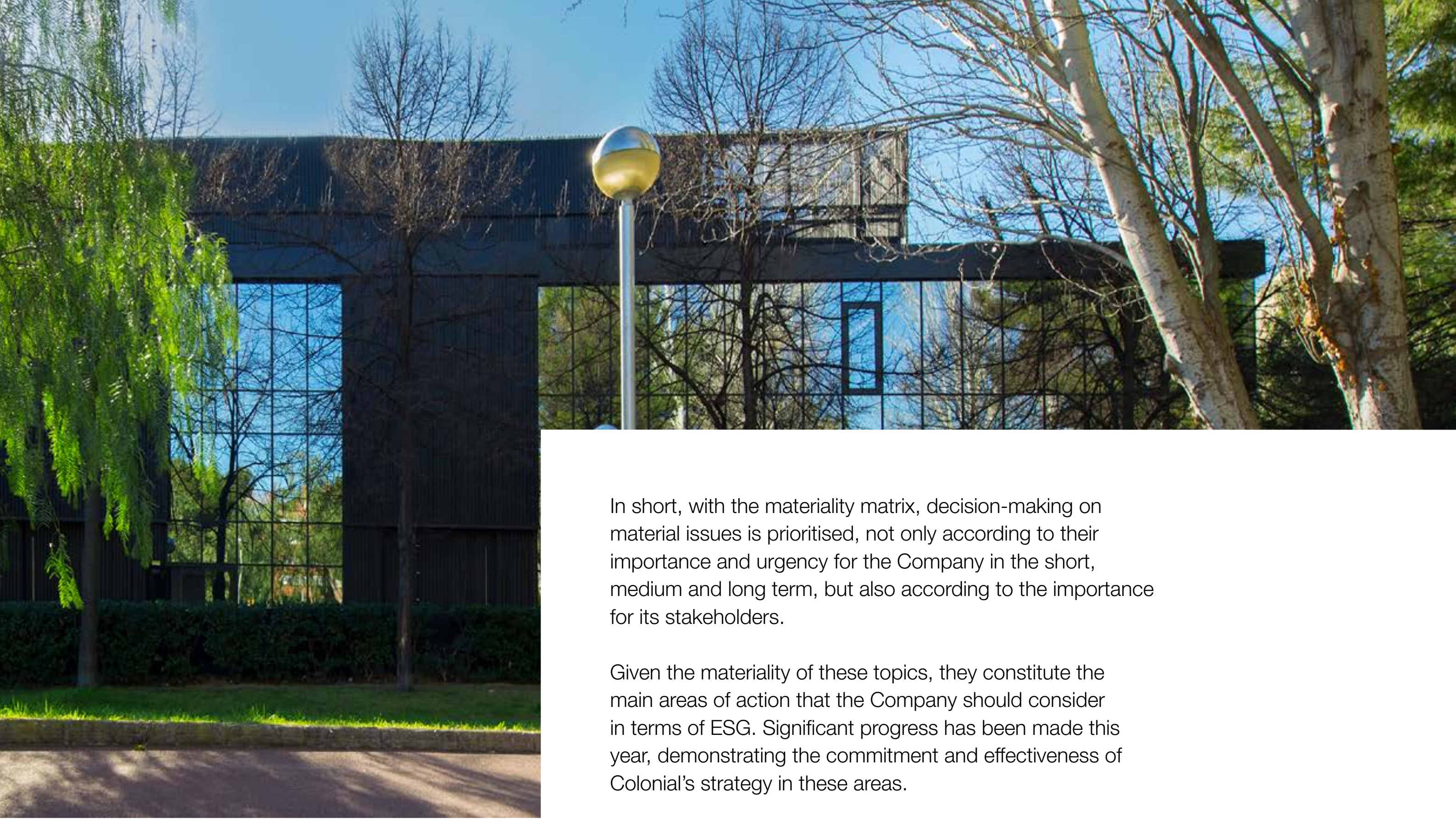
- **Energy and carbon efficiency**: This consists in the minimisation of CO_2 emissions, as well as the optimisation of energy consumption and the use of renewable energies.
- **Sustainable construction**:This includes aspects of sustainable construction and sustainability certifications, as well as the ability to adapt to climate change.
- **Circular economy**: This category encompasses both the efficient use of raw materials and waste management, as well as the optimisation of water consumption.
- **Attractive workplace**: The well-being of users is taken into consideration, as well as the supply of safe and sustainable products and services.
- **Human capital**: By human capital we mean different material sub-themes such as: occupational health and safety, human rights, equality and diversity, and human capital development.
- **Sustainable investment**: This is interpreted as short, medium and long-term value creation, sustainable financing, the relationship with the investment community and addressing their ESG expectations.

As a result of this process, as indicated at the top of the materiality matrix, the most relevant issues for both our stakeholders and our Company are: climate change mitigation and energy efficiency, customer relations and satisfaction, ethics and transparency, sustainable construction, sustainable investment and attractive product.

The result of the analysis and assessment is shown in the following materiality matrix.

1 Sustainable investment
2 Energy & carbon efficiency
3 Sustainable construction
4 Circular economy
5 Biodiversity
6 Tenants relation & satisfaction
7 Attractive workplaces
8 Community impact
9 Human Capital
10 Ethics & transparency
11 Responsible value chain





In short, with the materiality matrix, decision-making on material issues is prioritised, not only according to their importance and urgency for the Company in the short, medium and long term, but also according to the importance for its stakeholders.

Given the materiality of these topics, they constitute the main areas of action that the Company should consider in terms of ESG. Significant progress has been made this year, demonstrating the commitment and effectiveness of Colonial's strategy in these areas.

Energy and carbon efficiency

- –34% LFL reduction in Scopes 1, 2 and 3[(1)] GHG emissions compared to 2019 (pre-Covid). Significant reduction in Spain of –41%.
- GHG emissions (Scopes 1 and 2) of 9 $kgCO_2$/sqm, LFL reduction of –27% compared to 2019 (pre-Covid).
- Energy consumption intensity of 216 kWh/sqm, reduction of –3% across the portfolio (–3% LFL) compared to 2019, pre-Covid period.
- 70% green energy supply.

Tenant relations and satisfaction

- A very high percentage of clients remain in our assets for more than five years.
- Tenant satisfaction surveys to meet tenant needs.

Ethics and transparency

- Code of Ethics applicable to the entire group and available to all stakeholders.
- Anti-Corruption Policy.

Sustainable construction

- LEED/BREEAM certification of 95% of the office portfolio.

Sustainable investment

- Successful conversion of all the Company's bonds into Green Bonds for a total of €4,602m.
- ESG investment: Decarbonisation Laboratory through the construction of Spain's first all-wood office building.

Attractive worplaces

- CBD locations that optimise the commuting distance to the offices, both in terms of time and carbon footprint. 80% of Colonial's portfolio is located in the CBD and the remaining 20% is in consolidated business markets.
- 100% of the assets in France are within 10 minutes of a metro or tram station.
- Efficient designs, flexible products and top-quality energy efficiency.
- Health and safety assessments in all assets, with stringent measures against COVID-19.

(1) Partial Scope 3, including category 13 related to consumption in private areas.

Stakeholders

The Colonial Group's ESG strategy aims to maximise value for its shareholders together with all its stakeholders, as well as to create a trusting and sustainable relationship with them.

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

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

Internal stakeholders

- Employees and workers' representatives
- Shareholders and investors

External stakeholders

- Clients and tenants
- Financers
- Suppliers and contractors
- Society

Our model for the identification of stakeholders is divided into three phases:

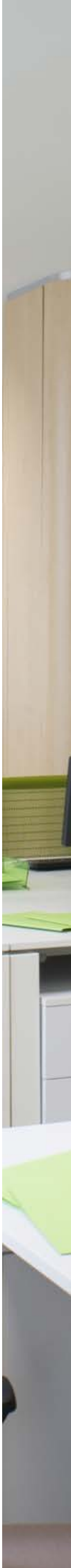
1. **Identification and categorisation of stakeholders**: identifying, together with Colonial's management, the tasks and operations carried out by the organisation and its interaction with the environment.
2. **Prioritisation in view of objectives and impacts**: assessing the influence of the stakeholder on the achievement of Colonial's strategic objectives, as well as the impact that the activities have on each stakeholder considered.
3. **Categorisation of the type of relationships**: the relationship framework makes it possible to categorise the type of relationship with each stakeholder and to define the most appropriate management and communication channels.

Communication with stakeholders

Within the framework of the communication of economic/financial, non-financial and corporate information, the company has the following communication channels with its stakeholders:

Stakeholders	Products	Channels
Employees	> "Live" platform > "Colonial counts on you" platform Colonial **cuenta contigo**	> Company intranet > Points of contact > Human resources email > Complaints channel > Horizontal and vertical informal communication channels
Clients and tenants	> Quarterly newsletter publication > LED screens in building lobbies > User guide on best practices in environmental management > Special events for building users > Biannual newspaper in Washington Plaza	> Property managers > Space Manager and Community Front (coworking spaces) > Surveys and programmes > "Coffee with the Manager" programme > Satisfaction surveys > Paris Workplace barometer > Colonial-Utopicus initiatives > Client portals > Newsletter > Blog and social networks > Colonial intranet: inmuebles.inmocolonial.com > Customer management points of contact: +34 93 404 7900 www.inmocolonial.com
Suppliers and contractors	> Supplier selection process	> Supplier approval questionnaire > Supplier management platform > Points of contact with purchasing managers: proveedores@inmocolonial.com

Stakeholders	Products	Channels
Shareholders and investors	> Quarterly results reports and respective webcast presentations > Press releases > Integrated Annual Report > Annual General Meeting > Direct communication through visits, telephone and video calls and email communication > Relevant fact: IP / OIR	> Shareholder services office: accionistas@inmocolonial.com > Investor services office: inversores@inmocolonial.com > Colonial website > Annual General Meeting > Investor roadshows > Meetings and events with shareholders: Capital Market Day, Field Trip > Spanish National Stock Market Commission (Comisión Nacional Mercado de Valores - CNMV) > Mailing to shareholders and investors > Online results presentation event (webcast) > Press release distribution via communication agency
Financers	> Quarterly results reports and respective webcast presentations > Press releases > Integrated Annual Report > Multiple ESG interviews with Colonial's executives	> Inmobiliaria Colonial points of contact: telephone switchboard > Colonial website > Annual General Meeting > Spanish National Stock Market Commission (Comisión Nacional Mercado de Valores - CNMV) > Other Communication Channels
Society	> Quarterly results reports and respective webcast presentations > Press releases > Integrated Annual Report > Multiple ESG interviews with Colonial's executives	> Inmobiliaria Colonial points of contact: telephone switchboard > Colonial website > Annual General Meeting > Spanish National Stock Market Commission (Comisión Nacional Mercado de Valores - CNMV) > Social Networks



3.3.2 Governance model and conceptual framework

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

In this respect, the Group's corporate strategy and ESG strategy are fully integrated and managed in a way that creates long-term sustainable value for all stakeholders.

ESG governance model

- Board of Directors
  - Sustainability Committee
    - ESG Committee
      - Colonial operations
        - Colonial Sustainability Area
      - Corporate Development
        - ESG coordination & reporting Area
      - SFL operations
        - SFL ESG Area

Board of Directors

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

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

Sustainability Committee

At the close of 2020, in order to accelerate its strategic leadership in terms of ESG, Colonial set up the Sustainability Committee, a delegated committee of the Board of Directors, assigning it the following functions, among others:

(i) Regularly assess and review the environmental and sustainable development policies approved by the Company's Board of Directors and ensure that the Company practices related to environmental and sustainable development are in compliance with these policies.

(ii) Assess and monitor proposals for the Company to form part of the most renowned international sustainability indexes.

(iii) Advise the Board of Directors on environmental and sustainable development matters in accordance with internationally accepted best practices.

(iv) Analyse draft legislation, voluntary initiatives and recommendations on environmental and sustainable development matters and their possible effects on the Company's activities, as well as report on the possible impact on the Company of European regulations and national, regional and local legislation on environmental and sustainable development matters, all with a view to taking the appropriate decisions.

(v) Analyse the indices and measurement tools widely accepted in international practice to assess and measure the Company's environmental and sustainable development positioning and to provide recommendations for improving the Company's positioning.

(vi) Issue reports and carry out the corresponding actions in environmental and sustainable development matters.

The Sustainability Committee met four times in 2021 and will meet at least quarterly every year. This Committee is made up of five members of Colonial's Board of Directors, namely Ms. Silvia Alonso-Castrillo Allain, Mr. Adnane Moussanif, Mr. Luis Maluquer Trepat, Ms. Ana Bolado Valle and Ms. Ana Peralta Moreno.

ESG Committee: composed of seven members of the Management Committee

At the end of 2018, the Colonial Group created the ESG Committee, a body created to ensure the operational implementation of the strategic guidelines of the Board of Directors and in turn of the Sustainability Committee.

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

This committee is composed of **seven members of Colonial's Management Committee**, specifically the following Directors:

> Pere Viñolas, CEO

> Carmina Ganyet, Corporate Managing Director

> Albert Alcober, Chief Operating Officer

> Carlos Krohmer, Chief Corporate Development Officer

> Begoña Muñoz, Chief of Human Resources and General Services

> Nuria Oferill, Chief Legal Officer and Deputy Secretary of the Board

> Àngels Arderiu, Chief Financial Officer

The ESG Committee meets at least quarterly, although during 2021 the ESG Committee met on seven occasions, specifically addressing the following issues:

> Monitoring and analysis of Colonial's position in the sustainability indexes.

> Monitoring and updating of the Decarbonisation Strategic Plan and ESG objectives.

> Setting of the internal carbon price to determine the economic trade-off.

> Preparation of an operational action plan for the implementation of courses of action.

> Preparation of the 2021 Integrated Annual Report.

Operational implementation areas

Within the Corporate Development Department, the new ESG Coordination and Reporting area has been created, the functions of which include the coordination of all aspects of ESG, as well as the analysis of the Company's business plan and its return on value.

This area collaborates with all areas of the company, although in order to monitor, update and comply with the ESG business plan, it relies in particular on the **sustainability areas of Colonial Spain and SFL**.

3.3.3 ESG Policy and Strategic Plan

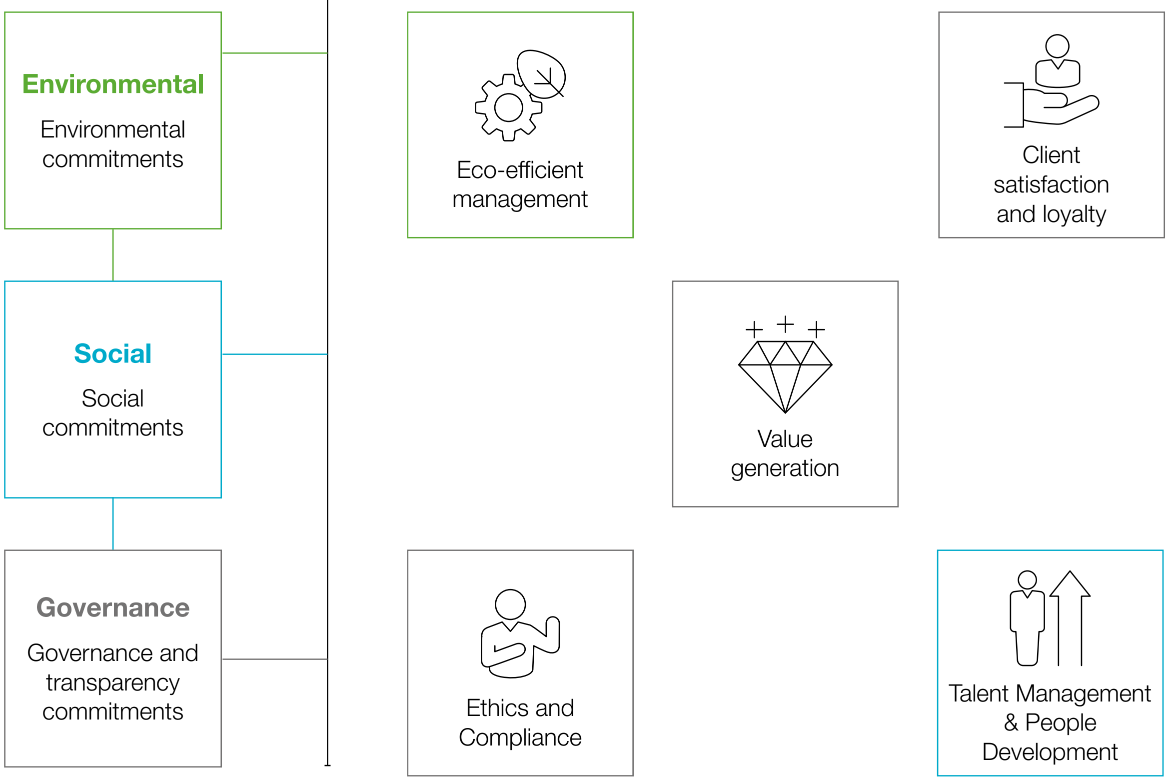
A fundamental element of the Colonial Group's corporate strategy is its commitment to excellence and leadership in ESG, as this is the basis for ensuring sustainable long-term returns for the company, i.e., for the Group's shareholders and all stakeholders.

The Colonial Group considers the ESG area and its corporate strategy to be an integrated approach that seeks to achieve maximum levels in each of the three dimensions (1) E for Environmental, that is, sustainable management of the entire real estate value chain, (2) S for "Social", by maximizing the contribution of employees and the Company, and (3) G for "Governance", by committing to the highest standards of corporate governance and transparency.

We believe that this integrated approach will bring sustainable returns in the long term for both the company in general and also for our shareholders.

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

In particular, our ESG policy is grouped into five main areas of action that allow us to focus our efforts in a methodical and efficient manner.



Strategic Plan

The Colonial Group pursues a clear leadership in ESG, an essential element in the Group's strategy, giving priority to sustainable long-term returns based on a model focusing on quality. In this respect, the corporate strategy has the highest standards of excellence at its core in the areas of governance, social and sustainable investment.

The Company is working on the implementation of a new strategic decarbonisation plan to be able to reach even more ambitious targets, given the current importance of sustainability. This ambitious strategic decarbonisation plan addresses the Colonial Group's commitment to achieving carbon neutrality across its entire office portfolio by 2030, and to be fully aligned with the Paris agreement, signed in December 2015, establishing emission reduction targets aligned with the Science Based Targets initiative (SBTi) and with limiting the increase in the average temperature of the earth to below 1.5ºC.

In addition, the Company has established an internal carbon price as a key element to prioritise and determine the most efficient actions in decarbonisation. Each tonne of CO_2 would have an associated price which would be linked to each activity as a way to monitor these, to achieve the most efficient energy production and consumption possible.

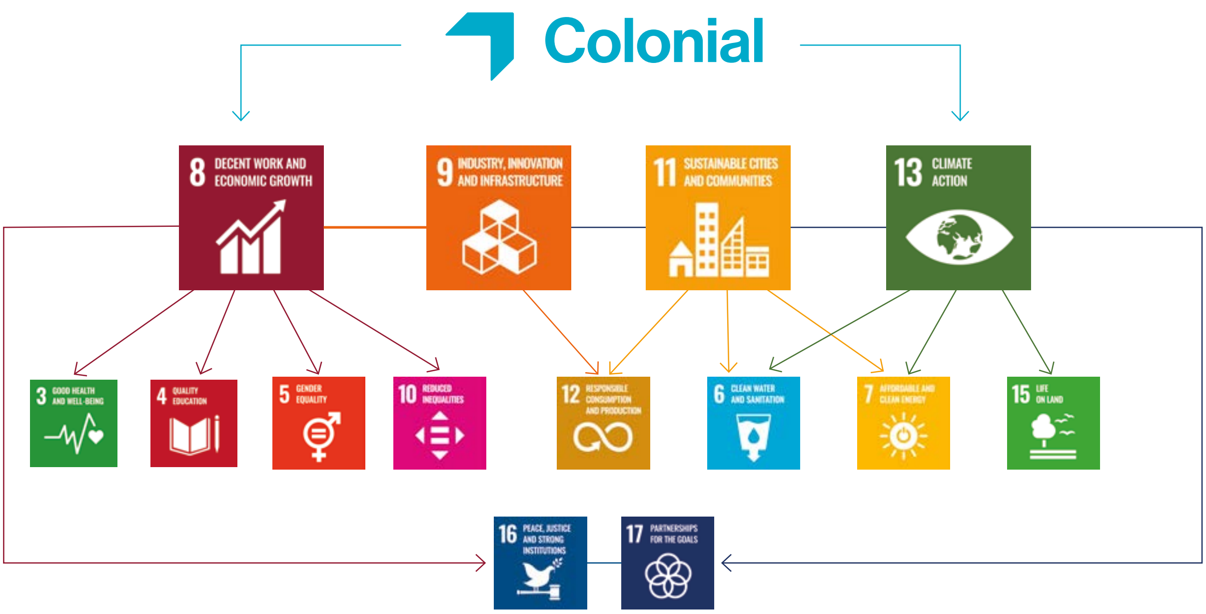
Thus, the company has set an internal carbon price of €100/tCO_2e, approved by the Sustainability Committee and applied to all new investments.

In 2021, the Colonial Group continued working to achieve maximum reductions in its Carbon Footprint, reaching the lowest levels in the European sector.

Sustainable Development Goals

In line with its strategy focused on long-term sustainability, the Colonial Group is committed to the 2030 Agenda adopted by the United Nations (UN) in September 2015 for sustainable development, which established a total of 17 global goals (known as the Sustainable Development Goals or SDGs).

Thus, the Colonial Group has carried out an analysis of its contribution to achieving the SDGs and all the actions included in its ESG strategic plan have been analysed in detail. Based on this analysis, the main goals on which the organisation can generate a greater positive impact have been identified, as well as other interrelated SDGs to which the Colonial Group also contributes. The different sections of the report list the Group's specific contribution to each goal through the monitoring of key indicators.



3.4. Value created by Colonial and its stakeholders

At Colonial we focus on creating value for our stakeholders in the development of our activity in the long term and in a sustainable manner.

Shareholders and Investors

9% Total Shareholder Return	> Total Shareholder Return (on NAV basis) of 9%. > Net Asset Value (NAV) increase of +13% to €6,496m. > Net asset value per share reached €12.04/share, up +7% on the previous year.
Net result of €474m	> Recurring net profit of €24.6cts, reaching the high end of the forecast range. > Net result of €474m, +€471m vs. the previous year. > Rental income of €314m, +2% like-for-like. > EBITDA rents of €293m, +3.3% like-for-like.

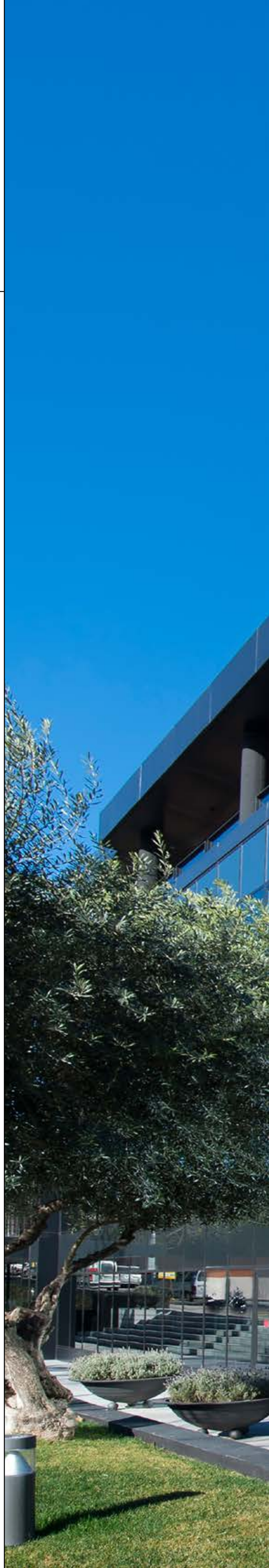
Strong acceleration in real estate fundamentals	> More than 170,000 sqm of contracts signed, +75% vs. the previous year. Second highest letting volume in Colonial's history.
	> Significant progress in the renovation program.
	> Portfolio occupancy of 96% (98% in Paris).
	> Growth in rents signed & index capture.
	  > +5% vs. market income 12/20 (+8% in Paris).
	  > +7% release spread (+24% in Barcelona).

Boosting future growth	> Successful takeover bid for SFL with a 98.3% stakeholding. > New acquisition programme in Paris & Barcelona - over €500m of investment. > Completion of 2 projects in the prime CBD of Paris and Barcelona, both 100% pre-let. > Non-core divestments of €349m, with +11% premium on the asset value.


Society (Community)	
Commitment to the decarbonisation of the portfolio	> Approval of a new decarbonisation plan of the asset portfolio validated by the international Science Based Targets initiative (SBTi). > The new plan includes the 2030 carbon neutrality target. Colonial brings its target forward by 20 years. > In addition, the company has established an internal carbon price of €100/tCO_2e as a key element to prioritise and determine the most efficient actions in decarbonisation.
Climate change mitigation and energy efficiency	> GHG emissions (Scopes 1 and 2) of 9 kgCO_2/sqm, LFL reduction of –27% compared to 2019 (pre-Covid). > Energy consumption intensity of 216 kWh/sqm, reduction of –3% across the portfolio (–3% LFL) compared to 2019, pre-Covid period. > 70% green energy supply 766bp vs the previous year.
ESG leadership in accordance with top international ratings	> CDP 2021: A-rating, highest rating - among the 12 best real estate companies worldwide. > GRESB 2021: 94-point rating, leader in Western European listed offices. > Science Based Targets initiative (SBTi) has validated Colonial's decarbonisation targets. > Upgrading and consolidation of EPRA, Sustainalytics, Vigeo and MSCI ratings.
Revitalisation of urban areas	> Two major building renovations were delivered in central Barcelona and Paris, significantly improving the carbon footprint. > The design and execution of all the projects is focused on the well-being of users of the buildings and their community. > Implementation of circular economy policies in all projects.

Investors, Financial Backers and other Stakeholders	
Colonial's strategy is aligned with that of its shareholders	> Support by an absolute majority of shareholders for the proposed takeover bid for SFL proposed by the Board of Directors at the Extraordinary General Meeting in June 2021. > Absolute majority support for all agenda items at the Annual General Meeting of June 2021.
Improvements in Transparency	> New long-term remuneration plan for the Board in line with international best practices and Proxy Advisors. > Evaluation of the Board's performance in collaboration with and intervention of an independent third party. > Reviewing and updating of the Anti-Corruption Policy. > Development of various ethics and compliance actions.
Independence and Diversity of the Board	> Approval of a succession plan. > 75% of the Independent Directors are women. > All council committees are chaired by women. > By international standards, 45% of Directors are independent.[1] > The Chairman no longer has executive functions.
Excellence in Corporate Governance	> The main indices that evaluate ESG recognise Colonial's excellence in corporate governance, especially MSCi and Sustainalytics.

(1) According to international standards, one of the current dominical directors representing a shareholder with less than 10% of the share capital (micro-dominical) should be qualified as an independent director; thus, the number of independent directors of the Company would rise to 45% and would exceed the number of dominicals directors.




Our People

Promoting equality among employees	> First equality plan and constitution of the Equality Committee in the first quarter of 2021.
	> Improvement of the employee performance appraisal system. Digitalisation of Colonial Career Conversations (CCC).
	> Commitment to gender equality:
	   > 50% of the Management Committee is made up of women.
	   > More than 60% of the Group's employees are women.

A good company in which to grow	> Colonial is among the Best Workplaces 2021 according to the Great Place to Work survey carried out at the end of 2020.
High level of training for employees	> Individual training plan per employee. > 22 hours of training per employee. > 93% of employees have received training.

Clients and Tenants

User experience is key to user loyalty	> Improvements to the added services of the buildings. > Improvements in the catering offer. > Creation of new communal and lounge areas.
Continuous improvement of customer service	> Real-time measurement of customer needs thanks to the PROPNET proprietary tool. > Improvement of incident recovery times. > Digitalisation of communication channels between clients and Colonial.
Safe and healthy spaces	> Bureau Veritas Global Safe Site certification. > 0 incidents recorded for compliance with health and safety regulations.

Generated and distributed value - €m

Retained value

279,568

Retained earnings
271,456

Amortisations
8,112

Generated value

765,014

Revenue
316,719

Charges in value
of investment properties
444,226

Other income
5,330

Net gain on sales
of assets
(1,261)

Distributed value

(485,446)

Interest paid
(141,337)

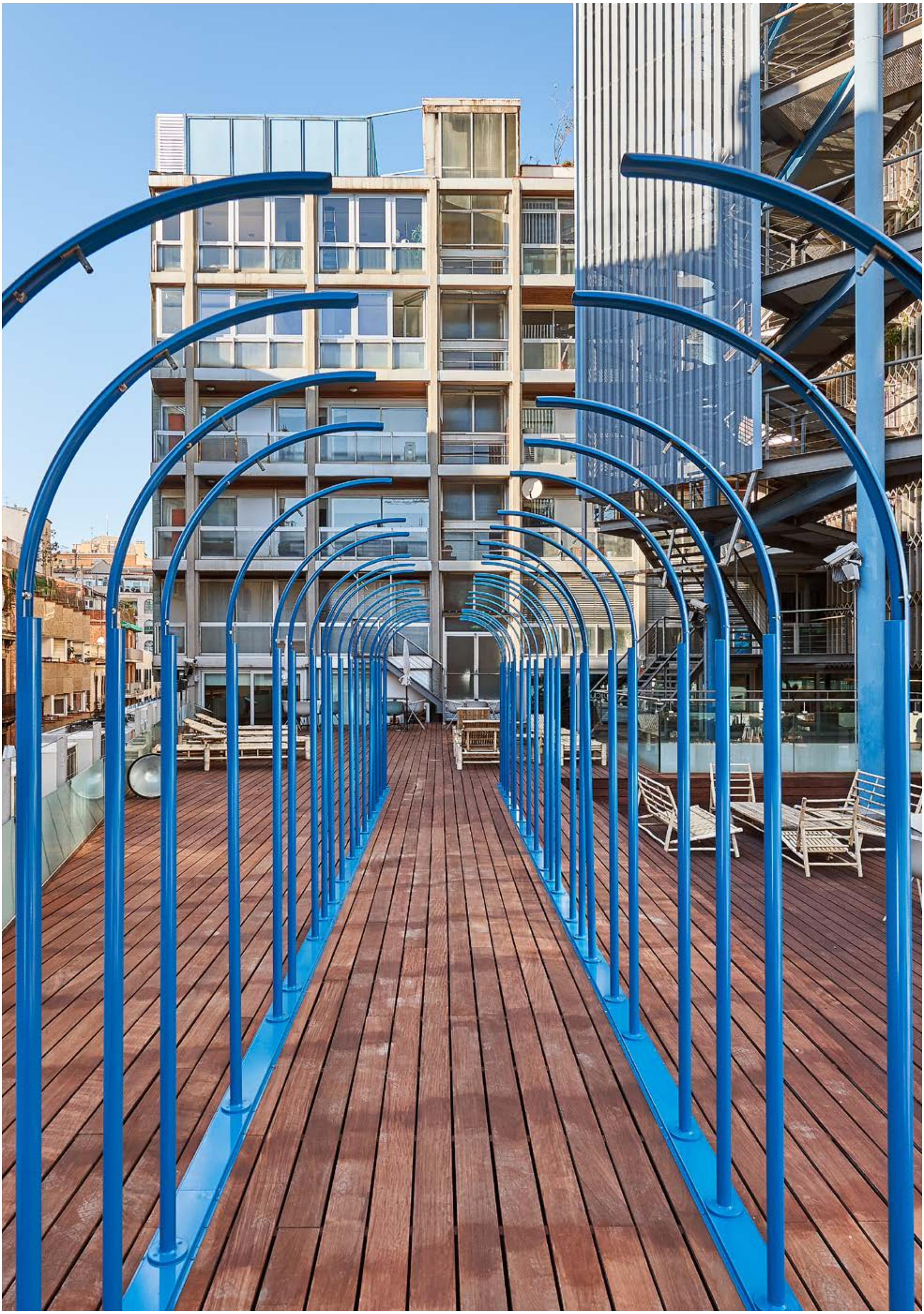
Dividends paid
(138,860)

Donations
(127,300)

Other operating expenses
(44,105)

Personnel expenses
(37,377)

Income tax expense
3,533



CHAPTER

4

Risk management

4.1. Our risk management approach

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

Main highlights of 2021

- The Group was able to consolidate its solid crisis management of the COVID-19 situation and its resilience and response capacity to mitigate the most vulnerable risks in view of the pandemic. In this respect, a comprehensive update was carried out on the Group's risk map and on the strategic response to the trend of transforming the role of offices and the emergence of more flexible working models.
- Significant progress was made in both sustainability management as well as the management of climate change risks and opportunities, in line with the Task Force on Climate-Related Financial Disclosures (TCFD), positioning the Group as having the best standards in this area among all of the companies in this sector. In particular, in 2021, the following was carried out:
  - In-depth analysis of the risks and opportunities in the short, medium and long term, based on the two scenarios of the Intergovernmental Panel on Climate Change (IPCC) considered by Colonial Group.
  - Measurement of the financial impact, quantified for certain risks.
- A proactive management of the client portfolio, contracts and property occupancy was maintained in an uncertain business and market context.
- The Group's financial resilience and capacity have been strengthened by improving liquidity capacity and its long-term financial structure.
- The Group has therefore continued to foster its risk culture, especially with its governing bodies, involving all members of senior management and the Board of Directors in its risk management.
- In 2021, a project was launched to strengthen the internal control system through the implementation of new technological platforms with the aim of providing a better control and traceability in areas related to financial reporting, taxation, compliance and risk management itself.

Priorities for 2022

- Develop and finalise the technology implementation project to improve the internal control procedure.
- Review and strengthen the control procedure for non-financial information in order to ensure the quality of the information published by the Group through the implementation of a control system for non-financial information.
- Continue to improve environmental risk management and monitoring, especially in the analysis of climate change risks and opportunities in line with the TCFD recommendations.

4.2. Our risk management model

Risk management is a key aspect of the organisation's culture and focuses on maintaining an appropriate balance between profitability and risk. For this reason, Colonial Group has developed a Risk Management and Control System (hereinafter RMCS), establishing the bases for efficient and effective risk management throughout the organisation. This system is based on the main guidelines and elements of the risk management structure defined by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

4.2.1 Bodies responsible for risk management

The main responsibilities for the RMCS are assigned to the Board of Directors, the Audit and Control Committee, the Management Team and the Internal Audit Unit. The RMCS also expressly determines the responsibilities of senior management, operational divisions and other risk owners concerning risk management.

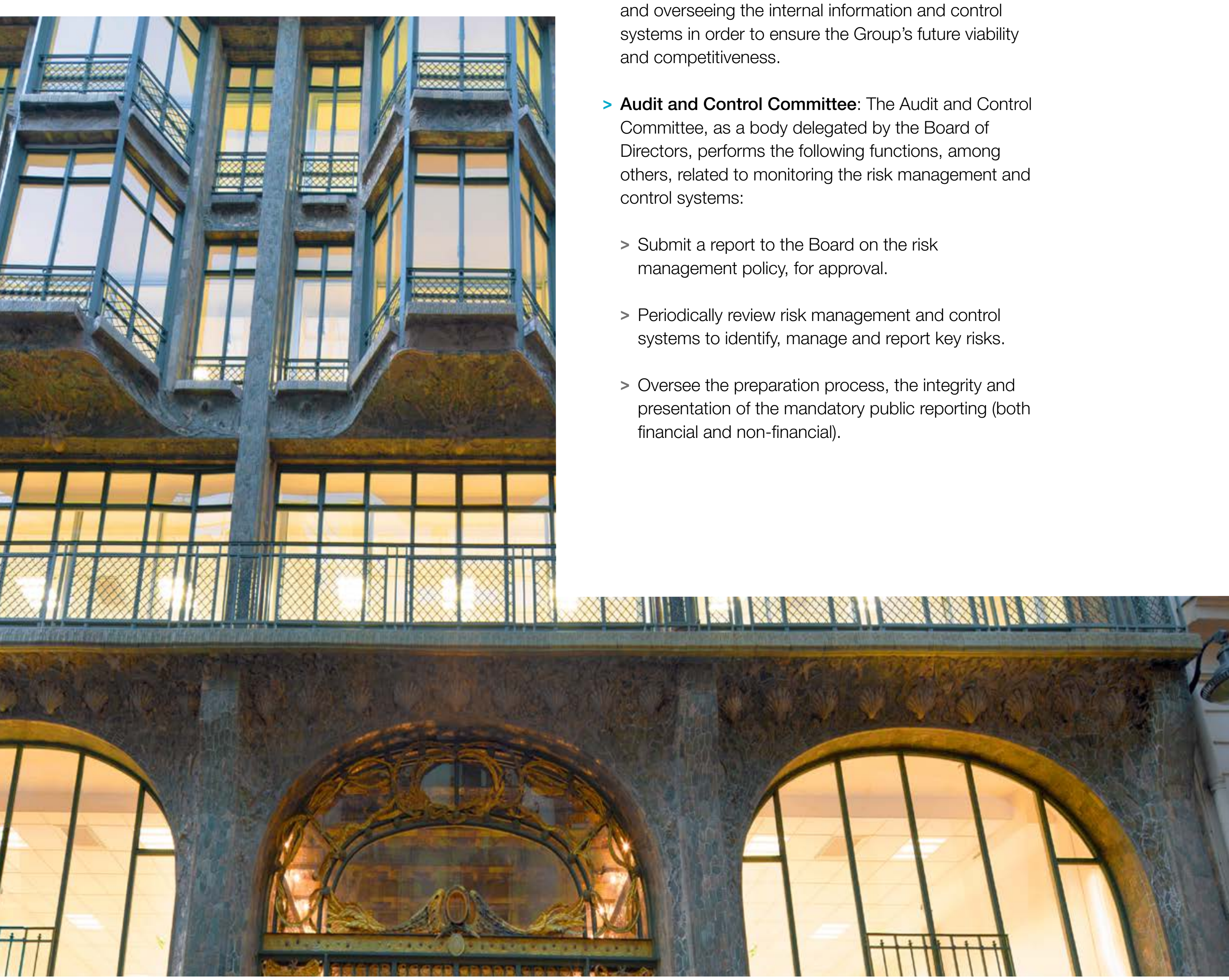
> **Board of Directors**: The Board of Directors is responsible for establishing the risk management and control policy, identifying the Company's main risks and overseeing the internal information and control systems in order to ensure the Group's future viability and competitiveness.

> **Audit and Control Committee**: The Audit and Control Committee, as a body delegated by the Board of Directors, performs the following functions, among others, related to monitoring the risk management and control systems:

  > Submit a report to the Board on the risk management policy, for approval.

  > Periodically review risk management and control systems to identify, manage and report key risks.

  > Oversee the preparation process, the integrity and presentation of the mandatory public reporting (both financial and non-financial).



> **Management Team**: performs, among other functions, half-yearly reviews of the risks in terms of impact and probability, analyses the need to include new risks (previously identified by each area), and eliminates those risks that are considered to be of little relevance.

> **Business Areas**: responsible for identifying operational risks in their respective areas of activity, as well as continuously reviewing and implementing controls to mitigate them.

> **Regulatory Compliance Unit**: responsible for ensuring correct compliance with regulations and laws that may affect the Group in carrying out its activity.

> **Internal Audit Unit**: responsible for carrying out the monitoring activities set out in its annual plans approved by the Audit and Control Committee to assess the effectiveness of the risk management processes, action plans and controls implemented by the relevant departments to mitigate the risks identified.

The Colonial Group has a risk management framework that allows for a comprehensive approach to risks from a strategic viewpoint (Top Down) and from an operational point of view (Bottom Up), applying the three lines of defence model for the proper identification, mitigation and supervision of risks.

Top-down

Implement the RMCS and monitor the Group's risk exposure level

Bottom-up

Assess risks and implement controls at an operational level

Board of Directors

- Approve the risk management and control policy
- Approve the corporate risk map

Heads of Departments

- Identify the operational risks in their department
- Monitor risk events affecting their department
- Monitor the mitigation controls in place and their efficiency

Risk Management and Oversight Committee

- Identify and monitor risks in each area
- Periodically assess the criticality of their risks
- Define an action plan
- Define the corresponding controls
- Monitor the risk indicators

Audit and Control Committee

- Supervise the risk control and management systems
- Corporate risk map analysis and monitoring
- Oversee the preparation of financial and non-financial information
- Directly supervise the units with control functions (internal audit and regulatory compliance)

Business Areas

- Identify each unit's operational risks
- Review risk events under their responsibility
- Implement and continuously review mitigation controls

Regulatory Compliance

- Analyse regulatory compliance
- Establish a regulatory risk prevention system

Internal Audit Unit

- Monitor RMCS effectiveness
- Coordinate the risk map assessment

1ST LINE OF DEFENCE	2ND LINE OF DEFENCE	3RD LINE OF DEFENCE

4.2.2 Identification of risks

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

The corporate risk map has a dynamic approach. It is reviewed half-yearly to reflect the constant change in Colonial Group's economic, social and political environment, as well as its internal development to monitor existing risks and identify new emerging risks. Monitoring is carried out of the evolution of the risks and the action plans defined and implemented by each area. These plans set out the necessary controls to mitigate each of the risks overseen by each area.

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

1. **External risks**: External risks are those factors that arise from the environment in which Colonial Group carries out its activity and which influence and condition the Company's operations.

2. **Internal risks**: Internal risks are those factors that arise from carrying out its activity and the day-to-day management of the Company and its different areas.

Colonial Group identifies both internal and external environmental, social and governance (ESG) risks that are integrated with the rest of the Group's corporate risks. ESG risk management allows Colonial Group to transform them into opportunities for improvement, helping to manage the Company's assets more efficiently and create a positive environmental and social impact.

4.2.3 Risk assessments

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

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

4.2.4 Risk management

Risks are managed by each business area and are led by the members of the Management Team. Each member is responsible for the risks in their area and their exposure to them, being responsible for defining to what extent the activities in their area are exposed to risk. To ensure that the Group's activities are within a tolerable level of risk and an acceptable degree of exposure, they must establish and ensure the proper functioning of the controls in place for mitigating the risks and that these are within the defined risk appetite.

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

4.2.5 Risk exposure

In accordance with the framework defined in the RMCS, it is the responsibility of the Chief Executive Officer and the Corporate General Management to assess the Group's exposure to the risks identified, in order to achieve the objectives and strategy defined by the Group, as well as to preserve the Group's value, and to consider the expectations of its different stakeholders.

A half-yearly report is submitted to the Audit and Control Committee concerning the evolution of the risks, in order to monitor them with the governing bodies and review the Group's exposure to risks and define an action plan if necessary.

The Audit and Control Committee also reviews the Group's main activity indicators on a quarterly basis to ensure that the organisation's activities are not affected by an excessive exposure to risks, thus ensuring that its strategy is achieved, and that the degree of exposure to risks is adapted to changes in the business and its environment.

The Board of Directors approves the corporate risk map on an annual basis, analysing the information available and the most significant risk factors in each period. In this way, the Governing Body is aware of the Group's risks and that its exposure is appropriate through the Group's dynamic risk management approach.

4.3. Main risks identified in 2021: description, impact and control measures implemented

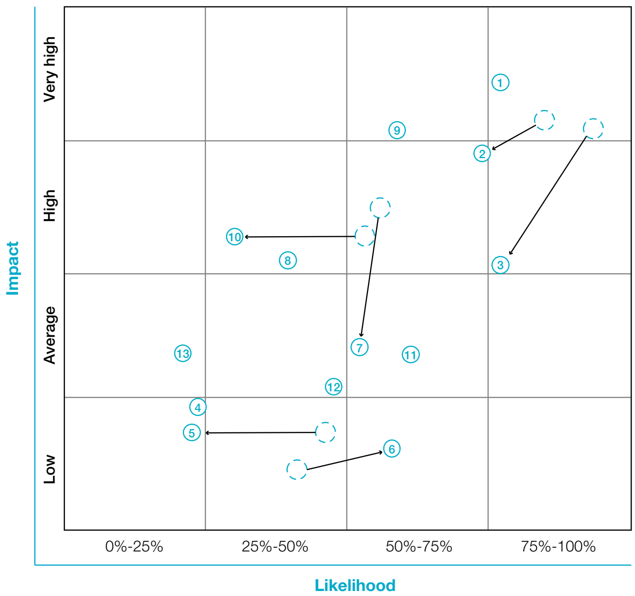
Colonial Group's commitment in relation to the public information reported is to guarantee its transparency and integrity, a true and fair image and to ensure a robust control environment for the activities that make up the Group's Risk Control and Management System.

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

As mentioned at the beginning of this section, in 2021, the Group's strong resilience to the impacts caused by the pandemic was consolidated over the course of the year, with a general reduction in the perception of the risks to which the Group is exposed. Despite the Group's ability to adapt it continues to closely monitor those risks that increased its exposure during the COVID-19 outbreak the previous year.

Graphical representation of the Group's main risks in 2021:

External risks	Variation
Market	
1. New trends in the business model	=
2. Fluctuation of the real estate cycle	v
Economic	
3. Political and/or macroeconomic uncertainty	v
Leasing	
4. Liquidity and cost of funding	=
5. Quality of the customer portfolio	v
ESG	
6. Effects of climate change	^
7. Crises - Extraordinary events	v
Internal risks	
Goal	
8. Investment strategy and profitability	=
Operational	
9. Lease management	=
10. Financial structures	v
11. IT system failure and cybersecurity	=
ESG	
12. Human Capital	=
13. Damage to the environment	=



Annual variation

^ Increase

= Increase Steady

v Decrease

Risk in 2020

Risk in 2021

The description of these risks, their impacts and the control and management measures implemented for each risk are detailed below.

I. External risks

Market risks: Risks associated with the real estate market.

1. New trends in the business model

Risk	Description and impact	Control measures	Variation in risk over the year
New trends in the business model	The failure to anticipate or meet the needs and expectations of our clients due to the changing and competitive environment in which the Group operates may lead to structural changes in business models and affect the demand for space with a direct impact on revenues.	> Internal committee for analysing and monitoring new trends. > Market research to identify new trends and behavioural changes in the workplace of companies. > Participation in sector projects linked to innovation and digitalisation. > Investment in the innovation and digitalisation of its real estate portfolio through the PropTech implementation project. > Customer satisfaction questionnaires to identify customer satisfaction and needs.	> The emergence of new trends such as remote working and the demand for more flexible spaces was mitigated during 2021, consolidating a hybrid working model in companies. > Limited impact of remote working, in the face of new requirements for collaborative spaces with more square metres. > In the long term, the advance of new technologies may facilitate the adaptation to these new trends by causing structural changes in demand or a demand for new services or new types of real estate.

Opportunities: Analysis of new business opportunities, rapid adaptation to new trends and the implementation of new technologies allow the Group to maintain and increase its competitive advantage.

2. Real estate cycle fluctuation

Risk	Description and impact	Control measures	Variation in risk over the year
Real estate cycle fluctuation	The cyclical nature of the real estate market, closely linked to the economic cycle and customer demand, has a direct impact on property valuations and the complexity of acquiring, managing or selling assets at the optimal time in the real estate cycle.	> Periodic analysis of Colonial Group's portfolio in order to review the maturity of the assets, their profitability, their development capacity and their compliance with the business plan. > Concentration of the portfolio in prime and high growth potential areas. > Research and analysis of off-market operations. > Monitoring of the real estate market through sectoral reports and contact with real estate agents. > Review of lease expiry risks in order to preserve the value of the property.	> In 2021 the real estate market showed signs of recovery, although it has not yet recovered to pre-pandemic levels. > The impact of the pandemic caused great economic uncertainty in 2020, affecting the real estate market and its valuations. The prime products showed great resilience and recovery to this scenario in 2021, with the products located in secondary areas being the most affected.

Opportunities: The fluctuation in the cycle may present investment opportunities.

Economic risks: risks associated with the political and economic situation.

3. Political and macroeconomic uncertainty

Risk	Description and impact	Control measures	Variation in risk over the year
Political and macroeconomic uncertainty	The political and economic environment directly affects the real estate cycle and the performance of our customers. Political and economic uncertainty in the Eurozone may negatively impact job creation, investor and consumer confidence and business activity, resulting in a fall in demand for spaces.	> Monitoring of macroeconomic data (GDP growth, unemployment rate and inflation rate) to anticipate a change in the economic environment. > Sensitivity testing of the business plan to ensure that the Group's structure is resilient to adverse changes in the economic environment. > Analysis of possible impacts on the business in light of new regulations and legislation. > Ongoing contact with public administrations and public sector advisors to ensure compliance with the regulations.	ⓥ > In 2021, economic uncertainty remained, albeit with signs of recovery, and we continue to see lower growth forecasts for the coming years, although European funds should ensure the road to growth in the coming years. > Despite the political uncertainty, mainly due to the lack of unity among Eurogroup countries, political risk has a limited impact on the Group's operations, although it does depend on the regulatory changes that may be approved by the different governments.

Opportunities: Macroeconomic and/or political changes may generate opportunities in new sectors in which the Group does not have a presence.

Financial risks: Financial risks arising from market liquidity and solvency.

4. Liquidity and cost of funding

Risk	Description and impact	Control measures	Variation in risk over the year
Liquidity and cost of funding	Lack of liquidity in the financial markets may result in the Group being unable to obtain or refinance its debt at competitive interest rates, resulting in higher financing costs.	> The rating obtained and the Group's size allow access to multiple sources of funding and the availability of undrawn financing lines to ensure the necessary liquidity is available if needed. > Constant monitoring of the liquidity of the debt markets and the changes in interest rates in order to design the optimal financial structure for the Group. > Roadshows with leading financial institutions to maintain investor confidence in the Group. > Search for new financing tools (green bonds, green loans etc...).	⊜ > The financial markets remained stable but with greater access restrictions for smaller, less solvent firms. > The economic stimuli and the ECB's decision to keep interest rates low have kept the cost of financing low.

Opportunities: The Group's size and rating allow it to obtain and renegotiate debt at highly competitive costs and to access highly liquid financial markets.

5. Quality of the customer portfolio

Risk	Description and impact	Control measures	Variation in risk over the year
Quality of the customer portfolio	A scenario of economic weakness may affect several economic sectors of the Group's customers, weakening their profit and loss account and their solvency.	> Diversified client portfolio across various sectors focused on large AAA-rated companies. > Analysis and monitoring of a concentration of clients to avoid individual exposure. > Solvency and compliance analysis for new customers to ensure their soundness and reduce the probability of non-payment. > Proactive search for potential customers to replace, if necessary, existing customers whose business or sector may be experiencing difficulties.	> We have built a robust, resilient and world-class client portfolio. > The Group's NPL ratio remained at very low levels.

Opportunities: A customer portfolio comprising AAA customers, diversified across various sectors.

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

6. Effects of climate change

Risk	Description and impact	Control measures	Variation in risk over the year
Effects of climate change	Failure to adequately identify the impacts that climate change may have on the Group's assets and the well-being of its occupants. This can have a negative impact on the Group's image, disrupt activities and operations or even accelerate the obsolescence of the properties.	> Climate resilience in the designs of the Group's assets to ensure maximum occupant comfort and well-being and to ensure physical integrity in the face of adverse climatic effects. > Preparation of contingency and emergency plans for each building to adequately respond to incidents caused by extreme weather conditions.	> In 2021, risk events related to the effects of climate change increased in frequency, although the impact on the Group has not been altered.

Opportunities: The potential adverse effects of climate change mean that the Group is constantly investigating ways to improve the design and quality of spaces.

7. Crisis - Extraordinary events

Risk	Description and impact	Control measures	Variation in risk over the year
Crisis - Extraordinary events	Failure to react to an unexpected event involving the Group's assets and/or activities may result in a loss of stakeholder confidence, a reputational impact and/or a financial loss as a result of an erroneous or delayed response.	> Our Business Continuity Plan contemplates multiple scenarios caused by extraordinary events, in order to ensure a rapid and adequate response in the event of a possible unexpected event that could have an impact on the Group's assets and/or operations. > Definition of roles and responsibilities of the different emergency teams in charge of assessing and coordinating situations caused by unforeseen events. > Supervision of the Health and Safety Committee to ensure the well-being of employees at all times.	V > No unforeseen events have been detected by the Company in its Business Continuity Plan. > The plans and protocols developed in 2020 to ensure the safety of employees, secure the facilities and create safe working spaces for our customers and suppliers were maintained in 2021. Thanks to the advanced vaccination programme at a European level, the impacts caused by the virus and its variants have been reduced.

Opportunities: Ongoing work to review vulnerabilities and ensure the safety and integrity of the assets and their occupants.

II. Internal risks

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

8. Investment strategy and profitability

Risk	Description and impact	Control measures	Variation in risk over the year
Investment strategy and profitability	The lack of a return on investments or the failure to achieve strategic results can be caused by an incorrect approach to the investment strategy and disinvestment at the right time in the cycle, selecting an inappropriate sector, lack of or over-exposure in one or several markets (cities), unexpected delays and/or cost increases in investment projects, etc.	> Alignment of the strategic investment plan with the level of risk and return set by the Board of Directors. > Analysis of potential transactions by the Investment Committee to assess potential risks and expected returns, and their submission to the Board of Directors for approval. > Analysis of the Group's main indicators with respect to other competitors in the sector in order to identify possible corporate operations. > Constant monitoring of new asset classes and/or markets in search of new growth opportunities. > Definition of the strategy based on the concentration of its portfolio of prime offices in the CBD and BD of the cities of Barcelona, Madrid and Paris, obtaining a minimum value and return on its assets.	= > The prime market showed great resilient in 2021, while the secondary market was more affected. > The pressure on the real estate market remained unchanged in 2021, making it difficult to buy prime products and to sell products in secondary locations. > The co-working market recovered in 2021 due to the flexible working model it offers and the increased demand by companies.

Opportunities: Our strategic position ensures returns in investment projects, as well as the expected growth of the Group by taking advantage of opportunities as they arise.

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

9. Lease management

Risk	Description and impact	Control measures	Variation in risk over the year
Lease management	An increase in the vacancy levels, influenced by an unfavourable economic-political outlook and/or the appearance of new disruptive trends for the business model, may increase the downward pressure on occupants' income levels, leading to a fall in the Group's revenue and profitability.	> Analysis of commercial transactions in the market to set appropriate rent levels. > Recruitment of commercial agents to increase the capacity to attract customers and ensure the level of rental income in accordance with the market situation. > Customer satisfaction surveys to identify customer needs and adjust the investment and maintenance plan for each building. > Proactive search for potential customers to replace, if necessary, existing customers whose business or sector may be experiencing difficulties.	= > Slight increase in the risk of unemployment and income pressures due to developments in key macroeconomic indicators. > Demand remains uncertain, pending the consolidation of the working model.

Opportunities: The high demand in the prime office market obliges the Group to maintain a high level of quality with regard to the spaces and services offered, in order to ensure high occupancy ratios and an adequate level of rents.

10. Financial structure

Risk	Description and impact	Control measures	Variation in risk over the year
Financial structure	An inadequate financial structure could lead to the Group becoming over-indebted, thus increasing the risk of debt default, increased financing costs, difficulties in debt issuance and/or refinancing and the consequent downgrading in rating.	> Monthly analysis of the level of indebtedness to ensure a solid position and balanced financial structure according to the value of our assets (Loan to Value). > Active Liability Management to search for opportunities, diversify funding sources, renegotiate and increase debt maturities and/or optimise the cost of funding. > The Group's size, quality and financial structure allow the Group to obtain the highest credit rating in the sector (Standard & Poor's: BBB+ Moody's: Baa2). > Regular analysis of compliance with covenants and financial KPIs.	V > The Group has continued with its debt refinancing strategy and its control plan, measured in Loan to Value terms, while lengthening debt maturities and reducing the cost of financing. > The credit ratings have been renewed. > The value of the Group's properties has recovered following the impact of coronavirus on valuations in the previous year, reducing the risk of an increase in the Group's LTV. In 2021, the Group also strengthened its financial structure with new bond issues at very competitive rates.

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

11. IT system failure and cybersecurity

Risk	Description and impact	Control measures	Variation in risk over the year
IT system failure and cybersecurity	Disruption of systems due to a failure or cyber-attack may result in the loss of sensitive data and/or disruptions to the Group's operations leading to potential reputational impacts, financial loss or regulatory sanctions (in the area of privacy).	> Outsourced DPC server with a high level of availability of the Tier IV service with a backup system on a secondary server. > The IT department keeps the systems updated and patched in order to mitigate vulnerability risk. > Regular cybersecurity diagnostic tests to detect potential vulnerabilities and new threats. > Random audits and testing of IT controls to verify their operation and effectiveness. > Regular monitoring by the Internal Security Committee of possible incidents and the implementation of the various action plans.	⊜ > Continuous technological innovation and increased digitisation expose information systems to possible cyber-attacks, so the need to continuously reinforce systems against possible cyber-attacks remains. > The gradual return of employees to the offices (blended working) has or reduced the risk remote working could have on the Company's IT systems.

Opportunities: The constant evolution of information systems, as well as cyber-attacks, obliges us to maintain a high level of investment in technology and innovation to ensure the correct functioning of the systems. Investing in digitalisation in our buildings gives us a high competitive advantage.

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

12. Human capital

Risk	Description and impact	Control measures	Variation in risk over the year
Human capital	Failure to attract, develop and retain the right people with the right skills and knowledge to achieve the Group's objectives can negatively impact the performance and effectiveness of employees and lead to inefficiencies within the Group's activities and operations. The concentration of critical processes in certain key people can lead to loss of essential knowledge and even disruptions to the Group's operations.	> Search for key personnel through headhunting companies. > Attracting and retaining talent through competitive salaries, flexible working hours and social benefits. > Personalised career development plan for internal promotions. > Training plan, which includes language training for the whole company. > The Colonial Takes Care of You programme promotes the health and wellbeing of employees through wellbeing practices. > The Colonial Career Conversation programme for monitoring personalised objectives and performance.	⊜ > The turnover rate of the Group has remained stable compared to previous years. > The takeover bid for the subsidiary SFL represents a challenge for the organisation and its employees. > The need to develop new skills and competencies of employees and their adaptation to possible future changes in the sector.

Opportunities: The development of our employees enables us to obtain the necessary know-how to further improve the Group's business model.

13. Damage to the environment

Risk	Description and impact	Control measures	Variation in risk over the year
Damage to the environment	Growing global environmental concern has led to increased regulatory pressure on the potential impacts of business activities on the natural environment. Given its activity, the Group is exposed to these regulations and may be sanctioned in the event of non-compliance with regulations and/or environmental incidents, be affected in terms of reputation, suffer a loss of confidence by stakeholders and/or a loss of competitiveness with respect to other companies.	> The maintenance plan and improvement to the buildings with LEED and BREEAM certificates, as well as IS014001 and 50001 certificates for the corporate headquarters, and the WELL certificate for two buildings. > Implementation of the PropTech project and digitalisation through the Edi programme for more efficient real estate management. > Colonial Group has a Climate Change Policy in which it has acquired commitments to reduce its carbon footprint. There are also a number of biodiversity policies in place, reflecting its commitment to preserving and conserving the environment. > Life cycle analysis of major projects following IS014044 to better understand and anticipate environmental impacts. > Ongoing innovation in more environmentally friendly construction methods (Wittywood building). > Request for requirements for the approval and use of materials by construction companies and installers and the monitoring of waste management.	⊜ > The Group proactively operates with an explicit strategy and commitment towards decarbonisation and the transition toward a low-emission economic model.

Opportunities: The search for new construction methods and new efficient designs allows us to increase our value proposition for our stakeholders, while reducing the impact on the environment.

4.4. Our strategy for managing climate change risks and opportunities (TCFD)

In the latest The Global Risks Report 2022, the World Economic Forum once again identified that the failure to act on climate change is the biggest risk over the next 10 years. The Colonial Group pays special attention to the identification of risks and opportunities derived from climate change that may impact its activity, assets and investment in the present and future.

With the aim of informing our stakeholders with internationally recognised criteria, since 2019, the Colonial Group has aligned this report with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Colonial Group is also a TCFD Supporter, demonstrating its support for its recommendations.

Governance	Strategy	Risk management	Metrics and objectives
a) Role of the Board of Directors in assessing and managing climate-related risks and opportunities. Pages 52-53, 66-68, 79, 252-253, 268, 274, 278-279	a) Climate-related risks and opportunities the Company has identified in the short, medium and long term. Pages 70, 73, 77, 82-84	a) Processes to identify and assess climate-related risks. Pages 68, 81, 86	a) Metrics used to assess climate-related risks and opportunities. Pages 89, 142-145, 157-159, 161-169, 171, 177, 350-357
b) Management control over climate-related risks and opportunities. Pages 52-53, 66-68, 79	b) Impact of climate-related risks and opportunities on the Company's businesses, strategy and financial planning. Pages 82-84, 137-141	b) Processes to manage climate-related risks. Pages 73, 77, 87, 136, 154-156, 159, 168, 169-172, 186-188, 189-190, 205, 236-237	b) Scopes 1, 2 and 3 of GHG emissions and related risks. Pages 160-165, 351-352, 354
	c) Resilience of the Company's strategy taking into account different climate-related scenarios. Pages 85, 137-141	c) Integration of these processes into the Company's general risk management. Page 88	c) Goals used to manage climate-related risks and opportunities. Pages 142-145

I. Governance

The main responsibilities assigned in relation to the Risk Management and Control System (RMCS) correspond to the Board of Directors, which delegates the monitoring of the risk management and internal control systems to the Audit and Control Committee, and the Internal Audit Unit as the unit in charge of reviewing the functioning of the information and internal control systems. Therefore, the CEO, as a member of the Board of Directors, has the overall responsibility for the management of the Group's corporate risks, which includes climate change risks and opportunities. Consequently, the level of control and monitoring is the same as for the rest of the risks (for more details, see chapter "4.2. Our risk management model").

Since 2020, the Sustainability Committee (as a delegated committee of the Board of Directors) has also been responsible for analysing, evaluating and promoting the Group's policies and practices in the area of sustainable and environmental development, including actions associated with the management of climate risks and opportunities, and the ESG Committee, as the committee responsible for leading the evaluation, implementation and monitoring of the development of the ESG strategy. It has also been assigned functions related to the analysis of climate change related risks and opportunities, as well as the implementation of the internal control systems (for more details, see chapter "3.3. ESG strategy and decarbonisation").

At an operational level, the responsibility for identifying and assessing climate risks and opportunities lies with the Business Area and the Corporate Development Area (responsible for ESG coordination and reporting). The results of this analysis are transferred to the Internal Audit department, which is responsible for monitoring the assessment of the Company's risks, as well as for reviewing the functioning of the control mechanisms, in accordance with the provisions set forth in its audit plan.

II. Strategy

Our climate strategy

As a pan-European offices real estate company with a presence in Paris, Madrid and Barcelona, Colonial Group's business is exposed to a variety of climate risks, both physical and transitional. The decarbonisation of the buildings is without a doubt one of the main challenges facing the sector.

In response to this, Colonial Group has been integrating climate change issues into the definition and evaluation of its business strategy for years. In 2015, Colonial Group defined its Sustainability Business Plan, setting out its climate commitment with quantitative objectives and an associated investment plan guaranteeing the necessary funds to achieve them. This Business Plan was updated this year, setting 2018 as the base year for the targets and setting 2030 as the deadline for becoming carbon neutral. The Group has set a price on carbon (€100/tCO_2), which will make it possible to monitor the financial impact of the emissions associated with the assets.

It should also be noted that the Group has set targets to reduce emissions aligned with the science approved by SBTi (ambition 1.5ºC). With this goal in mind, the SSP1-1.9 scenario has been incorporated as the reference scenario into our analysis of climate change risks and opportunities, which projects a future in which the temperature increase is kept below 1.5ºC.

Furthermore, the commitment to prime assets in the CBD of large cities guarantees a high resilience to physical risks. Efficiency and innovation also form the pillars of our strategy, enabling us to continuously reduce our environmental impacts and actively manage transition risks. Examples of this are the sustainable certifications of 95% of the assets as well as the implementation of PropTech (for more information on our initiatives, see 5.4 Transition to carbon neutrality and 5.5 Eco-efficiency and decarbonisation results).

In addition, excellence in value chain management enables the Company to have in-depth knowledge of its impacts in order to avoid and manage them.

Lastly, in order to align the Group's financing strategy with its sustainability objectives, Colonial Group has developed a green financing framework for 2021. This has made it possible to convert all of the Group's bonds currently in circulation into green bonds, for a total aggregate amount of €4,602m.

SSP1-1.9 - Sustainability

The only IPCC scenario that meets the objective of the Paris Agreement and attempts to limit global warming to a 1.5°C increase by 2100.

A net zero world in terms of GHG emissions is achieved by 2050. Net emissions could even be negative between 2050 and 2100.

The rise in sea level is limited to 0.28-0.55 m by 2100. Extreme weather events are more frequent, but significant global impacts are avoided.

Significant investments are made in green technologies which, together with various financial stimuli, lead to greater efficiency in the use of resources (materials and energy) and to the extensive development of renewable energies.

Customers, regulators, investors and most stakeholders demand high sustainability standards from companies, due to increased environmental and social awareness and commitment.

SSP5-8.5 - Fossil-fuelled development

This is the most pessimistic scenario in terms of greenhouse gas emissions. Current emissions would triple by 2075, leading to an average temperature increase of 2.4°C in 2050 and 4.4°C in 2100.

Actions to mitigate climate change would be limited, the global economy would grow rapidly, but this growth would be fuelled by the exploitation of fossil fuels and energy-intensive lifestyles. It is hoped that technological developments and human progress would lead to sustainable development.

The sea level would rise by 0.63 to 1.01 metres by 2100. Weather phenomena would be extreme and constant, with an increase in storms, floods and heat waves.

Faced with a limited political, regulatory and legal responses to mitigate climate change, businesses would be forced to adapt their assets and operations in order to continue operating.

Our approach to analysing climate change risks and opportunities

In fulfilling the commitment published in our 2020 Integrated Annual Report, in 2021 Colonial Group continued to further implement the TCFD recommendations.

To analyse the risks and opportunities linked to climate change, in 2021 Colonial Group used two scenarios based on Shared Socioeconomic Pathways (SSP), which were used by the Intergovernmental Panel on Climate Change (IPCC) in its Sixth Assessment Report (AR6). In this case, the most pessimistic scenario (SSP5-8.5) and the most optimistic scenario (SSP1-1.9) were selected, with the focus on the consequences in Spain and France. For each of the risks, Colonial Group identified in which scenario each risk is most likely to materialise, analysing both the financial and reputational impacts.

On the other hand, as contemplated in the TCFD recommendations, Colonial Group acknowledges that the horizons used to assess non-climatic risks may not be the most appropriate for assessing climatic risks. Colonial Group has therefore established the following time horizons to assess at what point in time each risk with a significant impact is most likely to materialise:

> Short term: 0-2 years. This risk horizon is aligned with the one used for the other risks.

> Medium term: 2-10 years. In this case, it covers the medium and long-time horizons used for the other risks.

> Long term: beyond 10 years. This horizon is specific to climate risks and allows Colonial Group to more accurately assess the potential physical impacts of climate change even up to the middle of the century.

The results of our analysis on climate change risks and opportunities

Table summarising the relevance of the risks by scenario and time horizon

Risk type		SSP1-1.9			SSP5-8.5		
		Short-term	Medium-term	Long-term	Short-term	Medium-term	Long-term
Transition risks	Regulatory and legal	Moderate relevance	Very high relevance	Moderate relevance	Moderate relevance	Moderate relevance	Low relevance
	Technological	Low relevance	Moderate relevance	Moderate relevance	Not relevant	Not relevant	Not relevant
	Market	Moderate relevance	High relevance	High relevance	Moderate relevance	Moderate relevance	Moderate relevance
	Reputational	Not relevant	High relevance	High relevance	Not relevant	Low relevance	Low relevance
Physical risks	Acute physical	Low relevance	Low relevance	Low relevance	Low relevance	Moderate relevance	Moderate relevance
	Chronic physical	Not relevant	Not relevant	Not relevant	Not relevant	High relevance	Very high relevance

Not relevant   Low relevance   Moderate relevance   High relevance   Very high relevance

Note: To complete this table, the relevance has been weighted based on the financial impact and probability of occurrence of the risks identified in each scenario and time horizon.

Scenario SSP1-1.9

Risks

Transition risks

In this scenario, it can be seen that the transition risks become very relevant. In order to comply with established in the Paris Agreement, the transition must be rapid, and this implies certain risks for the Colonial Group.

Regulatory and Legal Risks

The EU aims to reduce emissions by at least 55% by 2030 (vs. 1990) and this cannot be achieved without a significant reduction in the emissions from buildings. The Committee therefore plans to implement a new EU-wide emissions trading system, which would put a **price on emissions in the Real Estate sector** (expected in 2026). Entry into this market could lead to an increase in operating costs for the purchase of emission allowances in the amount of €0.3m per year.

As regards the risk associated with **new regulations for a carbon neutral future**, Colonial Group expects that various regulations will be developed at European, national, regional and local levels. Among other issues, the following is likely to be expected of companies:

- New reporting requirements. In the short term, the EU Corporate Sustainability Reporting Directive (CSRD) is expected to be adopted. In Spain, it is also expected that during the next two years it will be mandatory to publish information on the management of climate change risks and opportunities (in line with this chapter).
- Publication of the **alignment of its activities with the EU Green Taxonomy**. Although this regulation does not currently apply to Colonial Group (it could start to apply in the short to medium-term), a misalignment of the assets with respect to the technical criteria could have an impact on the value of these assets and on the Group's ability to finance itself. Aligning these assets with these criteria may in some cases require significant investment.
- **Ambitious emission reduction plans**, which may require significant investments in clean technologies, energy efficiency, etc. This is the case, for example, of the new *Décret tertiaire* in France. The Group estimates that these emerging regulations could lead to an increase in CAPEX spending of between €13m and €26m.
- Emission offsets (possibly through a regulated market).
- New energy requirements in buildings (existing and new buildings).
- Climate change adaptation plans, which may require significant investments and/or the redesigning of building construction and renovation criteria.

In addition to these regulations, Colonial Group also expects that in the medium to long term **new standards will be developed that focus on the decarbonisation of the supply chain**. For example, suppliers could become obliged to be assessed and selected on the basis of sustainability criteria. This would have a significant impact on the costs of people, systems and external services.

Technological risks

No relevant technological risks have been identified in this scenario either.

Market risks

As part of the increased demands from stakeholders to reduce emissions, Colonial Group's clients can implement **measures aimed at reducing travel-related emissions**. This could decrease the space required by customers, thus reducing Colonial Group's revenues. In this regard, Colonial Group wishes to emphasise that the emissions associated with remote working should not be ignored when assessing such measures.

In line with the above risk, clients are expected to increase their **requirements in terms of sustainability in the medium and long term** to reduce their Scope 3 emissions (among other environmental impacts in their value chain).

The **increase in raw material prices** is a risk that is already materialising for some commodities today. Colonial Group expects this trend to continue due to higher transport and energy costs and an increase in demand (and shortage of supply) of certain materials for the development of key technologies for the transition of energy (renewable energies, batteries, etc.).

As with raw materials for the construction and renovation of buildings, **high price variations are expected for water and energy, in particular**. Even if an orderly energy transition is made, Colonial Group expects that significant price increases may occur temporarily. The rise in energy prices seen at the end of 2021 due to other causes shows us the impact that the materialisation of this risk could have on society.

Finally, the **obsolescence of older assets** is a risk that could have a very high financial impact. In some cases, renovating older buildings so that they meet the highest sustainability criteria may require comprehensive, investment-intensive renovations.

Reputational risks

Lastly, in terms of reputational risks, the risk associated with the **difficulty in accessing financing** has been considered relevant. Investors are increasingly looking for companies with sustainable portfolios, which are committed to sustainability goals and are transparent. Failure to invest in sustainability and to disclose comprehensive, robust and credible ESG information may result in a loss of investors, making it difficult to access funding. In this regard, of special mention is the conversion of all of Colonial Group's bonds into green bonds with a value of €4,602m. (See section 5.2. Financial and operational results).

Like investors, clients will also include sustainability as a selection criterion for their offices. The **loss of competitiveness due to a poor reputation in the field of sustainability** is a risk that Colonial Group actively monitors and manages. The impact of this risk could reduce sales by between €3.1m and €6.3m per year. The certification of our assets to the highest sustainability standards or the adherence to the SBTi initiative is a clear sign of our commitment.

Physical risks

In this scenario, physical risks are expected to be less significant. The objective of the Paris Agreement is precisely to avoid the worst-case climate change scenarios that would materialise in the SSP5 8.5 scenario.

Acute physical hazards

Colonial Group considers that the acute physical risks outlined as a worst-case scenario may also be relevant in this scenario. In recent years, severe storms such as Gloria or Filomena have already made significant physical impacts.

Chronic physical risks

Colonial Group does not consider that chronic physical risks are likely to materialise to any significant extent in this scenario.

Opportunities

There are a number of opportunities in the SSP1-1.9 scenario, many of them linked to transition risks.

Making efficient use of resources to reduce the carbon footprint is also a financial opportunity for Colonial Group. Reducing energy or water consumption through energy efficiency measures reduces indirect operating costs. It is estimated that a 10% annual reduction in consumption through energy efficiency measures could lead to annual savings of €1.4m.

At the same time, installing renewable energy sources can help reduce direct consumption costs, reduce emissions and even attract both investors and customers because of the reputational benefits.

The reuse or recycling of materials presents a significant opportunity for Colonial Group. As well as being environmentally beneficial, it reduces the impact of a potential increase in the cost of raw materials, thus reducing the construction and renovation costs. In addition, these measures will reduce the embodied carbon of the assets, which customers are expected to value positively in their decision making.

Overall, the opportunities outlined above could result in increased revenues from an increased demand for Colonial Group's assets while improving customer satisfaction levels. Annual revenue growth is estimated to be between €6.3m and €15.7m.

In this scenario, customers look at whether the products and services offered by companies are sustainable. Anticipating changes in consumer preferences through active communication with consumers can have reputational benefits, increasing both customer loyalty and demand for Colonial Group's assets.

Lastly, Colonial Group considers that the opportunities related to reducing physical risks are similar to those in the SSP5-8.5 scenario, but with a lower impact. In any case, the implementation of climate change adaptation plans in the buildings helps Colonial Group to become more resilient against extreme weather conditions and thus be able to continue operating.

Scenario SSP5-8.5

Risks

Transition risks

In general, fewer significant transition risks have been identified in this scenario. Even so, there are short-term risks with a high probability of materialising.

Regulatory and legal risks

The short-term regulatory risks are the same as in the SSP1 scenario. In the medium and long term, regulations with a high level of climate ambition are not expected in this scenario.

Market risks

In terms of market risks, high fluctuations in the cost of raw materials and energy are expected in the short term. Even so, these risks are expected to materialise with greater impact in the SSP1 scenario.

Technology and reputational risks

Colonial Group assesses other transition risks, including technological and reputational, but after the analysis carried out in 2021, they have not been found to be significant in this scenario.

Physical risks

In contrast to transition risks, Colonial Group considers that the probability of physical risks materialising in the short, medium and long term with a significant impact is much higher.

Acute physical hazards

The risk that could have a greater impact on assets, should it materialise, is a **higher intensity of storms with extreme winds**. These phenomena can damage some building elements, which has occurred in the past during such weather conditions. The repair of these elements results in unforeseen expenses.

Moreover, although more likely but with less impact than the previous risk, **extreme heat waves** can lead to increased energy consumption, resulting in higher operational costs. In addition, in the event of an equipment breakdown, this would temporarily make it difficult to operate the asset.

Neither a **higher severity of extreme weather conditions (e.g. storms)** nor a **higher severity of flooding, especially in flood-prone areas**, are considered likely given the location of most of Colonial Group's assets. However, if they were to materialise, they could damage some elements and render some areas of the buildings temporarily inoperative.

Chronic physical risks

The **increase in average temperatures** in Spain and France, as well as a **higher frequency of heat waves** and the **increased "heat island" effect in urban centres**, could lead to an increase in energy consumption (especially during the warm months), thus increasing expenditure on energy. If this increase in consumption is coupled with a possible increase in price, the financial impact could be significant. The Group estimates an annual overrun of €550,000.

In terms of the risk associated with an **increased frequency of floods**, there could be direct financial impacts due to the damage they can cause. Consequently, this would lead to insurance losses as well as an increase in insurance premiums. However, it is worth noting the indirect impact it could have on users as they might consider evaluating other locations.

On the other hand, an **increase in periods of drought** could lead to water cut-offs or restrictions in water use, decreasing the wellbeing of tenants. Madrid and Barcelona could be the most affected locations as they are located in areas of high water stress according to the World Resources Institute (WRI).

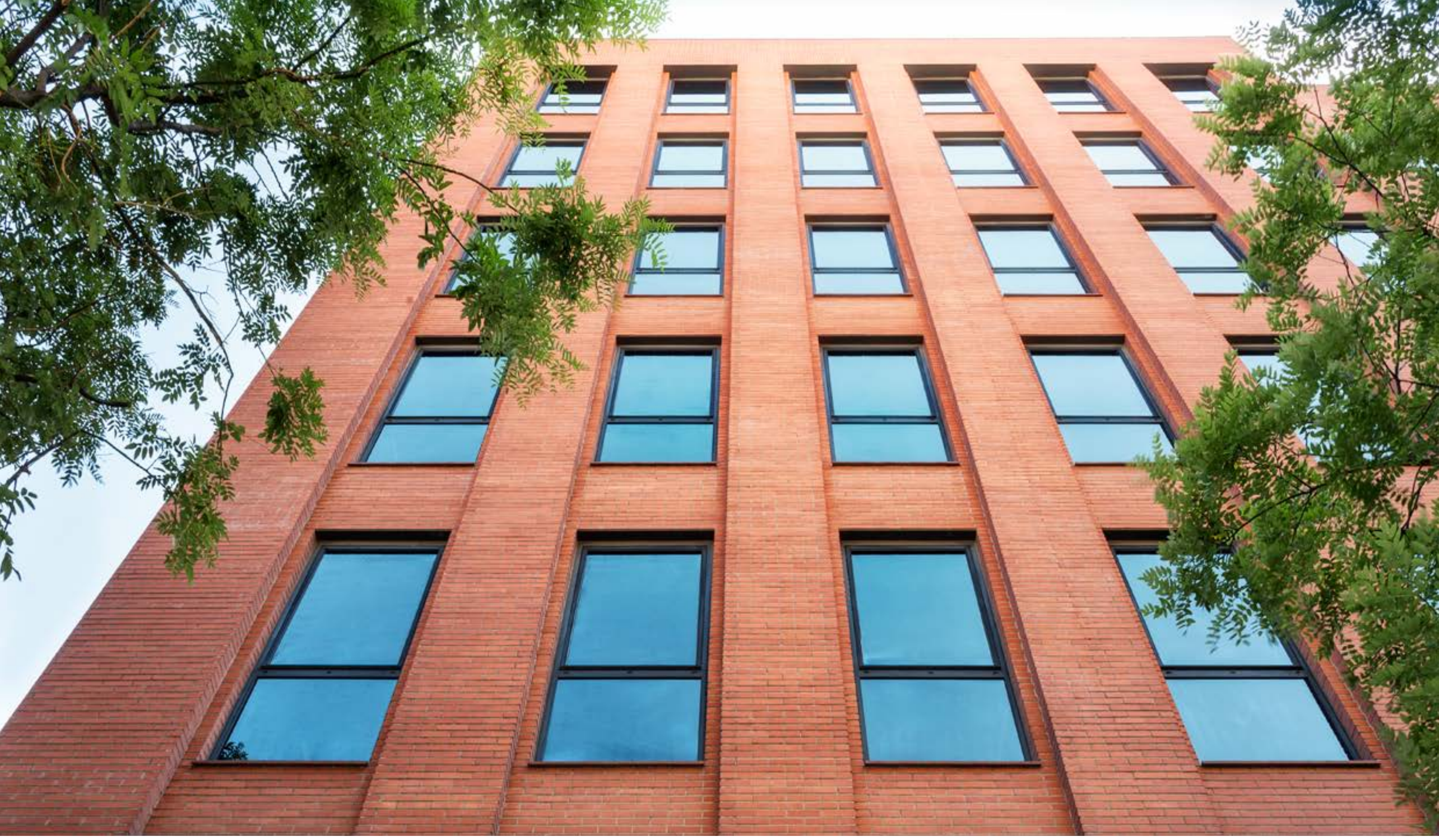
Lastly, the impacts on ecosystems resulting from climate change could lead to the emergence of species in areas where they do not currently exist. An increased interaction between humans and these species could lead to the **transmission of new parasites, viruses and bacteria**. This could trigger a new pandemic like the current COVID-19 pandemic with a high impact on the occupancy of Colonial Group's buildings.

Opportunities

Colonial Group is working to avoid such a scenario at all costs, as it would have catastrophic and, to some extent, unpredictable effects on society as a whole. However, Colonial Group also identifies opportunities that can also help neutralise the negative impacts of some of these risks.

Colonial Group believes that prioritising the inclusion of climate change criteria in the acquisition, design or renovation of its buildings can help to strengthen its resilience to the possible materialisation of the above physical risks. Among these measures, worth highlighting are the improvement of thermal insulation, the integration of vegetation on and around the roof, the installation of sensors and new measurement technologies, among others.

Undoubtedly, by demonstrating to stakeholders that Colonial Group's assets can continue to operate in the face of adverse phenomena is a reputational and financial opportunity (increased revenues and access to capital).



Impact on strategy

Colonial Group is firmly committed to being part of the solution to the threat of climate change. However, as this is a global phenomenon on which Colonial Group has a relatively low impact, the Group will have to adapt its strategy according to the scenario as it materialises. In the event of a scenario such as SSP1, the emphasis should be on climate change mitigation, and under a scenario such as SSP5, the emphasis should be on adaptation.

Responding to scenario SSP1-1.9

Colonial Group is confident that its strategy, supported by science-based objectives, will enable the company to adapt to regulatory developments in sustainability and also to the new market and stakeholder demands posed by the SSP1 scenario. Colonial Group has been implementing measures that create long-term value and are also in line with the demands identified in our climate risk analysis (e.g. energy efficiency, technological improvements and the progressive adoption of renewable and carbon-neutral energies, and reduction of emissions, etc.).

Although the current strategy is robust, such a demanding scenario will force Colonial Group to not only periodically evaluate its investment priorities, but also its divestment priorities in view of the increasing requirements in terms of energy efficiency and reducing emissions (among other ESG aspects). It will also be key for Colonial Group to take advantage of the opportunities that this transition may present.

This scenario will also have impacts on our strategy in terms of value chain management. The selection and evaluation criteria of suppliers should be made more stringent. In addition, communication and collaboration with customers must be strengthened in order to anticipate their future environmental requirements and jointly reduce the environmental impacts of the assets.

Responding to the SSP5-8.5 scenario

Colonial Group has been analysing the vulnerability of its assets to the physical risks of climate change for years. This allows Colonial Group to continuously identify investment priorities to optimise the resilience of its portfolio.

In addition, Colonial Group's current strategy, based on prime assets located in the CBD, means that these are largely located in urban areas with high resilience to climate change. The above, together with its firm commitment to technological innovation, reconfirms the strength of its strategy in the short, medium and long term.

However, in the event that this scenario materialises, Colonial Group will have to refocus its investment strategy to highly resilient assets. Colonial Group must also continually re-evaluate its renovation and construction design criteria to ensure the safety and well-being of customers and users in the event of extreme weather conditions.

III. Risk management

Methodology for identifying and assessing climate risks and opportunities

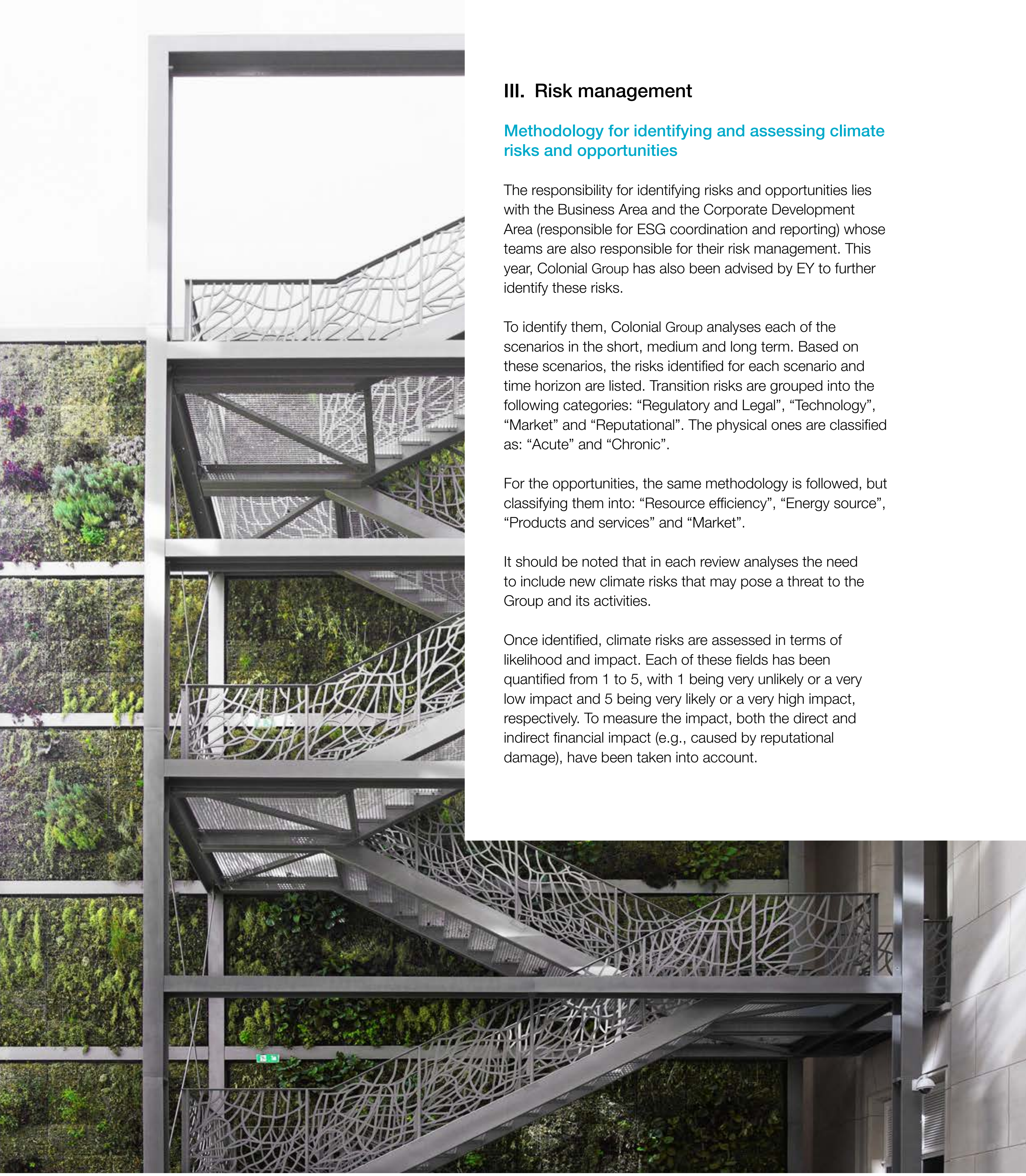
The responsibility for identifying risks and opportunities lies with the Business Area and the Corporate Development Area (responsible for ESG coordination and reporting) whose teams are also responsible for their risk management. This year, Colonial Group has also been advised by EY to further identify these risks.

To identify them, Colonial Group analyses each of the scenarios in the short, medium and long term. Based on these scenarios, the risks identified for each scenario and time horizon are listed. Transition risks are grouped into the following categories: “Regulatory and Legal”, “Technology”, “Market” and “Reputational”. The physical ones are classified as: “Acute” and “Chronic”.

For the opportunities, the same methodology is followed, but classifying them into: “Resource efficiency”, “Energy source”, “Products and services” and “Market”.

It should be noted that in each review analyses the need to include new climate risks that may pose a threat to the Group and its activities.

Once identified, climate risks are assessed in terms of likelihood and impact. Each of these fields has been quantified from 1 to 5, with 1 being very unlikely or a very low impact and 5 being very likely or a very high impact, respectively. To measure the impact, both the direct and indirect financial impact (e.g., caused by reputational damage), have been taken into account.



Reports on climate change mitigation and adaptation measures and associated action plans

In addition to the analysis of climate change risks and opportunities at the Group level, Colonial has developed a series of reports on climate change mitigation and adaptation measures as well as associated action plans that have enabled it to identify in detail the climate change risks and opportunities associated with each building in the property portfolio.

I. Reports on climate change mitigation and adaptation measures

One of the actions included in the sustainability master plan in 2019 was the analysis of the adaptive capacity of Colonial's portfolio of buildings to climate change, the related risks in order to anticipate the possible multiplication of exceptional climate events and the possible opportunities, assessing their level of resilience. In these reports, the opportunities and risks identified are classified into regulatory, physical and financial opportunities based on their potential impact on the Company.

The different categories of physical risks associated with climate change analysed for each building and for which the main impacts have been assessed as listed below:

- Rise in temperature
- Torrential rain
- Drought
- More frequent episodes of strong winds and hail storms
- Greater concentration of GHG in the air

For each building, its vulnerability to a climate impact is taken as one of the references, alongside risk, for the decisions on the basis of which the corresponding action plan is drawn up. Vulnerability is assessed (likelihood of being affected by a climate event) using two components:

- Sensitivity
- Ability to adapt

In parallel to the vulnerability assessment, the risk for buildings of each of the aforementioned events is also studied. In this case, the components used in the risk assessment are:

- Severity
- Likelihood

Framework for analysing climate change risks and opportunities

II. Action plans for the adaptation and mitigation of climate change impacts in the reports on climate change mitigation and adaptation measures

Based on these reports, specific actions were derived for each building in terms of adaptation measures to the new scenarios and mitigation measures to reduce the future effects of climate change.

In order to implement these measures, the Group has developed specific Action Plans for each building to achieve increased resilience to the effects of climate change (including actions on the building envelope, energy efficiency initiatives and plumbing adaptations), as well as creating value through the management of opportunities in this regard.

Consequently, climate change adaptation and mitigation measures are planned in a coordinated and gradual manner depending on the vulnerability of the building and its surroundings, paying particular attention to the synergies between them. For each of these measures, monitoring metrics and targets have been defined, and the financial cost of the required investment has been quantified.

Integration into the risk matrix

Climate risks (both physical and transitional) are integrated into the corporate risk matrix, which is updated every six months through reviews with the members of the Management Team (risk owners). For more details, see 4.2 Our Risk Management Model.

Currently, climate risks are integrated into the matrix through risks 6. Effects of climate change and 13. Damage to the environment. The first of these risks mainly comprises those risks described above linked to the physical, social and economic consequences of climate change that may have an impact on Colonial Group's assets and stakeholders. On the other hand, the second comprises those risks linked to the impacts generated by the Group's own activity, especially legal, regulatory and reputational risks. Section 4.3 Main Risks Identified in 2021: Description, Impact and Control Measures Implemented presents the description of these risks, the control measures, any changes to the risk with respect to 2020 and the associated opportunities.

It should be noted that despite the integration of all climate risks into two main risks, the internal analysis of climate change risks and opportunities takes into account all physical and transition risk categories recommended by the TCFD and CDP, as described in the previous section. Colonial Group will also work during 2022 to update the way in which these risks are integrated into the matrix.

IV. Metrics and objectives

The Colonial Group's Decarbonisation Business Plan is the Group's transition plan towards a carbon neutral future. It integrates several strategic objectives, most of them directly or indirectly linked to climate change and the associated risks and opportunities. The most relevant goal in this regard is carbon neutrality by 2030. Thanks to improvements in energy efficiency and, in particular, the purchase of electricity from renewable sources, Colonial Group has already managed to reduce its carbon footprint intensity for Scopes 1 and 2 by –27% in 2021 compared to 2019 (pre-pandemic period), advancing at an accelerated pace towards the total decarbonisation of its portfolio. To see the progress of the Business Plan, see section 5.4. Transition to Carbon Neutrality.

Colonial Group also pays increasingly more attention to GHG emissions in its value chain. Colonial Group has therefore calculated and published the Scope 3 emissions of the categories most relevant for Colonial Group. Colonial Group also actively measures the embodied carbon of new projects.

In order to make further progress in achieving these objectives, Colonial Group has an action plan (the Sustainability Master Plan) with an associated calendar and budget that is approved annually. As part of this Plan, the Colonial Group has approved a series of improvement works with a forecast CAPEX of €50m over five years, which will involve a reduction in energy and a reduction in CO_2 emissions in the portfolio.

The achievement of the objectives of the Business Plan is periodically monitored by Colonial Group's ESG Committee. In the event that a deviation is identified that may pose a risk to the achievement of these objectives, the ESG Committee will take the necessary measures.

For more details, chapter 5.5. Eco-efficiency and decarbonisation results of this report, as well as Appendix 8.2 Key Sustainability Indicators - GRI & EPRA BPR'S, detail the metrics (and targets) used to measure the progress made in managing climate change related risks and opportunities.

CHAPTER

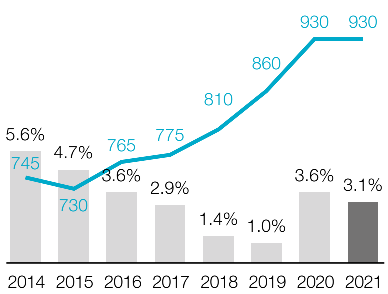
5

Performance

5.1. Office markets

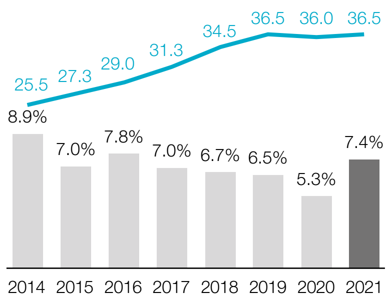
5.1.1 Rental markets

Paris



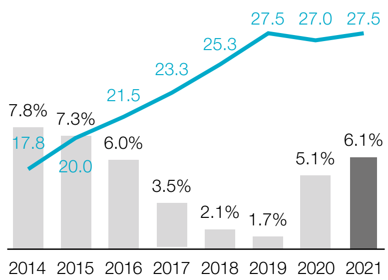
- Vacancy CBD (%)
- Prime Rents CBD (€/sqm/year)

Madrid



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

Barcelona



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

In the office market in Paris, take-up increased +49% compared to the figure of 2020. Likewise, the CBD recovered the same level of demand as 2019 (pre-pandemic record year) reaching 426,000 sqm, exceeding the 2020 figure by +55%. The vacancy rate in the CBD in Paris decreased from 3.9% in the third quarter of 2021 to 3.1%. This lack of prime product meant prime rents increased up to €930/sqm/year.

The office market in Madrid continues to recover, closing 2021 with a demand of 412,000 sqm, a figure +22% higher than the previous year. Increased dynamism was seen in the fourth quarter of 2021, in which 131,000 sqm were signed, almost double the figure registered in the same quarter of 2020. In 2021, the CBD and the city centre continue to be the most sought-after areas, making up close to 40% of the demand. The quality of the assets continues to be the main selling point for companies, as 61% of the demand was signed on Grade A and Grade B+ buildings. The vacancy rate of the CBD increased due to the entry into operation of new product, reaching 7.4%. However, the vacancy of Grade A product in the CBD stood at 3.6%. Prime rents remained stable at €36.5/sqm/month.

Take-up in the **office market in Barcelona** continues to show a strong recovery, standing at 332,000 sqm for 2021, a figure +240% higher than 2020. Likewise, it should be mentioned that the demand in the fourth quarter of 2021 reached 99,000 sqm, +38% higher than the last quarter of 2019 (pre-pandemic). Clients show a preference for the city centre and the 22@, receiving more than 85% of the demand and are looking particularly for Grade A and B+ offices. The vacancy rate in the CBD stood at 6.1%, however, the availability of Grade A product is very limited. Prime rents once again reached an all-time high over the last decade, due to the lack of quality spaces, standing at €27.5/sqm/month.

Sources: Reports by Jones Lang Lasalle, Cushman & Wakefield and CBRE.

5.1.2 Investment market

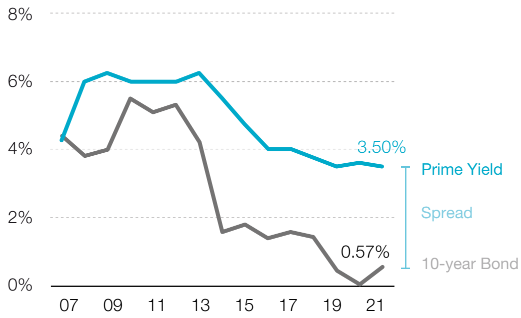
In Barcelona, the investment volume in 2021 reached €2,000m, the highest in the last 14 years, and +13% more than in 2019 (pre-Covid year). The 22@ market, followed by the CBD, continue to concentrate more than 70% of the transactions, as they provide investors with the sought-after products: Grade A buildings in excellent locations, with AAA clients. 80% of the transactions were carried out by international investors with the aim of obtaining adjusted risk assets. Among the investors, investment funds stand out, specialised in real estate investment and institutional investors from central Europe, in particular German investors. This flow of capital meant core products **positioned the prime yields of Barcelona at levels of 3.50%**.

In Madrid, the investment volume reached €655m, of which the CBD concentrates more than 60% of the total transactions. In 2021, the main investors were national and international insurance companies and institutional funds. Investors showed a high willingness and capacity to invest in the office market in Madrid, at levels similar to those of 2019. However, the availability of Grade A product is very limited. In this respect, international investment funds consider ESG to be the key factor of each asset and the margin for improvement of the stock in certain areas in Madrid is therefore significant. **Prime yields in Madrid stood at 3.25%**.

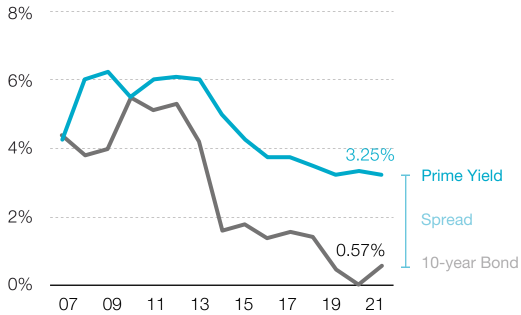
The **investment volume** in the office market of **Paris reached €12,663m in 2021. Investment in core offices in Paris concentrated 60% of the total investment in real estate assets in 2021**, being investors' preferred type of asset. International funds have once again invested a volume like 2019, showing a trend of recovery in the investment market following the pandemic. Likewise, in 2021, investors, in particular international funds, have been looking for assets with adjusted risk, therefore they have been very active in the acquisition of assets of prime offices located in well-established areas with a good ESG profile. Likewise, the lack of this type of product has limited the number of large transactions for this year. **Prime yields stood at 2.50%**.

Prime Yields[1]

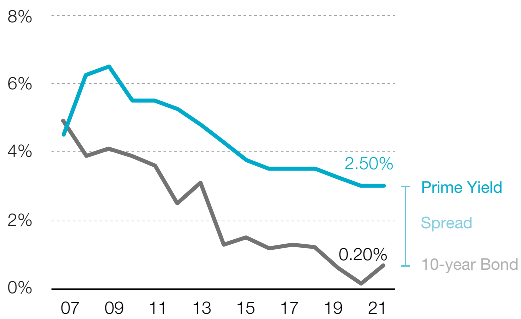
Barcelona



Madrid



Paris



(1) Sources: Reports by Jones Lang Lasalle, Cushman & Wakefield and CBRE.

5.2. Financial and operational results

5.2.1 Portfolio letting performance

Breakdown of the current portfolio by floor area:

At the close of 2021, the Colonial Group's portfolio totalled 1,677,527 sqm, primarily related to office buildings, which comprised 1,531,678 sqm.

At the close of 2021, 80% of the office portfolio was in operation and the rest corresponded to an attractive portfolio of projects and renovations.

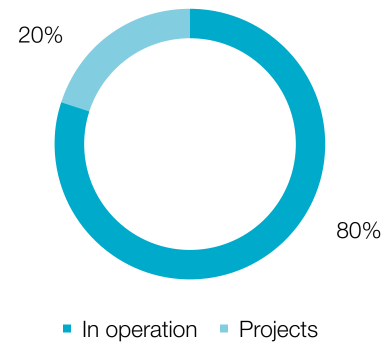
Signed leases - Offices:

At the close of 2021, the Colonial Group formalized leases for a **total of 170,344 sqm of offices**. 67% (113,872 sqm) corresponded to contracts signed in Barcelona and Madrid and the rest (56,472 sqm) were signed in Paris.

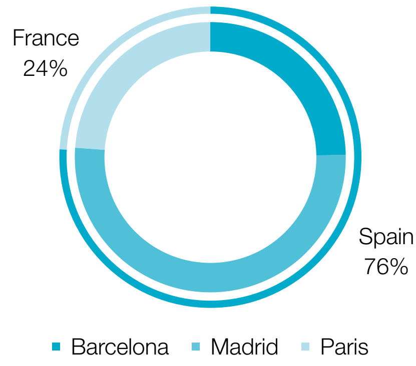
Renewals: Out of the total office letting activity, 52% (89,385 sqm) are lease renewals, spread over the three markets in which the group operates.

New lettings: New leases relating to 80,960 sqm were signed, highlighting the 40,869 sqm signed in Paris and 28,865 sqm signed in Madrid.

Offices Surface - by condition

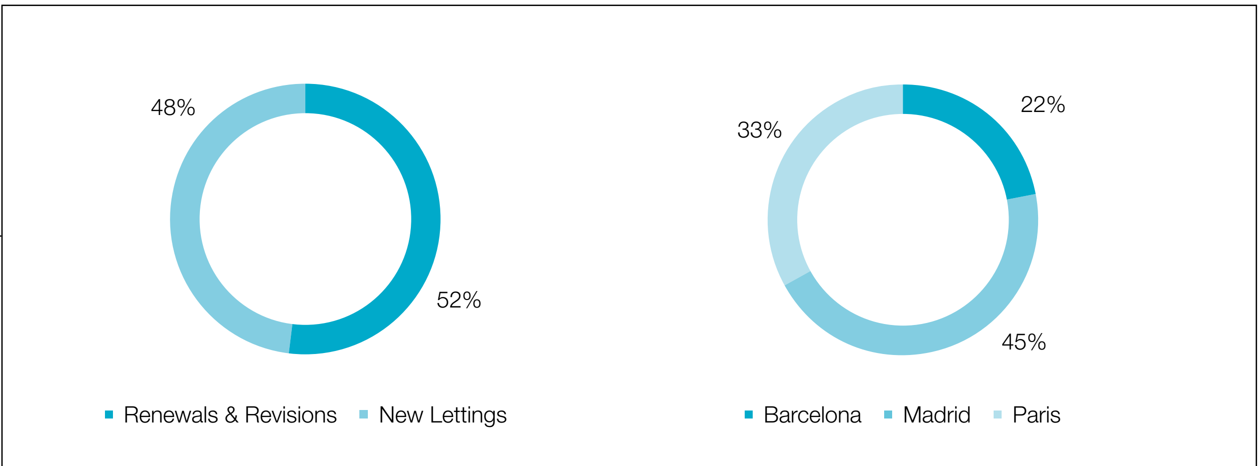


Offices Surface - by market



Letting Performance - Offices

December cumulative - sqm	2021	Average maturity	% New rents vs. previous
Renewals & revisions - Barcelona	25,867	3	24%
Renewals & revisions - Madrid	47,914	3	4%
Renewals & revisions - Paris	15,603	6	2%
Total renewals & revisions	**89,385**	**4**	**7%**
New lettings - Barcelona	11,226	4	
New lettings - Madrid	28,865	5	
New lettings - Paris	40,869	7	
New lettings	**80,960**	**7**	**n. a.**
Total commercial effort	**170,344**	**5**	**n. a.**



The new rents stood at +7% above previous rental prices: **Barcelona +24%, Madrid +4% and Paris +2%**.

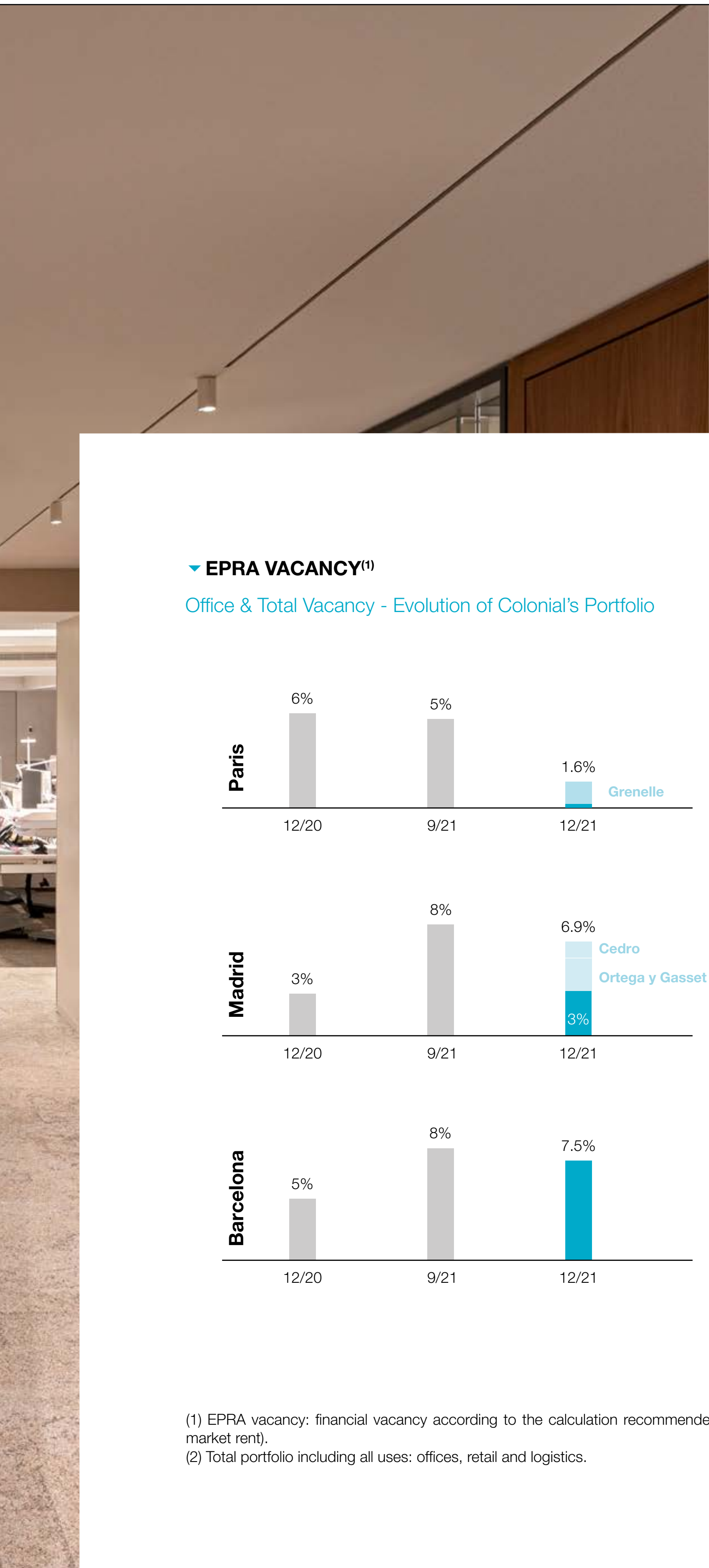
Colonial's total letting activity is spread across the three markets in which the Company operates.

In Spain, 113,872 sqm were signed during 2021, corresponding to 78 contracts.

Of special mention is the strong commercial activity in the Madrid office portfolio, where rental contracts with a total surface area of 76,779 sqm were signed across 44 transactions. 15,420 sqm corresponded to the renewal of Poeta Joan Maragall asset with various government agencies, the renewal of 14,430 sqm on the EGEO asset with a leading engineering consultancy firm, as well as 4,418 sqm on the José Abascal 56 asset with a prestigious law firm and an important investment bank and the renewal of 4,168 sqm on the Santa Engracia asset with an important hotel branch. Regarding new contracts signed, of special mention is the signing of 6,739 sqm on the Cedro asset with a leasing company, the signing of 3,254 sqm on the Ribera del Loira 28 asset with various clients, the signing of 2,308 sqm on Don Ramón de la Cruz with an investment bank, the signing of 2,414 sqm on the Puerto de Somport 8 asset with various tenants and the signing of 2,207 sqm on the José Abascal 45 asset, with various tenants, among others.

In the **Barcelona office portfolio**, rental contracts with a surface area of 37,093 sqm across 34 transactions were signed. Among the highlights are the renewal of 11,672 sqm on the Diagonal 220-240 asset with a government agency, the renewal of 7,332 sqm on Diagonal 609-615, as well as the renewal of 2,285 sqm on the Sant Cugat property and 1,127 sqm on the Diagonal 682 property with various tenants. Likewise, regarding new contracts signed, of special mention is the signing of 4,520 sqm on the Sant Cugat property, 2,302 sqm on Diagonal 609-615 with various tenants and the signing of 1,299 sqm on Diagonal 530 with Utopicus.

In the Paris portfolio, rental contracts with a surface area of 56,472 sqm were signed across 40 transactions. Of special mention is the renewal of 7,019 sqm on the #Cloud property with a social media company and the renewal of 4,285 sqm on the Washington Plaza building and 3,749 sqm on the Édouard VII property with various tenants. Regarding new contracts signed, of special mention is the signing of 11,734 sqm on the Washington Plaza building, 8,175 sqm on #Cloud, 8,615 sqm on the Cézanne Saint-Honoré asset, 5,523 sqm on the Édouard VII asset, as well as the signing of 4,551 sqm on the 103 Grenelle asset with various tenants.



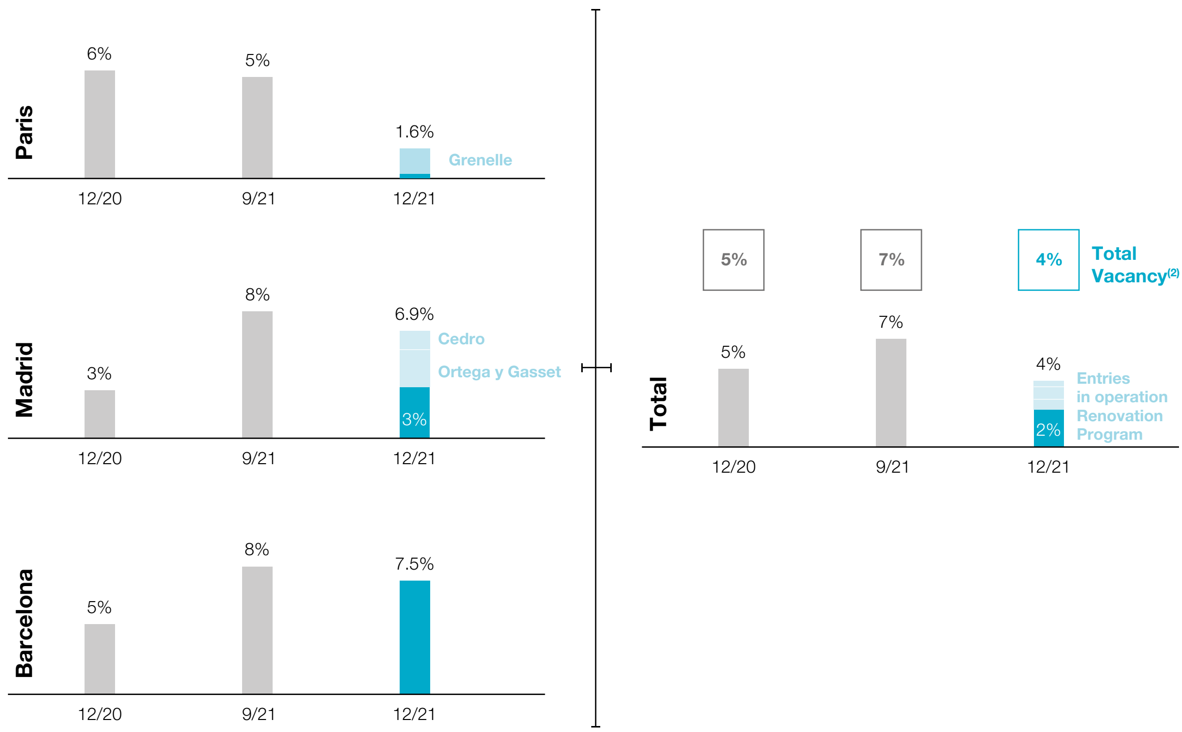
A portfolio with solid occupancy levels

The total EPRA vacancy of the Colonial Group, at the close of 2021, stood at 4.1%, a vacancy rate significantly lower than the vacancy rate of 7% in the third quarter of 2021, and below the vacancy rate of December 2020. This decrease in vacancy is mainly due to the recovery seen in the Paris market, which has compensated for the entry into operation of renovated assets in Madrid, as well as the tenant rotation in the Sant Cugat asset (secondary area of Barcelona).

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

EPRA VACANCY[1]

Office & Total Vacancy - Evolution of Colonial's Portfolio



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

The office portfolio in Paris has a vacancy rate of 1.6%, a rate that saw an increase over the last two quarters due to the entry into operation of the renovated surfaces in the 103 Grenelle and Washington Plaza assets, but which closed the year with a strong recovery thanks to the new signings carried out on the Washington Plaza asset.

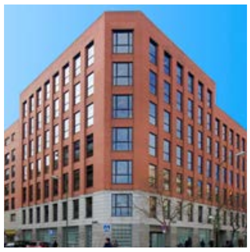
The office portfolio in Madrid has a vacancy rate of 6.9%, an improvement compared to the rate reported in the last quarter, although higher than the vacancy rate of the previous year. This increase is mainly due to the entry into operation of the refurbished assets Cedro and Ortega y Gasset 100. Both repositioned assets are generating a lot of interest in the market, highlighting the signing of 6,000 sqm on the Cedro asset in the last quarter of 2021. Excluding these assets, the vacancy rate of the rest of the Madrid portfolio is 3%.

The Barcelona office portfolio has a vacancy rate of 7.5%, a rate in line with the rate reported in the last quarter, although higher than the vacancy rate of the previous year, mainly due to the tenant rotation in the Sant Cugat asset.

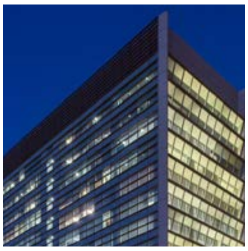
The vacant office space at the close 2021 is as follows:

Diagonal, 609-615

Ortega y Gasset



Diagonal, 682



Grenelle, 103

Vacancy surface of offices

Surface above ground (sqm)	Entries into operation[(1)]	BD area and others	CBD area & 7ième Paris	2021	EPRA Vacancy Offices
Barcelona	0	12,474	7,602	20,076	7.5%
Madrid	16,175	1,095	8,868	26,139	6.9%
Paris	4,225	0	307	4,533	1.6%
Total	**20,401**	**13,569**	**16,778**	**50,748**	**4.0%**

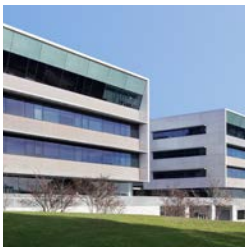
(1) Projects and renovations that have entered into operation.

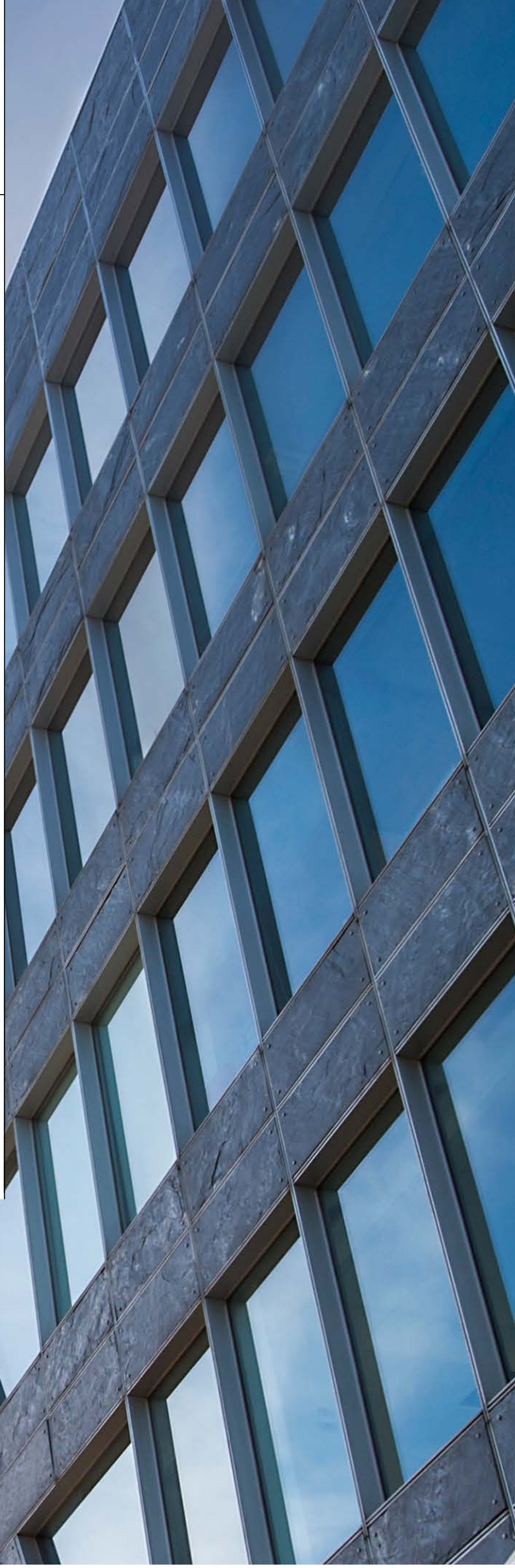
Príncipe de Vergara, 112-114

Cedro

Castellana, 163

Sant Cugat





Commercial lease expiry and reversionary potential

Commercial lease expiry

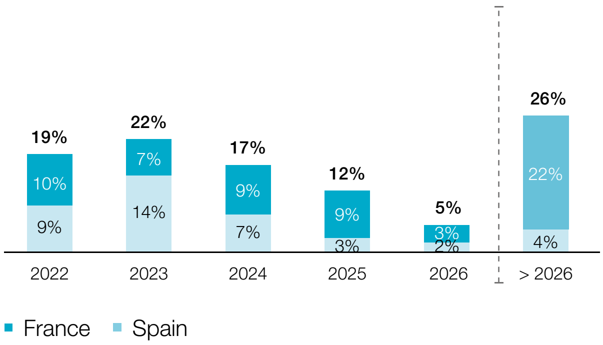
The following graphs show the contractual rent roll for the coming years.

The **first graph** shows the commercial lease expiry dates for the Colonial Group's entire portfolio. If the tenants choose to end the contract at the first possible date in the year 2022 (break option or end of contract), it will correspond to 19% of the contract portfolio. If the tenants remain until the contract expires in 2022, the figure is reduced to 12%.

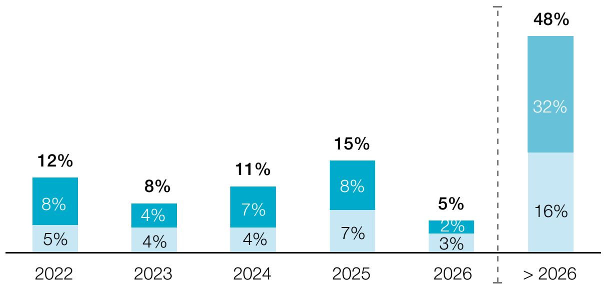
Colonial Group

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

First Potential Exit[(2)]



Expiry Date[(3)]

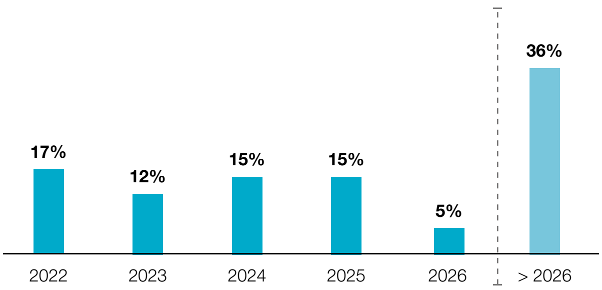


In this **second graph**, it shows the commercial lease expiry dates of the assets **in France** if the tenants choose to end the contract at the first possible date (break option or end of contract) or if the tenants remain until the contract expires. In France, the contract structured in a longer term.

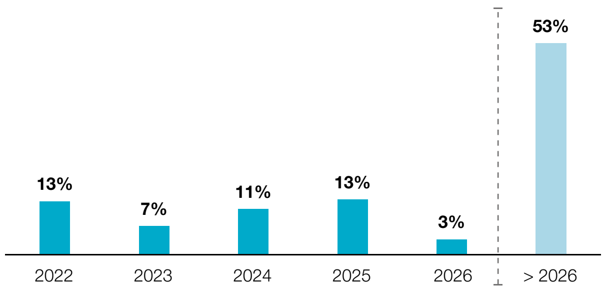
France

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

First Potential Exit[(2)]



Expiry Date[(3)]



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

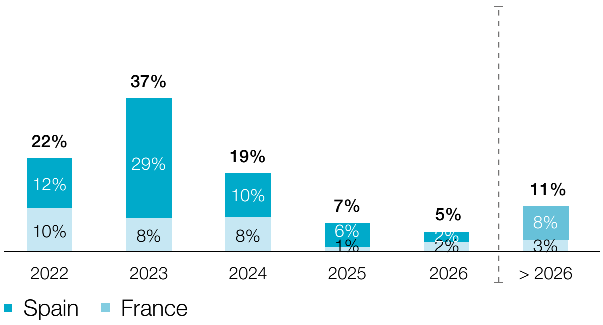
The **third graph** shows the commercial lease expiry dates of the assets **in Spain** if the tenants choose to end the contract at the first possible date (break option or end of contract) or if the tenants remain until the contract expires.

It is worth mentioning that the contract structure in Spain is over a shorter term than the contract structure in France.

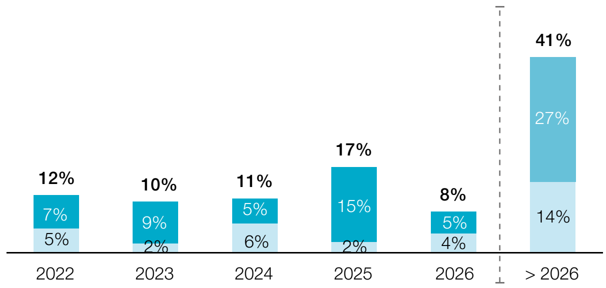
Spain

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

First Potential Exit[2]



Expiry Date[3]



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

Reversionary Potential of the rental portfolio

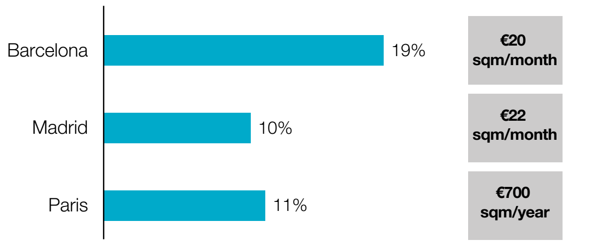
The Colonial Group's contract portfolio has a significant reversionary potential. This reversionary potential is the result of comparing the rental income of the current contracts (contracts with current occupancy and current rents) with the rental income that would result from letting the total surface at the market prices estimated by independent appraisers as at the close of 2021 (not including the potential rents from the projects and significant renovations underway).

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

- +19% in Barcelona
- +10% in Madrid
- +11% in Paris

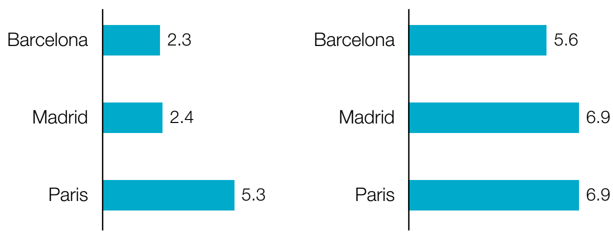
Figures at December 2021

"Reversionary potential"[(1)] Current passing rent[(2)]



Average maturity of the contracts (years)

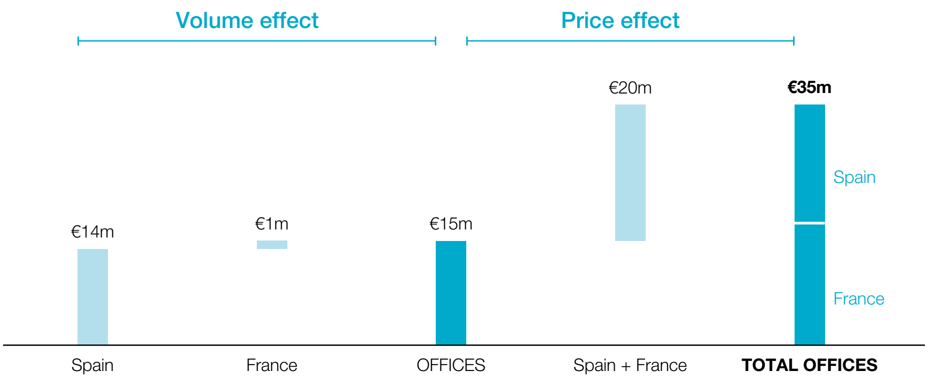
First Potential exit Expiry date

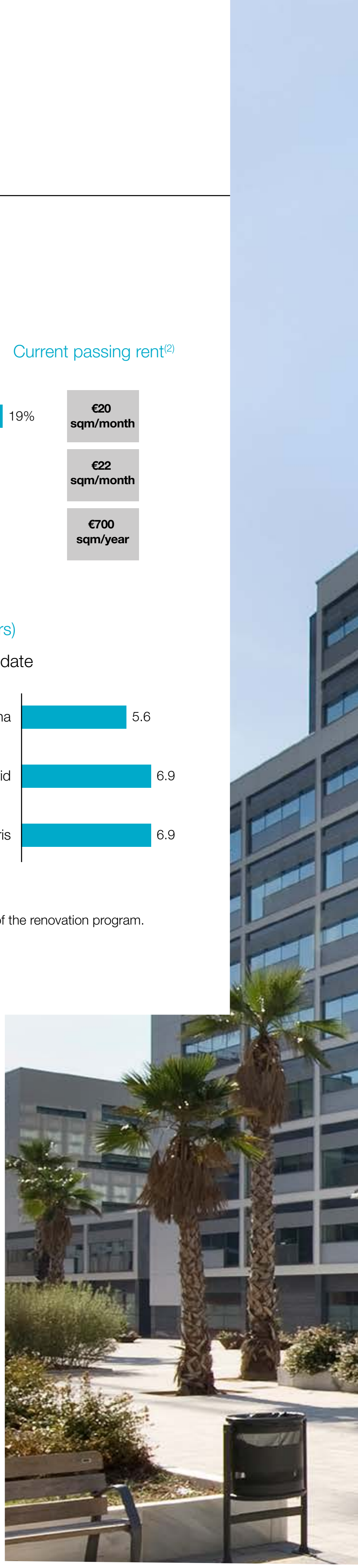


(1) Reversionary potential excluding the impacts of the renovation program.
(2) Current office rent of occupied surfaces.

Specifically, the static reversionary potential in the current portfolio **would result in approximately €35m of additional annual rental income**.

Reversionary potential-rental income





5.2.2 Project portfolio

Project portfolio and renovation programs

The Colonial Group continues to make solid progress in developing its project portfolio, located in the city centres of Barcelona, Madrid and Paris. Currently, Colonial has 9 assets in its project portfolio, totalling more than 189,000 sqm.

Out of the 9 projects underway, the **Diagonal 525, 83 Marceau and Louvre Saint-Honoré** projects are **already fully pre-let**. As at the current date, these pre-let agreements guarantee a total volume of **€27m** in new rents, once completed.

		Project	City	% Group	Delivery	GLA (sqm)	Total Cost €m[1]	Yield on Cost
	1	Diagonal, 525	Barcelona CBD	100%	Delivered	5,706	41	≈ 5%
	2	83 Marceau	Paris CBD	98%	Delivered	9,600	154	≈ 6%
2022	3	Miguel Ángel, 23	Madrid CBD	100%	1H 22	8,204	66	5-6%
2022	4	Velázquez, 86D	Madrid CBD	100%	1H 22	16,318	116	6-7%
2022	5	Biome	Paris City Center	98%	2H 22	24,500	283	≈ 5%
2022	6	Sagasta, 27	Madrid CBD	100%	2H 22	4,896	23	6%
> 2022	7	Plaza Europa, 34	Barcelona	50%	1H 23	14,306	42	≈ 7%
> 2022	8	Méndez Álvaro Campus	Madrid CBD South	100%	1H 24	89,871	323	7-8%
> 2022	9	Louvre Saint-Honoré *Prime Commercial*	Paris CBD	98%	2024	16,000	215	7-8%
Current Pipeline						**189,401**	**1,264**	**6-7%**

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

Successful delivery of projects in Barcelona and Paris with excellent value creation

The delivery of **Diagonal 525 in Barcelona and 83 Marceau in 2021** in Paris, **resulted in new annual revenues of €11m** for Colonial **and a significant value creation** on total cost.

In the first quarter of 2021, Colonial completed the full renovation works of the building located at Diagonal 525 with a surface area of 5,706 sqm in the centre of the CBD in Barcelona. Following the acquisition in an off-market transaction, the building was completely renovated, significantly improving its energy efficiency and obtaining LEED Gold certification.


Prior to completion, 100% of the property was rented to Naturgy, signing a 10-year mandatory contract. The rent signed is €28/sqm/month, establishing the highest prime rent in the Barcelona market, double the rent of the previous contract.

The success of the project and its rental at the highest rental prices has achieved a value creation of 40% over the total cost of the project.

In the third quarter of 2021, the **83 Marceau** project was delivered, located a few metres from the Arc de Triomphe, with a surface area of more than 9,000 sqm. The project has transformed the building, providing extremely flexible and efficient office floors of 1,200 sqm, with a central atrium that gives to a patio bathed in natural light. Its spacious terraces provide exceptional views over Paris.


Prior to completion, the building was 100% rented with the highest annual rents in the market. The tenants include investment bank Goldman Sachs, occupying 6,500 sqm with a 12-year contract (with a mandatory contract of 9 years) in very favourable terms.

This project has repositioned 83 Marceau as one of the best office assets in the prime CBD of Paris. Following its rental at the highest rental prices in the market, the Colonial Group has achieved a value creation of 108% over the total cost of the project.

Completion of 3 projects in 2022 - First pre-lets in Madrid and start of commercialisation in Paris

In 2022, more than 49,000 sqm entered into operation in Madrid and Paris, having a **significant positive impact on** both **the value creation and revenues** of the Colonial Group.

Velázquez 86D, in the **prime market of Madrid**, is a 16,000 sqm, unique, large-sized asset with floors of more than 2,200 sqm, distributed over 7 levels. **In 2021, 1,900 sqm of commercial surface areas had been pre-let**, equivalent to **12% of the building**. The commercialisation process remains in force with advanced-stage conversations taking place for the half of the building.

Miguel Ángel 23, with more than 8,000 sqm of surface area, is at the leading edge of the new sustainability standards, reaching high levels of neutrality in carbon emissions. Thanks to its great visibility and efficient floors, this asset is ideal to house the headquarters of multinational companies looking for a benchmark building with the highest energy efficiency. In recent months, conversations have progressed with clients who are evaluating the possibility to rent significant space in this prime product.

In **Biome**, located in the heart of the 15$^{\text{ième}}$ *arrondissement*, a complete transformation is being carried out on the asset, creating an iconic building with unique architecture where the interior opens out to the exterior, with a green area surrounding the building and providing efficient floors from 1,400 sqm to 3,500 sqm. Following the commencement of its commercialisation in October 2021, more than 12 visits have been made to the property and there is potential interest for a sizeable demand from companies in the audio-visual, technology and real estate sectors. The asset is expected to be delivered during the second half of 2022.

Long-term projects in the CBDs of Madrid and Paris

Méndez Álvaro, located in the south of the CBD in Madrid, has a surface area of 90,000 sqm, and will become the largest asset of the Colonial Group. The project will combine a campus of offices with a residential area. It is currently in the construction phase and its entry into operation is expected between the fourth quarter of 2023 and the first half of 2024.

The **Louvre Saint Honoré** asset, with more than 16,000 sqm in an exceptional location in front of the Louvre, will provide very ample, functional spaces. Its delivery is expected by 2024 and is 100% pre-let to the Cartier Foundation, a Cartier Group company, with 20-year mandatory contract, at top market prices.

Renovation program

In addition to the project portfolio, the Colonial Group is currently carrying out a renovation program on 9 assets in its portfolio, with the aim of increasing rents and the value of these assets. This renovation program is mainly focused on the adaptation of common areas and updating the installations, requiring a limited investment.

In **Paris**, highlighted are the following renovation projects:

Cézanne Saint Honoré, is an asset located in the heart of the 8ème *arrondissement* of Paris, in which almost 10,000 sqm are being renovated in an asset with a total surface area of 27,500 sqm. The building will provide thoughtfully designed offices dedicated to the well-being of employees, with a great flexibility of spaces, natural light and a magnificent terrace. The property will be delivered in spring 2022. Market interest for this space has been extremely high and 6 months prior to completion of the works, 90% of the space has already been pre-let to three clients, at the highest market rents, with a double-digit release spread.

In **Washington Plaza**, a flagship building, located next to Champs-Élysées, a renovation is being carried out on more than 10,000 sqm. The building combines all the requisites sought after by companies and their employees: unique architecture, contemporary design and office spaces which encourage horizontal working and flexibility. It has a BREEAM Very Good certificate. At December 2021, the Colonial Group had rented 100% of the renovated space. This renovation of the asset, together with previous renovations, has meant the average rent for the asset to increase +15% in the last five years, reaching the historic milestone of full occupancy in the building.

103 Grenelle is an asset located in the district of the ministries, in which a renovation is being carried on 5,600 sqm of a total surface area of 17,000 sqm. In the fourth quarter of 2021, the building was delivered, with contracts signed for 80% of the surface area by multinational professional services companies and fashion companies, with demand exceeding 1,000 sqm, with an average contract length of more than 5 years. The building is certified as BREEAM Excellent.

Charles de Gaulle is an asset of almost 6,300 sqm located in the hub that connects the place de l'*Étoile* with *La Défense*. This building is being entirely renovated, offering office spaces bathed in light, fully renovated with a refined design, as well as a transformation of the reception hall and common areas. The building is certified as BREEAM Very Good.

The renovated surfaces were delivered in the last quarter of 2021, with pre-let agreements already signed for 70% of the surface area.

The renovations being carried out in the **Madrid** market are:

Ortega y Gasset is located in the CBD in Madrid, the work on which has recently finished. This building has almost 8,000 sqm of surface area, distributed over 7 floors, with a panoramic terrace. Its unique architecture gives it a distinguishing identity in the Madrid market. As with the rest of Colonial's assets, the commitment to sustainability is evident, with an optimum energy performance, opting for BREEAM certification. The renovation project was completed in the fourth quarter of 2021 and is currently in the commercialisation phase, which has been well-received by the market.

Cedro is the largest renovation program in Madrid, with more than 14,000 sqm of surface area. In a strategic location, Cedro provides a distribution adapted to new corporate spaces, with a modern architecture and the highest level of sustainability. Work on the building was recently completed and it entered into operation in the fourth quarter of 2021, with a pre-let surface area of 47%. It holds LEED Gold and BREEAM Good certifications.

In **Barcelona**, the following renovation programs are being carried out:

Diagonal 530, is the corporate headquarters of the Colonial Group, in an unbeatable location within the CBD of Barcelona. A total renovation has been carried out on the building, of more than 13,000 sqm, increasing the gross lettable surface area by 9%, thanks to an optimisation of the space of common areas and accesses. Certified as BREEAM Excellent.

The space is expected to be delivered in the first quarter of 2022, and is currently in the commercialisation phase, which has been well received by the market. Top rents are expected to be achieved for the asset. The asset will house the new centre of Utopicus, for which 1,299 sqm have already been signed, thereby combining traditional working with flexible working.

Torre Marenostrum, in 22@ district and with a total surface of more than 22,000 sqm. The first phase of the project (7,500 sqm) entered into operation at the beginning of 2021, with an occupancy of 100%. The second phase (14,500 sqm) is expected to be delivered in the first quarter of 2022.

It has been well received by the market, thanks to its unique architecture, its glass façade facing out to the four winds and its proximity to the sea. The building is an attractive multi-tenant asset, combining traditional office spaces with coworking spaces. In the coming months, a space of more than 1,000 sqm will be allocated within the asset for use as the "headquarter flex" for a multinational technology company, thereby fulfilling its hybrid offering, combining coworking and flexible spaces with traditional office spaces. It is currently certified as BREEAM Very Good.

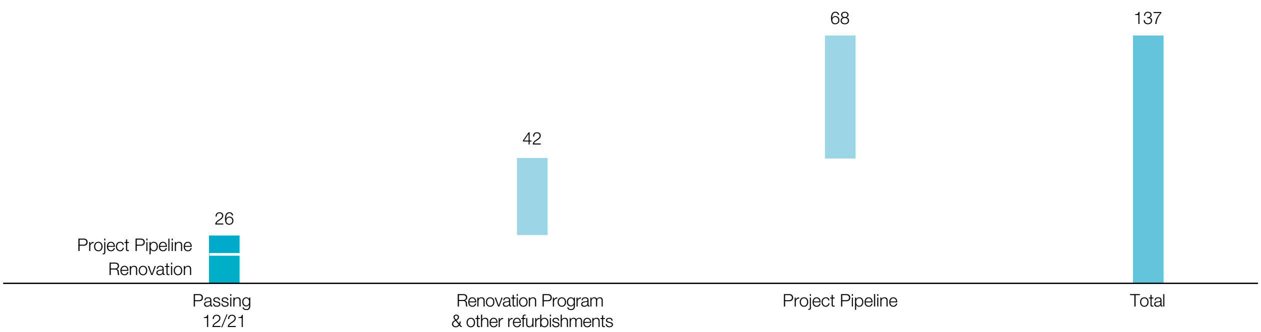
In addition, it is expected that in 2023, Colonial will have the opportunity to carry out an ambitious complete renovation plan on the **Parc Glòries II**, an asset of almost 18,000 sqm, located in the prime area of 22@. This renovation will enable the asset to be positioned as a benchmark building in the technological district. Currently, the project is in the design phase and its commercialisation is expected in 2024. The space will have 7 floors of more than 2,000 sqm and will have spacious terraces. The building will aim to obtain the best environmental certifications.

Potential of the project portfolio and renovation program

The project portfolio, as well as the renovation program and other refurbishments, provide potential additional annual rents of €137m.

It should be mentioned that, thanks to the pre-letting levels of the projects and renovation program, €58m of future rents are already assured. The entry of the renovation program and other refurbishments into the market has the potential for €42m in additional rents in the short-term.

Additional rental income from projects and significant refurbishments - €m

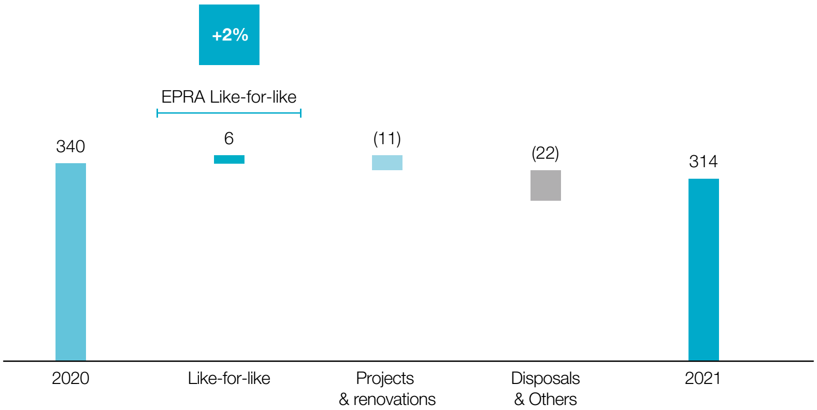


5.2.3 Gross rental income and EBITDA of the portfolio

Colonial closed 2021 with **Gross Rental Income of €314m**, a figure 8% lower than the previous year, mainly due to the disposals of non-strategic assets as well as the acceleration of the renovation program to reposition assets.

In like-for-like terms, in other words, adjusting disposals, indemnities and variations in the project and renovations portfolio, and other extraordinary items, **the rental income increased by +2% compared to the same period of the previous year**.

Gross Rental Income - €m



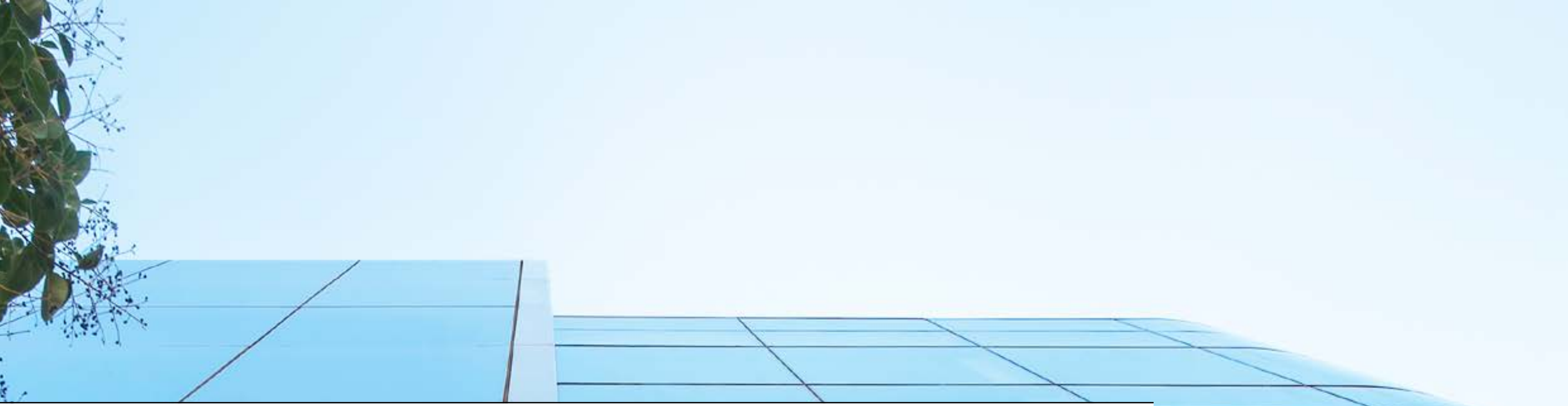
	GRI Like-for-like	NRI Like-for-like
Total	**+2%**	**+3%**
Paris	**+3%**	**+6%**
Madrid	**+1%**	**+2%**
Barcelona	**+0.1%**	**(5%)**

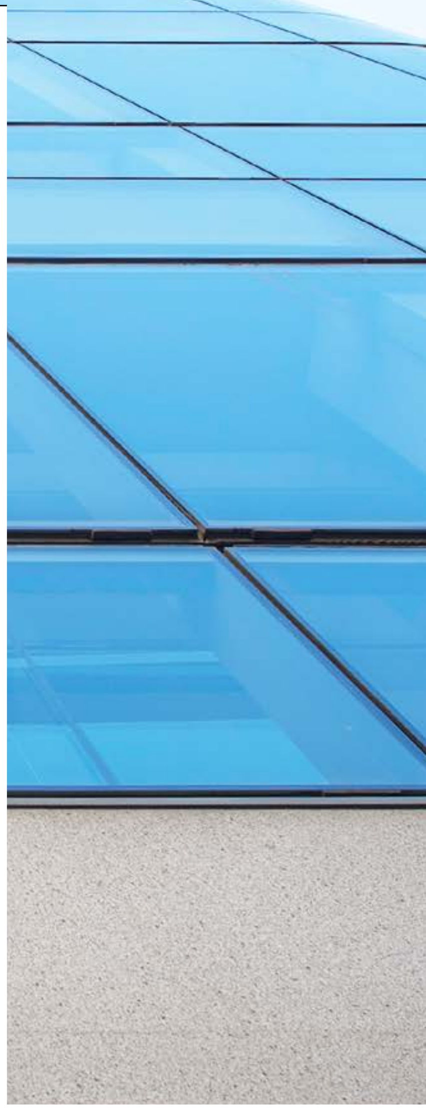
The like-for-like variation in the offices portfolio has the following breakdown:

1. Income from t**he Paris offices portfolio +3% like-for-like**, mainly due to the Édouard VII, Washington Plaza, 106 Haussmann and Rives de Seine assets, among others.

2. Income from the **Madrid offices portfolio +1% like-for-like**, mainly driven by rental price increases in the Castellana 43, Santa Engracia and Almagro 9 assets, among others, which have compensated for the tenant rotations.

3. Income from the **Barcelona offices portfolio remained stable like-for-like**, mainly due to rental price increases in Diagonal 682, Diagonal 409 and Glories/Diagonal assets, as well as the new contracts signed on Torre BCN and Torre Marenostrum, which have compensated for the tenant rotations in the Via Augusta and Sant Cugat assets.





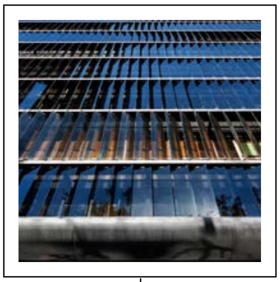
The like-for-like variance in rental income by market is shown below:

	Barcelona	Madrid	Paris	Total
Rental revenues 2020R	**50**	**108**	**182**	**340**
EPRA like-for-like[(1)]	**0**	**1**	**5**	**6**
Projects & refurbishments	(2)	(2)	(6)	**(11)**
Acquisitions & Disposals	(3)	(4)	(6)	**(14)**
Indemnities & others	0	(8)	0	**(8)**
Rental revenues 2021R	**44**	**95**	**175**	**314**
Total variance (%)	***(11%)***	***(12%)***	***(4%)***	***(8%)***
Like-for-like variance (%)	**0%**	**1%**	**3%**	**2%**

(1) EPRA like-for-like: Like-for-like calculated following EPRA recommendations.

The total rental income of the Colonial Group has been mainly affected by: 1) the disposals of non-strategic assets carried out in 2020; and 2) the acceleration of the renovation program of the Group. Highlighted are the repositioning projects on the Diagonal 530 and Torre Marenostrum assets in Barcelona, 9,700 sqm of renovation on the Cézanne Saint Honoré building and the renovation of 10,000 sqm on the Washington Plaza building, both in Paris.

Diagonal, 530



CBD

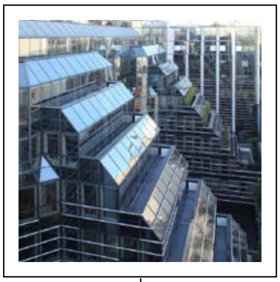
Torre Marenostrum

22@

Cézanne Saint-Honoré

CBD

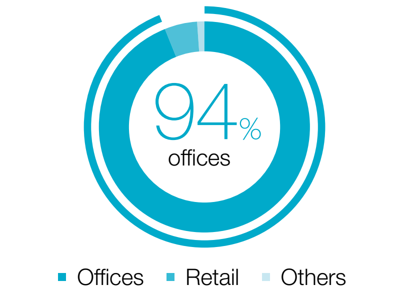
Washington Plaza



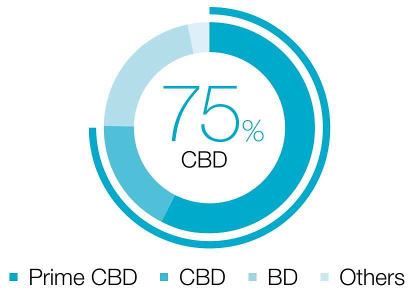
CBD

Consolidated Group

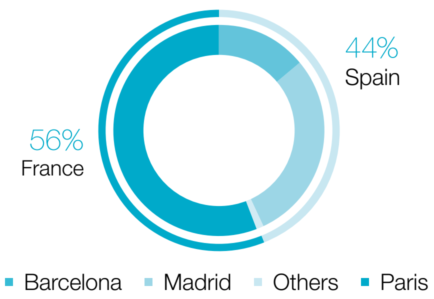
Revenues - by use



Revenues - by area

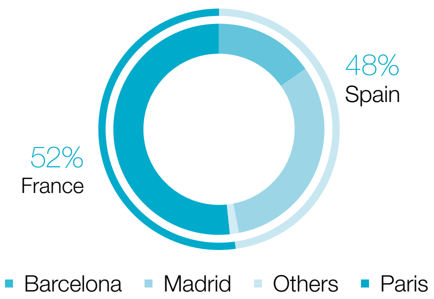


Revenues - by market



Attributable

Revenues - by market



Rental income breakdown

Most of the Group's rental income, 94%, comes from the office portfolio. Likewise, the Group maintains its high exposure to CBD markets, with 75% of the income.

In consolidated terms, **56% of the rental income (€175m), came from the subsidiary in Paris** and 44% was generated by properties in Spain. In **attributable terms, 52% of the rents were generated** in **Paris** and the rest in Spain.

At the close of 2021, EBITDA rents reached €293m, an increase of +3% in like-for-like terms, underpinned by an increase in the Paris portfolio of +6%.

Property portfolio

December cumulative - €m	2021	2020	Var. %	EPRA Like-for-like[1]	
				€m	%
Rental revenues - Barcelona	44	50	(11%)	0.0	0%
Rental revenues - Madrid	95	108	(12%)	1.1	1%
Rental revenues - Paris	175	182	(4%)	4.6	3%
Rental revenues Group	**314**	**340**	**(8%)**	**5.8**	**2%**
EBITDA rents - Barcelona	39	47	(17%)	(2.1)	(5%)
EBITDA rents - Madrid	86	98	(13%)	1.9	2%
EBITDA rents - Paris	168	172	(2%)	8.9	6%
EBITDA rents Group	**293**	**318**	**(8%)**	**8.7**	**3%**
EBITDA rents/Rental revenues - Barcelona	*88%*	*95%*	*(6.6 pp)*		
EBITDA rents/Rental revenues - Madrid	*90%*	*91%*	*(0.7 pp)*		
EBITDA rents/Rental revenues - Paris	*96%*	*94%*	*2.1 pp*		

pp = percentage points.
(1) EPRA like-for-like: like-for-like calculated with EPRA recomendations.

5.2.4 Analysis of the Profit and Loss Account

The **Colonial Group** closed **2021** with a **net profit of €474m, +€471m compared to the same period of the previous year**.

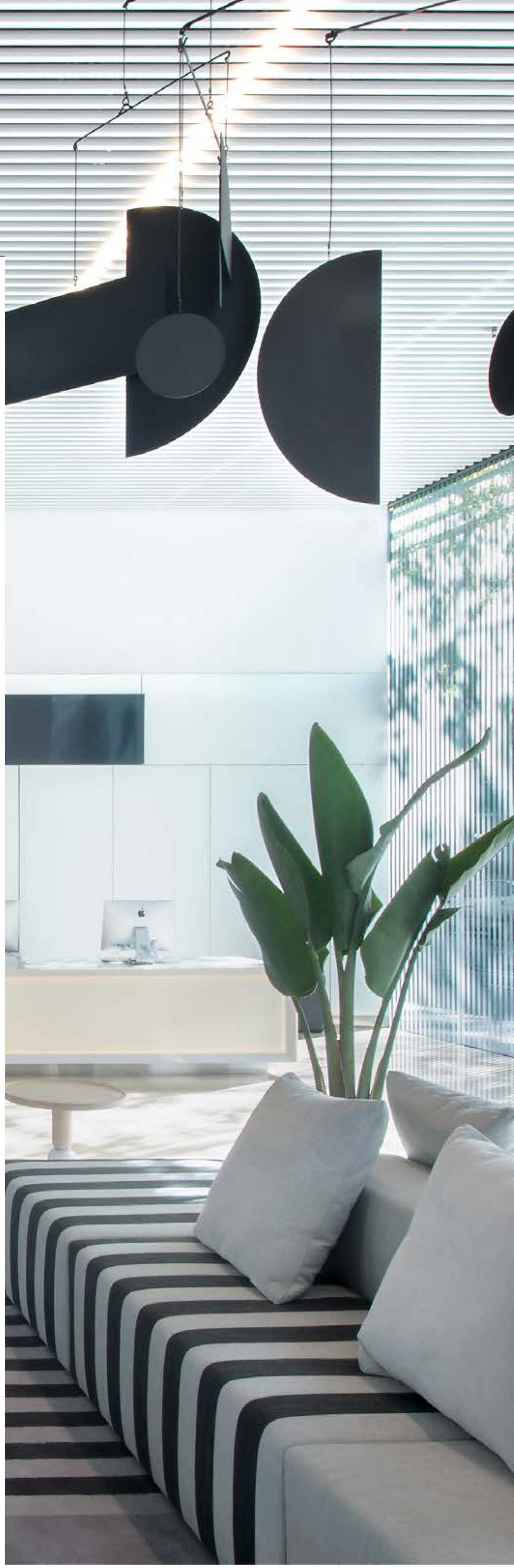
December cumulative - €m

	2021	2020	Var.	Var. %[1]
Rental revenues	314	340	(27)	(8%)
Net operating expenses[2]	(21)	(23)	2	9%
Net Rental Income	293	318	(25)	(8%)
Other income[3]	(1)	2	(3)	(184%)
Overheads	(43)	(46)	3	6%
EBITDA	**248**	**273**	**(25)**	**(9%)**
Exceptional items	(10)	(5)	(5)	(110%)
Change in fair value of assets & capital gains	443	(77)	520	672%
Amortizations & provisions	(8)	(6)	(1)	(20%)
Financial results	(110)	(120)	10	8%
Profit before taxes & minorities	**563**	**65**	**499**	**769%**
Income tax	4	(2)	6	278%
Minority Interests	(93)	(60)	(33)	(54%)
Net profit attributable to the Group	**474**	**2**	**471**	**–**

Results analysis - €m

	2021	2020	Var.	Var. %
Recurring EBITDA[4]	249	272	(23)	(9%)
Recurring financial result	(80)	(87)	6	7%
Income tax expense & others - recurring result	(12)	(14)	2	13%
Minority interest - recurring result	(29)	(34)	6	17%
Recurring net profit - post company-specific adjustments[5]	**128**	**138**	**(10)**	**(7%)**
NOSH (million)[6]	*520.1*	*508.1*	*12*	*2%*
EPS recurring (€cts)	24.59	27.06	(2)	(9%)

(1) Sign according to the profit impact.
(2) Invoiceable costs net of invoiced costs + non invoiceable operating costs.
(3) Reinvoiced capex & EBITDA Utopic'us Centers.
(4) Recurring EBITDA includes €4m reversal of Covid provision.
(5) Recurring net profit = EPRA Earnings post company-specific adjustments.
(6) Average number of shares outstanding without considering treasury stock adjustments.



Colonial closed 2021 with a Gross Rental Income of €314m, a figure 8% lower compared to the previous year, mainly due to the disposals carried out on non-strategic assets and to the acceleration of the renovation program for asset repositioning. **In like-for-like terms, the rental income increased by +2%**.

Net Rental Income amounted to €293m, a figure 8% lower than the previous year, mainly due to the disposals carried out on non-strategic assets and to the acceleration of the renovation program for asset repositioning.

In comparable terms, Net Rental Income increased +3.3% like-for-like. This increase was driven by the increase of **+6.4% in the Paris portfolio**.

The impact on the Profit and Loss account from the revaluation at 31 December 2021 and the capital gain from the disposals of property investments amounted to €443m. The revaluation was registered in France as well as in Spain.

The financial cost of the Group amounted to €110m, 8% lower than that of the previous year. This decrease is due to savings from the reduction in the average interest rate of the Group's debt thanks mainly to the Liability Management carried out in 2020 and 2021.

Profit before taxes and minority interests at the close of 2021 amounted to €563m, +€499m more than the results of same period of the previous year.

Finally, after deducting the Minority Interest of (€93m), as well as Income Tax of +€4m, the Net Profit attributable to the Group amounted to €474m, an increase of +€471m compared to the same period of the previous year.

5.2.5 Financial structure

Colonial maintains a solid financial profile enabling the company to maintain a BBB+ stable credit rating by Standard & Poor's, the highest rating in the Spanish Real Estate sector. This rating was confirmed by S&P in April 2021.

In addition, in December 2021, Moody's improved its credit rating of Colonial from Baa2 stable outlook to positive outlook. This decision was made after having reviewed the performance of Colonial during and after the pandemic, the economic forecasts of the office market, the impact of the acquisition of SFL's shares and Colonial's business model, which focuses on offices in prime areas, confirming the positive path on which the company is progressing.

In 2021, the Group carried out the following operations:

Feb.-Dec.-21	COLONIAL	Sell of 3 assets in Madrid and Barcelona
Feb.-21	SFL	Sell of 2 assets in Paris
Jun.-21	COLONIAL	Announcement of the purchase of SFL
Jun.-Jul.-21	COLONIAL	Bond Issue of €500m and TAP of €125m. Make Whole Call and Liability Management exercises on the 2023 and 2024 bonus (€306m and €306m)
Aug.-21	SFL	Buyback of 2021 bond (€250m)
Sep.-21	SFL	Early cancellation mortgage loans (€196m)
	COLONIAL	Renovation of the ECP program, maximum of €500m
Oct.-21	SFL	New bond issuance €500m
Nov.-21	COLONIAL	Contracting of new coverage for a total of €713m
Dec.-21	SFL	New RCF of €100m
	COLONIAL	Rating Moody's upgraded from "stable"to "positive"
Feb.-22	COLONIAL	The group converts all its bonds to green
	COLONIAL	Extension of the maturity of the RCF (€1,000m) until November 2026

On 3 June 2021, Colonial announced a voluntary tender offer on 5% of the minority shares of SFL which, together with the acquisition of the 12.9% owned by Predica, has enabled Colonial to obtain a 98.33% share in SFL.

In June 2021, Colonial formalized a bond issuance, listed on the Spanish stock exchange, for €500m which was later extended to €625m. The issue has a maturity of 8 years with a coupon of 0.75%, the lowest in the history of the Group at that time. The demand exceeded up to three times the issue volume and was supported by the main international institutional investors.

In parallel, Colonial announced the execution of the buy-back of all of its bonds maturing in 2023 and €306m of its bonds maturing in 2024, which accrued an annual coupon of 2.728% and 1.45%, respectively.

In August 2021, SFL repurchased the totality of is bonds maturing in November 2021, with a pending nominal amount of €250m and with a coupon of 1.88%. In addition, in September 2021, a mortgage-secured loan maturing in July 2022 for a total amount of €196m was bought-back.

In September 2021, Colonial proceeded to renew the European Commercial Paper (ECP) Program at the maximum amount of €500m. The objective is to obtain greater diversification in the capital markets and access financing at negative rates in the shortest term. At 31 December 2021, this program was drawn down for the amount of €140m in Colonial. In addition, at the close of 2021, SFL issued €117m under the NEU CP program, the limit of which is €500m.

In October 2021, SFL carried out a bond issuance in the French market, amounting to €500m and maturing in April 2028. The issue has a coupon of 0.5%, the lowest level reached in the history of the Group.

In February 2022, the assembly of bondholders of Colonial and SFL approved the conversion of the entirety of the bonds in circulation to Green Bonds, for a total amount of €4,602m. The reclassification of the existing bonds to green bonds and the new future green issues will be a competitive advantage and an attractive investment for the capital markets, whose interest in this type of investment is ever-increasing. With this operation, Colonial has become the first IBEX-35 company to have the entirety of its bonds qualified as “green”.

To request the conversion to Green Bonds, the Group defined a Green Bond Framework, under which certain KPIs were established, which were linked to the energy certificates and CO_2 emissions in the asset portfolio of the Group. This framework was developed in line with the Green Bond principles of the International Capital Markets Association (ICMA Green Bond Principles) which promote the transparency, accuracy and integrity of the information disclosed and reported by the issuers and was validated by Second Party Opinion, by Vigeo Eiris (V.E.)

After the close of 2021, Colonial reached an agreement with the participating financial entities in the credit line of €1,000m, extending the maturity until November 2026.

These debt refinancing operations enabled the financial cost the Group's debt to be optimized and the average maturity of the same to be extended to 5.2 years versus 4.2 years.

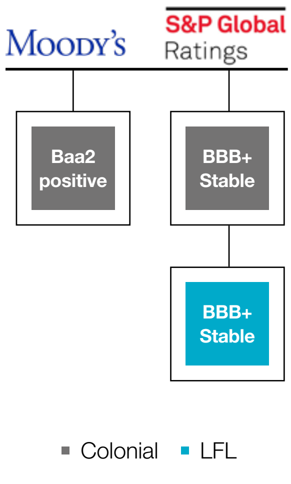
The LTV ratio stands at 35.8%, 41 bps lower than at the close of the previous year.

At the close of 2021, the Colonial Group maintained a liquidity of €2,359m, between available cash and undrawn credit lines.

The table below shows the main debt figures of the Group at 31 December 2021:

Colonial Group - €m

	December 2021	December 2020	Var.
Gross financial debt	4,935	4,851	2.0%
Net financial debt	4,716	4,582	2.9%
Total liquidity[1]	2,359	2,309	2.2%
% debt fixed or hedged	95%	96%	(1%)
Average maturity of the debt (years)[2]	5.2	5.2	0.0
Cost of current Debt[3]	1.40%	1.70%	(30 bp)
GAV Group	13,194	12,669	4.1%
LtV Group (including transfer costs)	35.8%	36.2%	(41 bp)
Mortgage Debt	1.5%	5.6%	(4%)



(1) Cash & Undrawn balances.
(2) Average maturity based on available debt and post issuance and liability management.
(3) Cost of current debt including ECPs. Without taking into account the ECPs, the Cost of debt will be of 1.49%.

The net financial debt of the Group at the close of 2021 stood at €4,716m, the breakdown of which is as follows:

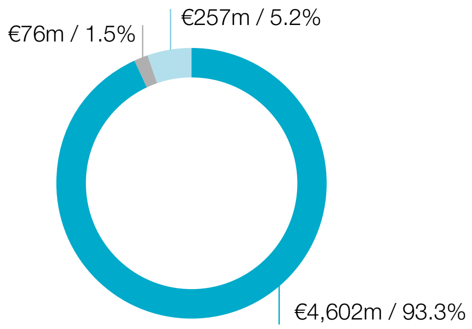
Net financial debt

	December 2021			December 2020			Var.
	Colonial	SFL	Total	Colonial	SFL	Total	Total
Non-mortgage debt	–	–	–	–	4	4	**(4)**
Mortgage debt	76	0	76	76	197	273	**(197)**
Bonds Colonial	2,812	1,790	4,602	2,800	1,539	4,339	**263**
Issuances notes	140	117	257	70	165	235	**22**
Gross debt	**3,028**	**1,907**	**4,935**	**2,945**	**1,906**	**4,851**	**84**
Cash	(104)	(115)	(219)	(253)	(15)	(269)	**50**
Net Debt	**2,924**	**1,792**	**4,716**	**2,692**	**1,890**	**4,582**	**133**
Total liquidity(1)	1,104	1,255	**2,359**	1,253	1,055	**2,309**	**50**
Cost of debt - Spot (%)	1.50%	1.23%	1.40%(2)	1.82%	1.50%	**1.70%**	**(30 bp)**

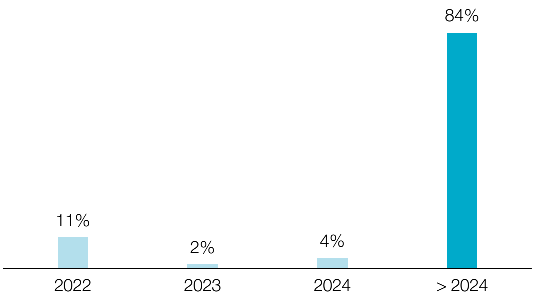
(1) Cash & Undrawn balances.
(2) Average maturity calculated based on available balances.
(3) Average Maturity calculated based on the available debt.

At 31 December 2021, 93% of the debt of the Group was comprised of bond issues on the securities market and the rest was formalized with financial entities (only 1.5% have a mortgage guarantee). 84% of the debt matures as of 2025.

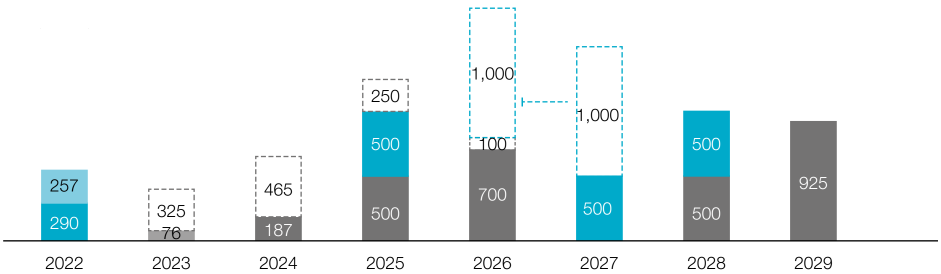
Debt composition



Debt maturity in years (%)



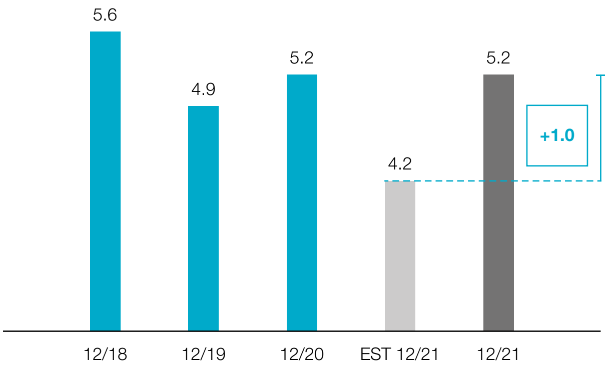
Debt maturity in years - €m



	2022	2023	2024	2025	2026	2027	2028	2029	Total
Colonial	140	76	187	500	700	–	500	925	**3,028**
SFL	407	–	–	500	–	500	500	–	**1,907**
Total	**547**	**76**	**187**	**1,000**	**700**	**500**	**1,000**	**925**	**4,935**
%/total	**7%**	**8%**	**5%**	**4%**	**22%**	**15%**	**10%**	**10%**	**100%**

■ Bonds Spain ■ Bonds France ■ ECPs ■ Rest of debt □ Undrawn balances (€m)

The evolution of the average maturity of the Group's debt (in years) is shown in the following graph. EST 12/21 is the average life of the debt estimated at the close of 2021 prior to the formalization of the operations carried out in 2021, described above.



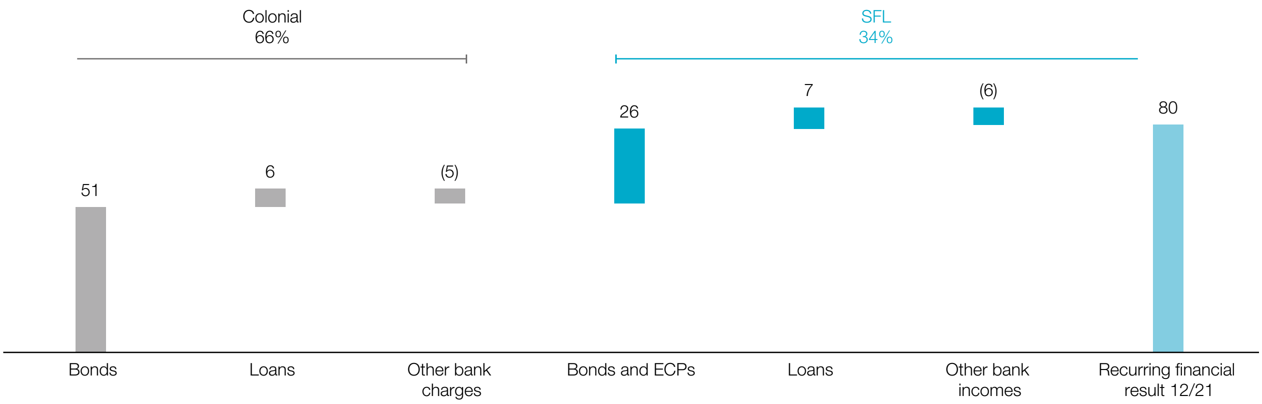
Financial results

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

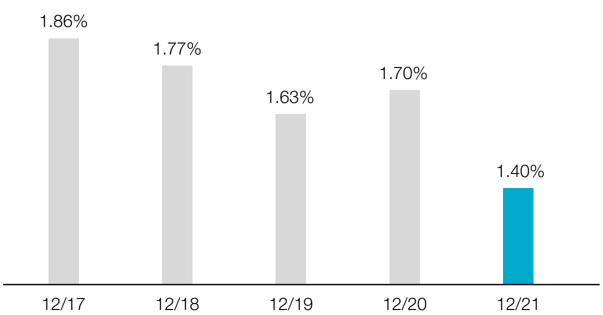
December cumulative - €m

	COL	SFL	2021	2020	Var.%
Recurring financial expenses - Spain	*(59)*	*–*	*(59)*	*(63)*	*5%*
Recurring financial expenses - France	*–*	*(34)*	*(34)*	*(35)*	*3%*
Recurring Financial Expenses	**(59)**	**(34)**	**(93)**	**(98)**	**5%**
Capitalized interest expenses	6	6	12	11	18%
Recurring Financial Result	**(53)**	**(28)**	**(80)**	**(87)**	**7%**
Non-recurring Financial Income (Expenses)	(28)	(3)	(31)	(34)	9%
Financial Result	**(109)**	**(33)**	**(111)**	**(121)**	**8%**

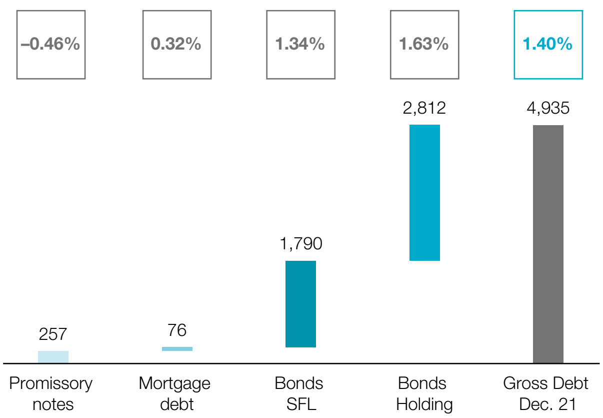
The recurring financial expenses of the Group decreased by 5% compared to the same period of the previous year, due to a lower financing cost and a decrease in the gross debt. Likewise, the non-recurring financial cost of the Group increased, compared to the same period of the previous year, due to the costs incurred for the early cancellation of the debt.



Debt spot cost evolution



Cost of debt by type of debt



The spot financial cost of the drawn debt was 1.40%, an improvement of 30 bps compared to the financial cost at the close of 2020. Including formalization costs, accrued over the life of the debt, the financial cost amounted to 1.53%. Without considering the ECP program, the spot financial cost amounts to 1.49% (1.62% including the financing costs).

In addition to the operations described above and benefiting from the current situation of continued low interest rates, Colonial restructured part of its pre-hedging instruments in order to adjust them to the new debt maturities, covering new interest rates of future debt emissions. The cumulative value of these types of instruments amounts to €1,713m. All of these comply with that provided in the hedging accounting standards.

Main debt ratios and liquidity

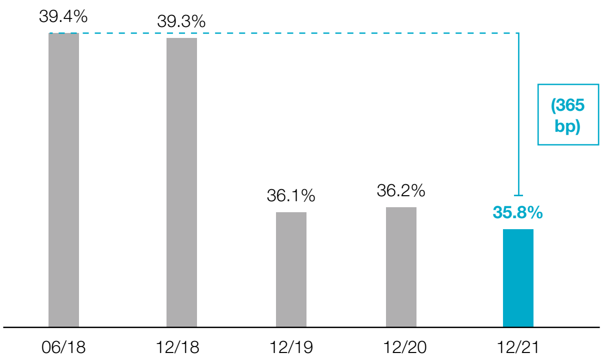
The undrawn balances of the Group at 31 December 2021 amounted to €2,359m. This liquidity enables the Group to guarantee its financing needs in the coming years.

The breakdown of balances is shown in the following graph:

Cash & undrawn balances - €m

	Colonial	SFL	Group
Current accounts	104	115	219
Credit lines available	1,000	1,140	2,140
Total	**1,104**	**1,255**	**2,359**

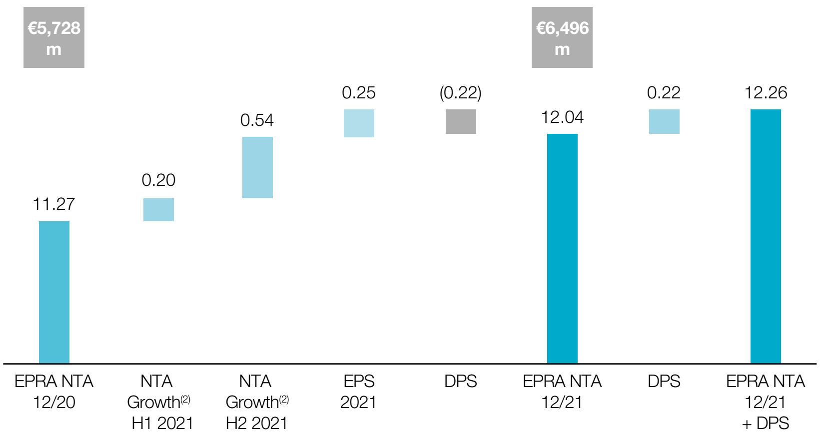
The Loan to Value (LTV) of the Group, calculated as the ratio of total net debt among the total GAV of the Group, amounted to 35.8%. The evolution of the LTV is shown in the following graph:



5.2.6 EPRA Net Tangible Assets (NTA)

Colonial closed 2021 with a Net Tangible Assets (NTA) value of €12.04/share. This represents a year-on-year increase of +7% which, together with the dividend paid of €0.22/share resulted in a total shareholder return of +9%.

EPRA NTA €/share



Total Shareholder Return[1]

	12 months
NTA Growth per share	+7%
Dividend per share	+2%
Total Return per share	**+9%**

(1) Total shareholder return understood as NTA (NAV) growth per share + dividends.
(2) NTA growth excluding EPS & DPS paid.

In absolute terms, the net value of the assets amounts to €6,496m, an annual increase of +13%, a value increase of more than €768m in a year.

This important growth in NTA was produced thanks to an industrial real estate strategy with an important component in Alpha returns, mainly due to:

1. A strong increase in the value of the prime asset portfolios in the three markets, driven by a strong demand for prime Grade A buildings.

2. Solid fundamentals of Colonial's assets with high occupancy levels and solid increases in rental prices highlighting, in particular, the strength of the Paris portfolio.

3. The important degree of progress in the project portfolios, specifically the delivery and rental of the Prime 83 Marceau in Paris and Diagonal 525 projects in Barcelona.

4. The acceleration in the renovation program, substantially improving rental levels, as well as the value of the assets.

5. The successful execution of the takeover bid on Société Foncière Lyonnaise with attractive terms for Colonial's shareholders.

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

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

		12/2021	12/2020
IFRS Equity attributable to shareholders		**5,999**	**5,401**
Include:			
(i)	Hybrid instruments	–	–
Diluted NAV		**5,999**	**5,401**
Include:			
(ii.a)	Revaluation of investment properties (if IAS 40 cost option is used)		
(ii.b)	Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)		
(ii.c)	Revaluation of other non-current investment	149	64
(iii)	Revaluation of tenant leases held as finance leases	–	–
(iv)	Revaluation of trading properties	12	10
Diluted NAV at Fair Value		**6,160**	**5,475**
Exclude:			
(v)	Deferred tax in relation to fair value gains of IP	351	233
(vi)	Fair value of financial instruments	(15)	19
(vii)	Goodwill as a result of deferred tax	–	–
(viii.a)	Goodwill as per the IFRS balance sheet	–	–
(viii.b)	Intangible as per the IFRS balance sheet	–	–
Include:			
(ix)	Fair value on fixed interest rate debt	n. a.	n. a.
(x)	Revaluation of intangibles to fair value	n. a.	n. a.
(xi)	Real estate transfer tax	–	–
EPRA NTA (NAV) - €m		**6,496**	**5,728**
Nº of shares (m)		***539.6***	***508.1***
EPRA NTA (NAV) - Euros per share		***12.04***	***11.27***

Calculation of the EPRA NTA (NAV): Following the EPRA recommendations and starting from the consolidated equity of €5,999m, the following adjustments were carried out:

1. Revaluation of other investments: registry at fair value of several investments of the Group registered in the balance sheet at acquisition cost, mainly treasury shares and assets dedicated to own use.
2. Revaluations of assets held for sale. Registry of the unrealized gain of the properties posted under this heading.
3. Adjustment of deferred taxes: adjustment of the amount of deferred taxes associated with the revaluation of the property assets registered on the balance sheet.
4. Market value of financial instruments: adjustment of the market value (mark to market) of derivative instruments.

5.2.7 Tax Information

5.2.7.1 Tax Strategy

Colonial's Board of Directors approved its Tax Strategy on 10 December 2015, taking into account the changes established by the Limited Liability Companies Act on matters of tax governance and being aware of the importance of tax in matters of social responsibility and good corporate governance. This strategy is reviewed periodically to include the necessary modifications and compliance is mandatory for all Colonial employees.

Colonial will strive to make sure that its Tax Strategy and Tax Risk Management and Control Policy is applied in the Group's investee companies, except in those cases where said companies have their own tax strategy or their own tax risk management and control policy due to their specific characteristics.

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

Promoting fiscal transparency, responding to the concerns of its stakeholders and Colonial's commitment to contributing to public finances are all essential values of its culture. Therefore, business decisions are in line with the principles of its Tax Strategy and all Group companies are domiciled in the countries in which they operate, i.e. Spain and France. For this reason, the Company has set up a space on its website (https://www.inmocolonial.com/responsabilidad-social/transparencia-fiscal) in which it states its position on different issues related to its Tax Strategy, the management and control of its tax risks, its tax contribution and the status of its main tax inspections and litigation, among other aspects.

5.2.7.2 Tax Risk Management and Control Framework

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

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

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

Colonial has a Tax Risk Management and Control Framework that develops its tax strategy and complements the Group's Global Risk Control and Management System. It is configured as a procedure of mandatory compliance for all Colonial employees (extending to any collaborators or third parties with which Colonial has a relationship) and mainly covers the following areas:

> Description of the structure, organisation and management of the Group's tax function.

> Collaboration on tax matters between the Organisation's different departments.

> Storage, administration and management of documentation generated by interactions with the different tax authorities (including any resulting from the management of the tax function).

- Making use of tax knowledge acquired in past experiences.
- Updating, monitoring and dissemination of technical tax knowledge.
- Managing possible tax litigation, checks and inspections.
- Criteria for delimiting the Group's tax risk in line with the provisions of the Management and Control System for other risks, factors for their identification and assessment, and protocol of action.
- Definition of operations of special tax significance and their channel for approval by the Group's management bodies.
- Report of information on the tax attributes of the Group's entities.
- Regular checks on the effectiveness and fulfilment of the tasks necessary to settle and declare taxes to which it is subject in Spain.
- Monitoring of the application requirements of the SOCIMI (Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario), SIIC (Sociétés d'Investissement Immobilier Cotées) or similar regimes.

Moreover, Colonial's tax function is leveraged on the Group's transversal systems governing the selection of members of the organisation, communication regarding personnel-related policies, employee performance control and remuneration levers, training plans, third party hiring and approval controls and other internal and external due diligence procedures.

Lastly, it should be noted that Colonial has drawn up its Tax Risk Management and Control Framework taking into account the best market practices in tax governance (recommended by the tax authorities, NGOs, experts in the field and other groups of interest). These practices are monitored and based on the principle of continuous improvement. Following these criteria, any updates or improvements needed are gradually introduced to strengthen the control procedure.

The Group has set up an Ethics Channel so any employee or third party can report any concerns related to unethical or illegal conduct that may affect the integrity of the organisation in relation to taxation, among other issues.

The content related to tax information has been obtained from the Group's audited consolidated financial statements or verified by the Group's external auditor in the context of a limited assurance framework.

5.2.7.3 Co-operative Relationship with Tax Authorities

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

On the other hand, Colonial states that it has satisfactorily adopted the following tax governance compliance behaviours encouraged by the Code:

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

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

Colonial strives to respond to all tax matters raised by stakeholders through the various communication channels in place.

5.2.7.4 Breakdown of tax information

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

Non-financial information of a fiscal nature

The list of entities comprising the Group, their name and principal activity, as well as their tax residence, are included in the Appendix to the Consolidated Annual Accounts for financial year 2021.

The number of employees of the Group and their calculation basis are detailed on page 202 of the *Integrated Annual Report 2021*.

The Group's financial year corresponds with the calendar year.

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

Revenue from sales to third parties - €m

	2021	2020
Spain	142.1	159.3
France	174.6	182.4
Total	**316.7**	**341.7**

There were no intragroup transactions between tax jurisdictions.

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

Accounting profit before tax - €m

	2021	2020
Spain	201.8	(227.7)
France	361.6	292.5
Total	**563.4**	**64.8**

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

The amount of investment property revaluations recorded for the financial year 2021 in Spain and France amounts to €189.1m and €255.1m of income, respectively (2020: €255.6m of loss and €176.5m of income, respectively). These amounts do not include the effect of possible deferred taxes associated with them, nor do they include the portion of such results attributable to non-controlling interests.

The table below shows the Group's accounting profit before consolidated tax. This data excludes the effect of recording its investment property at fair value through profit or loss.

Accounting profit before tax - €m

	2021	2020
Spain	12.7	27.9
France	106.5	116.0
Total	**119.2**	**143.9**

Given the Group's activity, tangible assets other than cash and cash equivalents basically correspond to property investments owned by the Group. The following table shows the property, plant and equipment and property investment (including those classified as non-current assets held for sale) by jurisdiction:

Property, plant and equipment and property investment - €m

	2021	2020
Spain	4,749.9	4,490.1
France	7,515.7	7,364.7
Total	**12,265.6**	**11,854.8**

Most of the Group's companies, both Spanish and French, form part of the Real Estate Investment Trust (REIT) which are real estate companies listed on official national markets that generate income for their shareholders through the operation, development and sale of their real estate assets. Investors in this type of entity (be they small investors or institutional investors) can invest in a listed real estate company in the same way as in other listed entities, and instead of investing in individual properties, they can invest collectively in a portfolio of assets.

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

	SOCIMI	SIIC
Net gain/(loss) on leasing of properties	80%	95%
Net gain/(loss) on sales of assets	50%(1)	70%
Net gain/(loss) on dividends from REIT companies	100%	100%

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

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

In addition to the SOCIMI and SIIC companies, there are companies under the general Spanish and French corporate income tax regime. Some of the results in SOCIMI companies are also included in the general regime, such as sales of assets where the minimum holding period of three years required by the SOCIMI Law has not been met, or the inclusion of certain adjustments from years prior to the adoption of the SOCIMI regime, which Colonial opted for, effective from 1 January 2017 onward.

Details of the accrued income tax recognised in the Group's consolidated accounts, as well as a reconciliation between nominal and effective corporate tax, are set out in note 18 of the Group's consolidated annual accounts for the year 2021.

The following table shows the amount of income tax payments made during the financial years 2021 and 2020:

Profit tax paid - €m

	2021	2020
Spain	1.7	(10.3)
France	(6.0)	(13.9)
Total	**(4.3)**	**(24.2)**

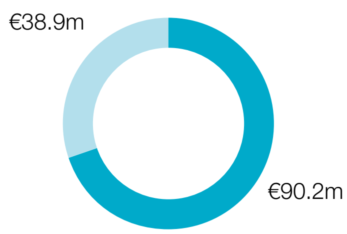
Tax contribution report

Colonial publicly breaks down the main tax payments in those countries in which it operates. This reflects the importance Colonial gives to tax matters, as well as its level of commitment to its main stakeholders. To view this information, consult the tax transparency section on the corporate website (https://www.inmocolonial.com/responsabilidad-social/transparencia-fiscal).

Total Tax Contribution 2021

Total Tax Contribution of the Group

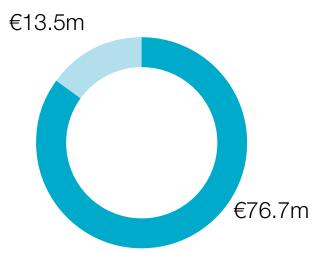
The total taxes generated by the Group's activity in all the countries in which it **operates amounted to €129.1m**, of which **70% corresponds to taxes borne** and the remaining **30% to taxes collected**.



Source: Prepared in-house.

Taxes borne 2021

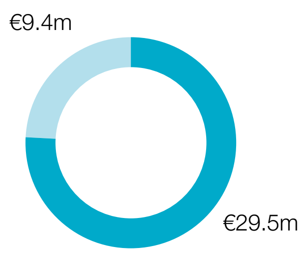
The taxes borne by the Colonial Group in the 2021 financial year amounted to €90.2m, of which the most important were property taxes with the costs derived from the corporate restructuring undertaken in France, followed by property tax, which accounted for 85%.



Source: Prepared in-house.

Taxes collected 2021

The taxes collected by the Colonial Group in 2021 amounted to €38.9m, the most significant of which were the taxes on products and services, mainly VAT, which represent 76% of the total taxes collected.



Source: Prepared in-house.

Colonial's Tax Contribution with respect to 2021 turnover

For every €100 of the Group's revenue, €41 are used to pay taxes. Of that amount, €29 are taxes borne and €12 are taxes collected.

Total Tax Contribution Rate in 2021

During 2021, the Total Tax Contribution Rate of the Colonial Group represents 55% of the profits before taxes borne (the profit before taxes borne is adjusted for the impact of revaluations).

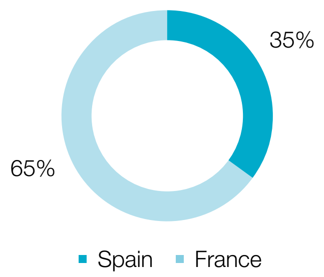
Distributed Tax Value 2021

Of the value generated[(1)] by the Colonial Group in carrying out its business activities, €129.1m was paid to the Public Treasury through taxes borne and collected. Thus, for every €100 of value generated by the Group in 2021, €31 were used to pay taxes.

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

Geographical distribution of the tax contribution in 2021

For every €100 that the Colonial Group pays in taxes throughout the world, €35 are paid in Spain.



Source: Prepared in-house.

Total amount of payments to Public Authorities

Total Tax Contribution (TTC)	Property taxes	Taxation of products and services
€129.1m in Total Tax Contribution (TTC).	€76.7m in property-related taxes, all of which were borne.	€29.9m, of which €29.5m euros corresponded to VAT collected by the various companies of the Group.

Source: Prepared in-house.

Taxes paid to the Public Treasury - €m

	Spain		France		Total	
	Taxes borne	Taxes collected	Taxes borne	Taxes collected	Taxes borne	Taxes collected
Income tax	**0.1**	**0.3**	**6.1**	**0.1**	**6.2**	**0.4**
Corporate tax	(1.7)	–	6.0	–	4.3	–
Others	1.8	0.3	0.1	0.1	1.9	0.4
Property tax	**22.2**	**–**	**54.5**	**–**	**76.7**	**–**
Municipal Property tax	17.1	–	16.9	–	34	–
Others	5.1	–	37.6	–	42.7	–
Taxes associated with employment	**1.8**	**5.8**	**5.0**	**2.9**	**6.8**	**8.7**
Payments to Social Security	1.8	0.4	3.5	1.7	5.3	2.1
Earned income withholdings	–	5.4	0.5	1.2	0.5	6.6
Others	–	–	1	–	1	–
Taxes on products and services	**0.4**	**13.9**	**–**	**15.6**	**0.4**	**29.5**
VAT settled	–	13.9	–	15.6	–	29.5
Others	0.4	–	–	–	0.4	–
Environmental taxes	**0.1**	**0.3**	**–**	**–**	**0.1**	**0.3**
Subtotal of taxes paid	**24.6**	**20.3**	**65.6**	**18.6**	**90.2**	**38.9**
Total	**44.9**		**84.2**		**129.1**	

5.3. ESG ratings

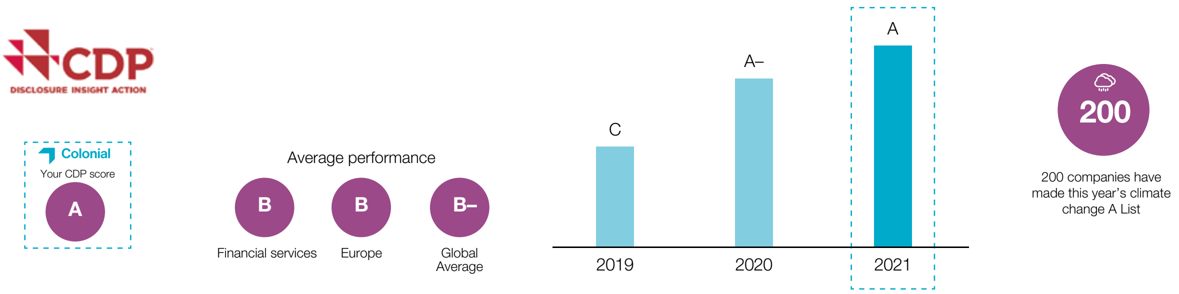
Financial year 2021 was a very successful year with regard to ESG. During this period, the Colonial Group made significant progress in terms of sustainability indexes:

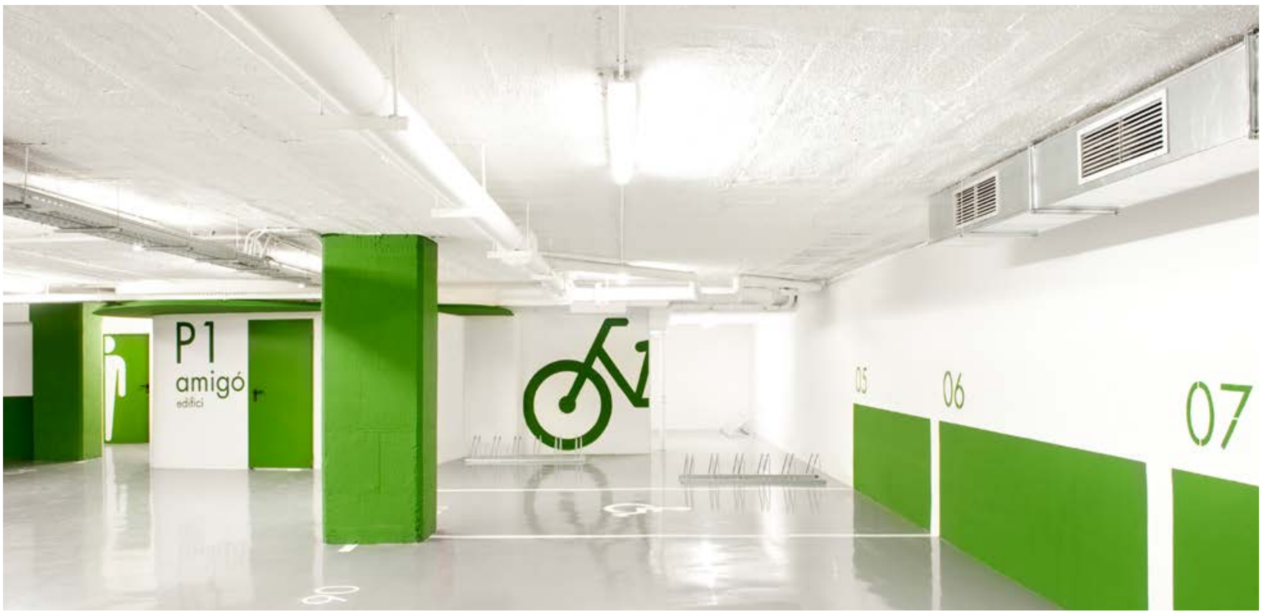
CDP

Colonial has obtained an A rating from CDP 2020, confirming its leadership in decarbonisation.

This score is well above the regional average for Europe and the financial services sector and reflects a strong year-on-year momentum. Highlights:

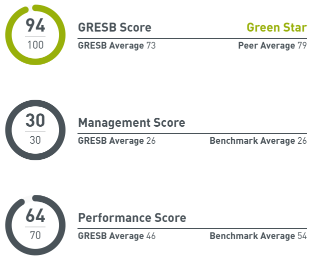
- Europe's only A rated office real estate company.
- Only 12 real estate companies worldwide reached this level, of which only 5 are in Europe. In Spain, Colonial was the only company in the real estate sector to achieve this score.
- Worldwide: Colonial was one of the 200 companies (versus 277 in 2020) out of more than 13,000 companies worldwide that became part of the climate change A List.





GRESB

Colonial is the leader in GRESB in Continental European offices, obtaining **a score of 94 out of 100 for the year 2021, making it the number 1 listed office company in Western Europe**.

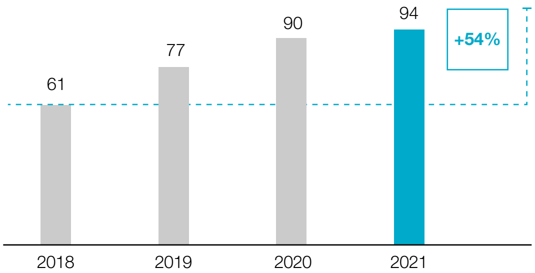


Since 2017, Colonial has steadily increased its ratings every year, climbing more than 30 points. Likewise, for the second year in a row, Colonial has obtained the maximum 5-star rating.

Continuous improvement in GRESB

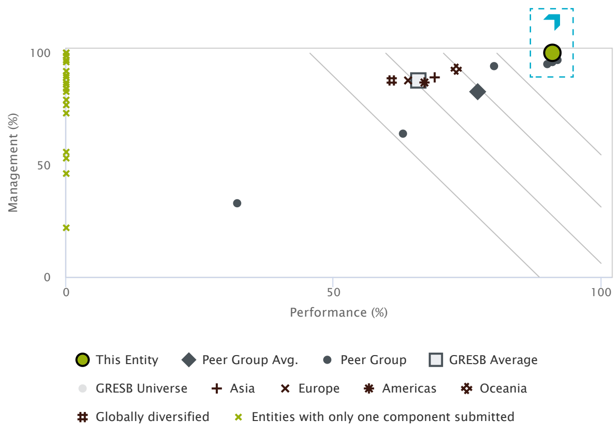
GRESB standing investments

Evolution of the GRESB index score

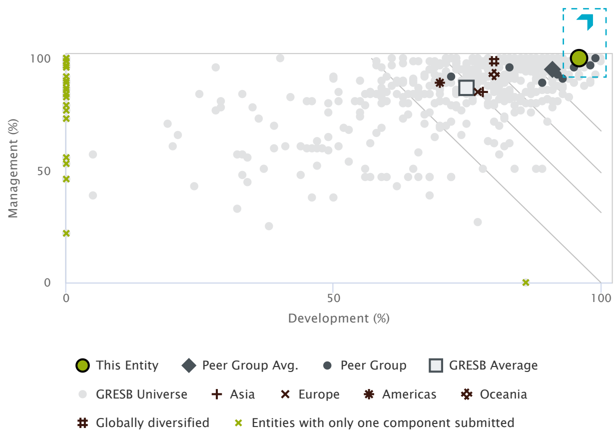


GRESB development

GRESB Model



GRESB Model



VIGEO

Colonial has obtained a Vigeo A1+ rating at the high end of the sector and is in the top 3% of the 4,892 companies rated worldwide (4th out of 90 in the financial services sector - Real Estate).

The company's overall score has increased by 5 points since last year's review, showing the company's excellent willingness and ability to integrate ESG factors into its strategy, operations and risk management.

Rank in Sector	4/90
Rank in Region	95/1615
Rank in Universe	100/4892

SUSTAINALYTICS

Sustainalytics awarded Colonial an ESG risk rating of 10.1 points, placing it in the Top 21 of the 431 listed real estate companies analysed. The agency highlights the good management of ESG policies in accordance with all international standards.

It should also be noted that Colonial has been identified as one of the best companies in ESG among more than 4,000 comprehensive companies covered globally. As a result of its excellent work, Colonial has been awarded the ESG Industry Top Rated and the ESG Regional Top Rated for 2022.

MSCI

MSCI, a benchmark company in rating the performance of listed companies, continued to give Colonial an ESG "A" rating, which is one of the highest international ratings. Colonial continues to lead its competitors by demonstrating a strong focus on green investment, as well as very high standards of Corporate Governance.

LAST UPDATE: December 24, 2021

FTSE4Good

FTSE4Good: Rating in the high end, positioned above the Office REIT sector average and the Spanish average - **Score 4/5**.

SBTi (Science Based Target Initiative)

The Science Based Target Initiative (SBTi) has approved the short-term objective to reduce emissions based on the science of the Colonial Group.

Colonial commits to reducing its GHG emissions for Scope 1 and Scope 2 by –50% by 2030, starting from the baseline year of 2018 and to measuring and reducing its emissions for Scope 3. Likewise, Colonial has committed to limiting the increase in the Earth's average temperature to 1.5ºC (Business Ambition for 1.5°C).

This is carried out through a partnership between CDP, the UN Global Compact, the World Resources Institute (WRI) and the World Wildlife Fund (WWF).

By the end of August 2021, more than 880 companies had their targets approved by SBTi. The strategic decarbonisation plan will enable progress in this direction and its alignment with science will be certified by the SBTi method.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

BUSINESS AMBITION FOR 1.5°C

CDP DISCLOSURE INSIGHT ACTION

UN GLOBAL COMPACT

WORLD RESOURCES INSTITUTE

WWF

EPRA

For the 6th consecutive year, Colonial has obtained the EPRA Gold sBPR rating, which certifies the highest ESG reporting standards.

EPRA sBPR GOLD

5.4. Transition to carbon neutrality

5.4.1 Strategic plan for decarbonisation and sustainability

Environmental sustainability policies

The Colonial Group's environmental sustainability policy, approved in 2017, is a key element for the sustainable management of its properties in accordance with its strategy. The policy sets targets on a range of environmental issues, all of which are aligned with the UN Sustainable Development Goals (SDGs).

Colonial's environmental policy is detailed in the *Manual of Best Environmental Management Practices* as a management tool that provides specific guidelines for the buildings, aimed at managing the activities of the facilities in a manner consistent with Colonial's sustainability criteria. This manual is organised around the three main areas of environmental management of the buildings (Colonial, clients and users of the premises and maintenance companies).

In addition, a series of environmental policies were developed in 2017 and 2018 and are available on the company's corporate website:(1)

> Corporate Social Responsibility

> Environmental policy

> Biodiversity policy

> Climate change policy

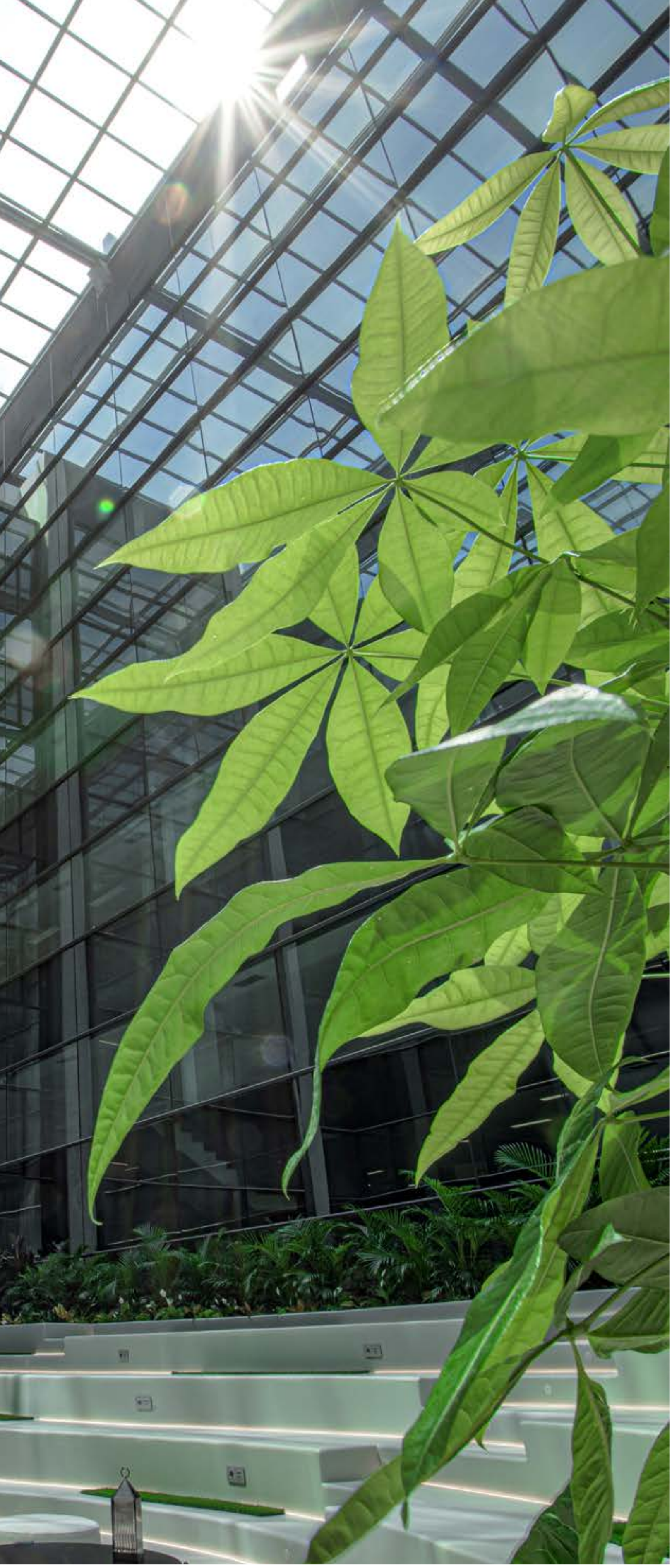
> ESG criteria policy to choose suppliers

> Renewable energy and Nearly Zero Energy Buildings (NZEB) policy

> Well-being policy

Environmental sustainability policies are continuously reviewed and updated to ensure the three highest standards of eco-efficiency and sustainable management.

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



Decarbonisation and sustainability strategic plan at the heart of the Colonial Group's strategy

The Colonial Group aspires to clear leadership in sustainability, which is a fundamental element in its corporate strategy to generate a long-term sustainable return based on a model where quality is a priority.

The Colonial Group's strategy involves a firm commitment to three aspects: the decarbonisation of its portfolio, a progressive reduction of its consumption and a responsible and efficient use of resources, resolutely promoting a circular economy throughout the entire real estate value chain.

The Colonial Group has drawn up a decarbonisation plan as an integral part of the strategic plan for its asset portfolio, while establishing the main financial and non-financial KPIs for each of the assets, analysed year by year.

First decarbonisation plan 2015-2030

Once Colonial's recapitalisation was completed in 2014, the Colonial Group developed its first Business Plan for decarbonisation 2015-2030, setting 2015 as the baseline year to monitor reductions in consumption (in particular energy and carbon footprint), with the aim of charting a path towards carbon neutrality.

This ambitious plan was fully integrated into the Group's Business Plan and responded to the Colonial Group's commitment to achieve carbon neutrality in its entire office portfolio by 2050, as well as to reduce Scopes 1 and 2 by 75% between the 2015 baseline year and 2030.

In 2020, the Colonial Group achieved a significant reduction in its carbon footprint across the entire portfolio, reaching one of the lowest intensity ratios in the European real estate sector. Thanks to this progress, the decarbonisation target set for 2030 was already achieved in 2020, which has accelerated Colonial's progress towards a carbon neutral portfolio.

The Colonial Group also achieved a reduction in energy consumption due to the implementation of a series of energy saving and efficiency measures in specific assets. The Colonial Group has always endeavoured to prioritise the consumption of energy sources that contribute to reducing its carbon footprint (green energy).

The strategic decarbonisation plan is based on detailed knowledge of all segments of the real estate value chain by working through the best technical teams in the Paris, Madrid and Barcelona markets. This is achieved by the efficient management of resources and energy consumption through more sustainable suppliers, thereby ensuring that the various activities are carried out in the best and most sustainable way.

New decarbonisation plan 2018-2030

I. New baseline year 2018 and wider scope of assets

Given the significant progress made in decarbonisation, the Colonial Group has developed a new Business Plan for decarbonisation 2018-2030, approved by the Board of Directors and setting 2018 as the baseline year to monitor reductions in consumption (in particular energy and carbon footprint), with the aim of charting a path towards carbon neutrality.

In particular, this ambitious strategic decarbonisation plan responds to the Colonial Group's commitment to carbon neutrality by 2030, pre-empting the neutrality target of 2050 by 20 years. This decarbonisation plan is much more ambitious than the previous one, not only in terms of emission reduction targets but also in terms of the scope of assets. The two main KPIs are carbon intensity (total carbon footprint of the portfolio in terms of ratio per sqm) as well as energy intensity (Kwh/sqm).

In addition, the company has established an internal carbon price as a key element to prioritise and determine the most efficient actions in decarbonisation. With this internal carbon price, each tonne of CO_2 would have an associated price which would be passed on to the activity and serve to be aware of and manage activities from the point of view of the most efficient energy production and consumption possible.

Thus, the company has set a very ambitious internal carbon price of €100/tCO_2e, approved by the Sustainability Committee and applied to all new investments to be carried out.

This new decarbonisation plan has been developed by the ESG Committee and approved by the Sustainability Committee and the Board of Directors of the Colonial Group. A decarbonisation plan has been drawn up, consisting in collecting and analysing the data on each asset in each of the cities in which the group operates, analysing the current status, individual characteristics and assessing the energy efficiency potential.

II. Master Plan - Specific actions

The first step in this transformation process was to analyse the current status and characteristics of each asset individually, assessing its energy efficiency potential, with the aim of identifying any options for improvement, as well as the possibilities for implementing renewable energies and other decarbonisation mechanisms.

A master plan has been approved to improve operational eco-efficiency performance indicators. It will analyse the various decarbonisation actions to be carried out and invest €50m over the next 5 years, corresponding to a green CAPEX of approximately €10m per year.

The Colonial Group has approved a series of improvements in four major areas of activity:

A. Ventilation and climate: Replacement of air-conditioning systems and installation of more efficient equipment.

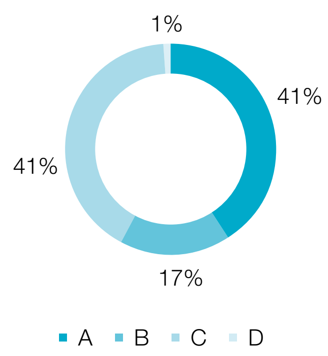
B. Improved building automation and control: PropTech 2.0.

C. Relamping: LED lighting and lighting control and dimming systems.

D. Photovoltaic solar panels: Installation of photovoltaic solar systems for self-consumption.

These actions will lead to a reduction in energy consumption and a reduction of CO_2 emissions throughout the portfolio.

Group		
A	Ventilation and climate	41%
B	Improved automation and BMS control	17%
C	Relamping	41%
D	Solar photovoltaic	1%
Total		**100%**

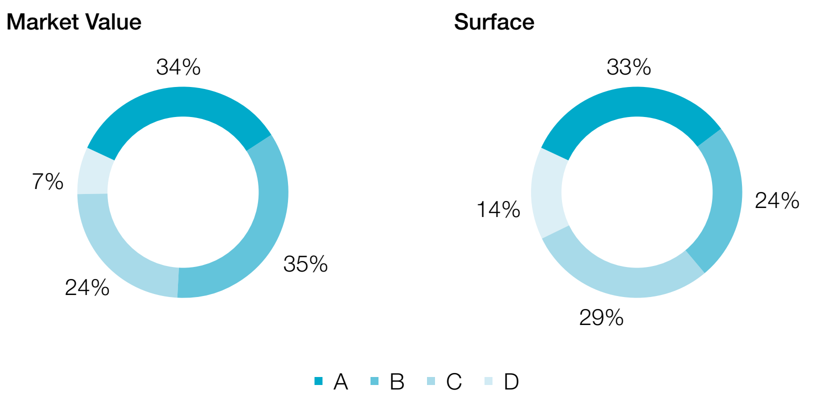


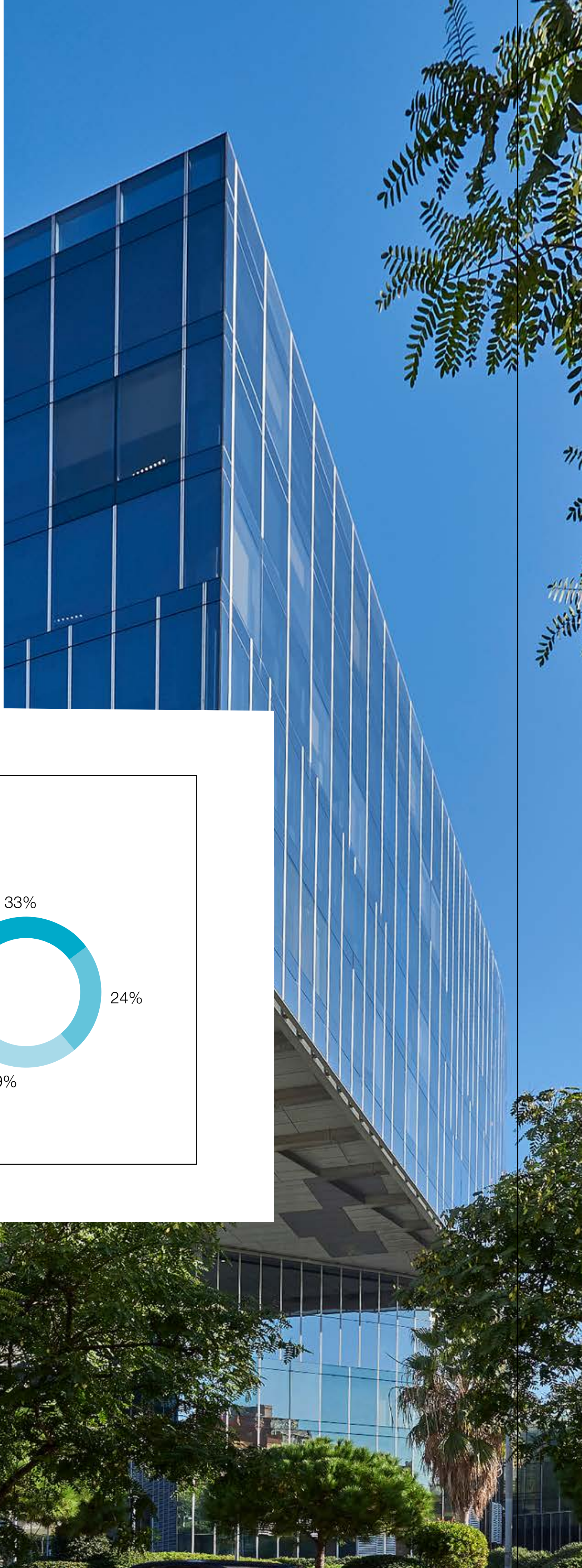
This decarbonisation plan is intended to involve a scope of 61 assets, corresponding to 15 in Barcelona, 31 in Madrid and 15 in Paris, equivalent to 848,939 sqm with a market value of €9,901m.

The distribution of actions by market is as follows:

	Barcelona	Madrid	Paris
Number of assets per action	15	31	15
Performance A	5	20	10
Performance B	4	6	13
Performance C	12	16	7
Performance D	4	13	–

Breakdown by action





III. CAPEX efficiency of decarbonisation

Based on the internal carbon price, the price of energy and estimates of the impact on income and value, the Colonial Group has developed a carbon yield model to prioritise sustainability actions appropriately.

For new acquisitions, projects and refurbishments, in addition to the traditional Internal Rate of Return (IRR), the Colonial Group calculates a Sustainability IRR (green IRR) that includes all the costs and benefits of improving the eco-efficiency of the asset analysed.

Decarbonisation plan reviewed and approved by Science Based Target initiative (SBTi)

The new, approved decarbonisation plan sets out the Colonial Group's commitment to ensure its entire office portfolio is carbon neutral by 2030. It is fully aligned with the Paris agreement, signed in December 2015, achieving the maximum reductions in carbon footprint and obtaining the lowest levels in the European sector.

To strengthen the Group's commitment to the Paris Agreement, Colonial has committed to the Science Based Target initiative (SBTi) to establish emission reduction targets aligned with science and with limiting the increase in the Earth's average temperature to below 1.5°C, a very ambitious goal.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

This means that our targets are based on the guidelines considered necessary by the latest climate science to meet the goals of the Paris Agreement, thereby providing a clear path forward to mitigate greenhouse gas emissions in a meaningful and effective way.

As a result, our new Business Plan for decarbonisation, explained in detail above, sets targets that are fully aligned with science. Furthermore, given the Colonial Group's excellent results in terms of sustainability, it has decided to go further in its commitment and has set new, even more ambitious targets, bringing the date for achieving carbon neutrality forward to 2030.

Given the expected evolution and increased prominence of energy efficiency, formalising Colonial's commitment to SBTi provides other strategically important benefits such as: increasing resilience versus future regulation, stimulating growth, innovation and competitiveness and increasing stakeholder confidence. It is also accompanied by support and validation by technical experts.

The elaboration of these objectives, adhering to SBTi involves a process consisting of several steps:

> The first step is to formalise a willingness to set a science-based target through a charter.

> Subsequently, work begins on the emissions reduction target to be implemented, aligning it at all times with climate science criteria.

> Once developed, SBTi is responsible for officially validating the adequacy of the target.

> Once approved, it has to be disclosed and announced to stakeholders.

> Finally, the company's emissions progress will be reported annually and monitored objectively. This constant review makes targets more effective and they become real objectives with solid evidence.

Therefore, adherence to SBTi not only corroborates that the actions Colonial is taking are the right ones to mitigate climate change, but also provides the starting point required to optimise the development of our objectives. This allows us to take a step forward with regard to these strictly necessary measures and to draw up a more ambitious action plan built on this scientific basis.

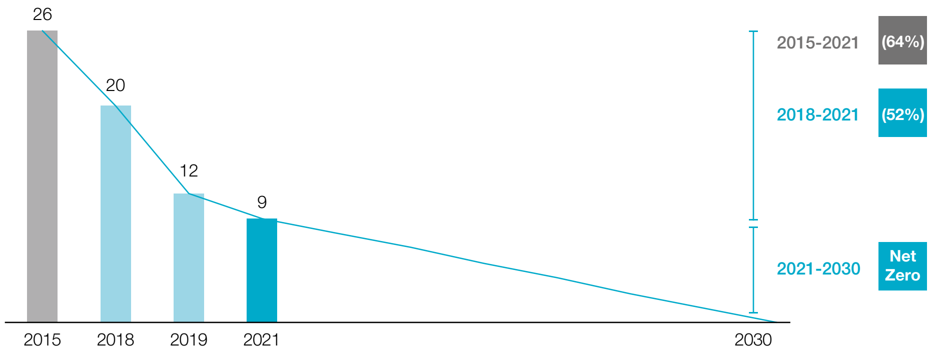
Decarbonisation Plan 2018-2030

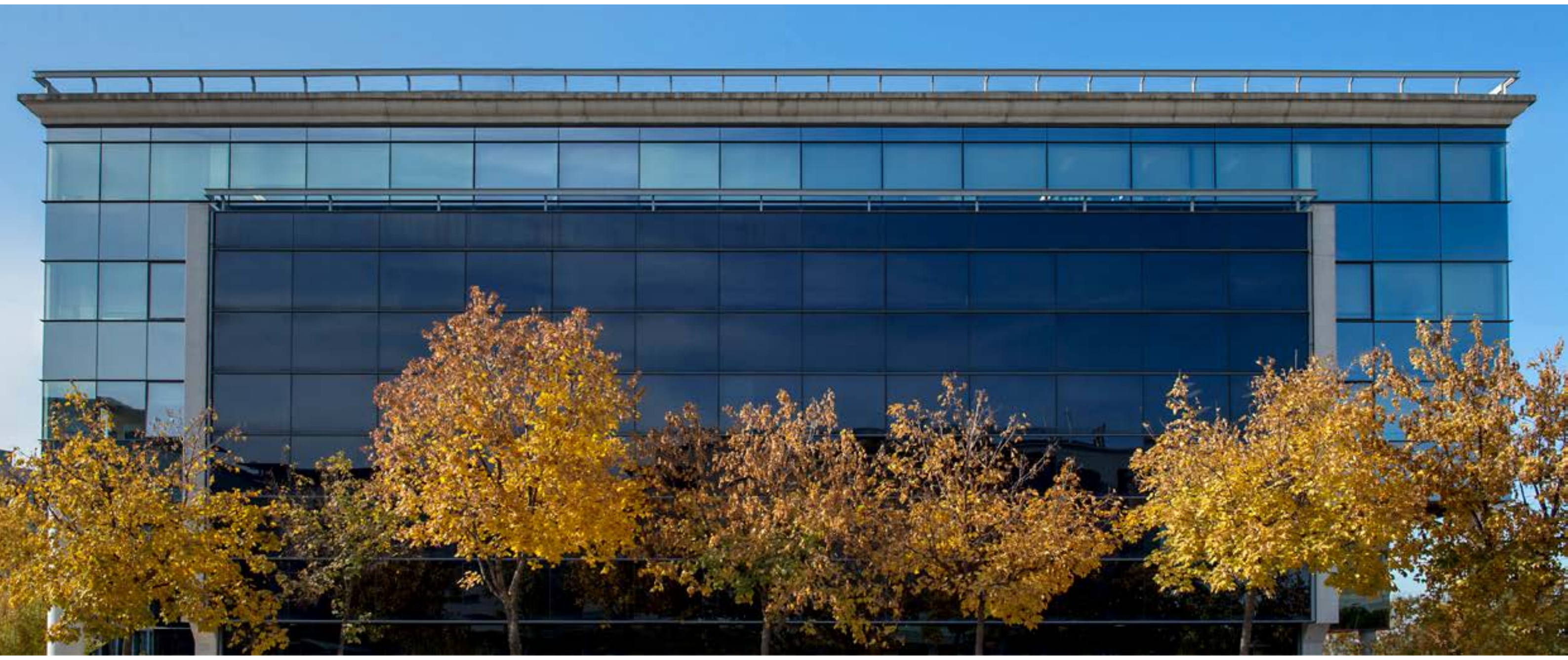
The Colonial Group's Decarbonisation Plan aims to achieve carbon neutrality of its entire portfolio by 2030 based on the specific actions stated above.

In terms of the Scopes 1 & 2 Carbon Intensity KPI (KPI that enables comparison with other companies in the industry), the Colonial Group has achieved a substantial reduction in carbon intensity obtaining 9 kgCO_2e/sqm, one of the lowest ratios in the industry (equivalent to a decrease of more than 50% since the new 2018 base year and more than 64% since 2015, the first year of measuring carbon emissions).

The long-term goal is to reach full carbon neutrality in 9 years, i.e., by 2030.

Intensity Scopes 1 & 2 (kgCO_2e/sqm)



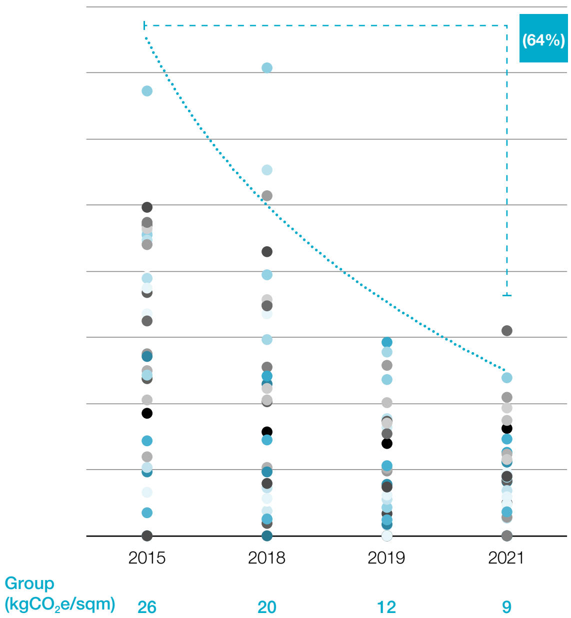


Intensity in $kgCO_2e$/sqm and intensity in tCO_2e/€m

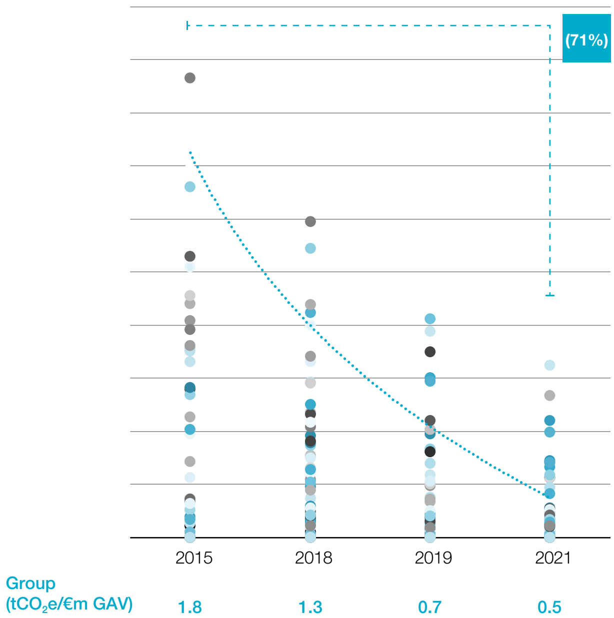
Specific progress on the decarbonisation plan is shown in the graphs below.

In order to measure carbon emissions by euros invested, for the first time, Colonial reports the progression of this intensity, measured in tonnes for Scopes 1 and 2 emissions generated per every million euros of the asset portfolio value.

Intensity Scopes 1 & 2 ($kgCO_2e$/sqm)



LFL intensity Scopes 1 & 2 (tCO_2e/€m GAV)



In the first year of monitoring the Colonial Group's carbon emissions, in 2015, the carbon intensity of Scopes 1 and 2 was 1.8 tonnes per million euros invested. As of 31 December 2021, this figure has been significantly reduced: for every €1 million in asset value, only 0.5 tonnes of CO_2e are emitted, which is a decrease of (71%) from 2015.

Transition strategy beyond the Decarbonisation Plan

Colonial is fully aware of the important role that the real estate sector plays in both the transition to a carbon-free economy and in preventing the consequences of climate change in its broadest sense. This means that our actions are not only limited to carbon emissions. Beyond the specific objectives of the decarbonisation plan, the Colonial Group has an environmental sustainability plan, consisting in the analysis of other important metrics, optimising the sustainable management of all our activity.

In this regard, Colonial has a matrix for monitoring both long-term and short-term sustainability objectives, with the following KPIs:

Business Plan Objective 2018-2030

	Strategic Goal 2030	Var. LFL 18/21	Progress Business Plan
1. Reduction of GHG emission intensity Scope 1&2 Reduction $kgCO_2e/sqm$	Carbon neutral	(56%)	✓
2. Reduction of energy intensity Lower kWh/sqm	> (10%)	(5%)	✓

Business Plan Objective 2018-2030

	Strategic Goal 2030	Start	2020	2021	Progress Business Plan
3. Energy Certificates/Environmental Certificates Office portfolio					
> Energy Efficiency Certificates	100%	100%	100%	100%	✓
> BREEAM/LEED/HQE certifications	100%	90%	93%	95%	✓
4. Maximum Energy/Environmental Certification in Office Projects	100%	0%	100%	100%	✓

4. Maximum Energy/Environmental Certification in Office Projects

- > The projects to be delivered in Barcelona and Madrid will obtain the highest energy certification available:
  - > Miguel Ángel 23: BREEAM Very Good
  - > Velázquez 86D
- > In addition, the next 2 projects to be delivered in Paris will have triple certification:

Biome
- BREEAM Refurbishment: Excellent
- LEED Core and Shell: Gold
- HQE Rénovation: Exceptionnel
- BBC-Effinergie: Rénovation
- BBCA: Rénovation
- Biodivercity: Excellent
- Wired score: Gold

83 Marceau
- BREEAM Refurbishment: Excellent
- LEED Core and Shell: Gold
- HQE Rénovation: Exceptionnel
- BBC-Effinergie: Rénovation
- Ready 2: Services

5. Lifecycle Analysis for Projects

- > Identification of all phases of the cycle to implement improvements
- > It is already being applied to all of Colonial's assets with a sustainable approach
- > Involvement of all suppliers in sustainability objectives: from design to demolition to construction and maintenance

Business Plan Objective 2018-2030

	Strategic Goal 2030	Start	2020	2021	Progress Business Plan
6. Green Procurement / Renewable Energy Purchasing > Procurement of 89% renewable energy by 2021 in the Madrid & Barcelona portfolios > Acquisition of 46% renewable energy in the Paris portfolio	> 70%	0%	62%	70%	✓
7. KPIs analysis for 100% of the operating office portfolio					
> Energy	100%	74%	92%	100%	✓
> GH Scope 1&2	100%	75%	92%	100%	✓
> Water	100%	74%	92%	96%	✓
8. Waste management/Circular Economy > 99% of the non-hazardous and hazardous waste generated in Barcelona and Madrid has been recycled or recovered > 91% of non-hazardous and hazardous waste generated in Paris will be recycled or recovered	85%	N/A	99%	99%	✓
9. ESG clauses for all important suppliers > The 167 most significant suppliers in Barcelona and Madrid are committed to ESG clauses > The 230 most important suppliers in Paris are committed to ESG clauses	100%	0%	100%	100%	✓
10. Green Clauses for all new customers > Green contracts included in all new contracts in Paris > Green Contracts included from the beginning of 2021 in all new contracts in Barcelona and Madrid	100% new customers	–	44%	87%	✓

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

5.4.2 Life cycle analysis and integrated asset management

We integrate our vision of sustainability into every phase of the life cycle

Within the framework of its sustainability strategy and in order to optimise the eco-efficiency of the entire new value chain, Colonial applies the integral Life Cycle Analysis (LCA) to its renovation projects and new asset developments.

For all new building acquisitions and renovations or major refurbishments, the Colonial Group carries out an exhaustive analysis beyond the current situation, in consideration of each of the phases of the asset's life cycle (acquisition, construction, refurbishment and renovation, management of the properties in operation and the repositioning or sale of the properties).

In each of these phases, the LCA takes into consideration each value chain process to assess the environmental impacts, the role of the owner in the community and the future benefit to clients.

It is also important to highlight that the Colonial Group involves design teams, suppliers, contractors, maintenance providers and technical managers in the life cycle strategies of the buildings. Their involvement in the strategic sustainability plan is key for a sustainable and integrated value chain.

In addition, the integral LCA allows Colonial to implement a broader vision of its decarbonisation strategy and thus have a holistic carbon footprint reduction strategy that involves developing a project from the design phase to the sale phase. LCA-based decisions give rise to short-term and long-term operating advantages and benefits in relation to sustainability.

The following table shows the life cycle analysis used by Colonial:

I. Land and building acquisitions	II.1 Comprehensive works and refurbishments	II.2 Renovations/ refurbishments	III. Management of real estate in operation	IV. Sale of the property
> Evaluation of legal environmental requirements. > Visit to the property or plot. > Identification of potential environmental liabilities. > Contamination testing. > Energy certification.	> Study of the building's orientation. > High-performance building envelope (façade). > Sustainable procurement of materials. > Low-impact construction solutions. > Efficient installations. > Sustainable certifications. > Demolition and waste management: circular economy.	> Replacement of installations. > Energy efficiency and renewable energy measures. > Targets for decarbonisation of buildings in line with the above eco-efficiency measures. > Minimising water consumption and use of recycled/ reused water. > Efficiency certifications. > Design in accordance with clients and users.	> Management and control systems. > Monitoring and control of energy and water consumption and carbon footprint. > Optimisation of performance indicators.	> Analysis of the potential value creation of the asset. > Analysis of asset repositioning. > Market positioning in competitive sales processes.

The Life Cycle Analysis (LCA) of an asset is essential to implement improvements at each stage of the value chain and reduce the environmental impact.

The application of this analysis to two properties in Madrid, Michelangelo 23 and Cedro, as well as the Biome property in Paris, is shown below.

Case study Spain I: Miguel Ángel 23 project

Colonial acquired the Miguel Ángel 23 asset at the beginning of 2018 as part of the acquisition of Axiare SOCIMI S.A. and its subsequent merger with Colonial.

The LCA identified aspects to optimise the level of sustainability of the property and, consequently, maximise value creation.

The comprehensive rehabilitation project developed by Colonial is aimed at material recovery, thus reducing pollution.

In terms of sustainability, the objectives have been set to reduce the building's CO_2 emissions to levels close to zero, making this project one of the first nearly zero energy office buildings in Madrid. To achieve this, the entire development has been based on optimal cost lifecycle studies according to the method set out in the European Directive on Energy Performance of Buildings. A number of alternatives for the building envelope and air conditioning systems have been identified throughout the lifecycle of the building to achieve a nearly zero energy building with the highest energy rating and with the aim of achieving a "very good" BREEAM rating. The façade will be innovative, replacing the conventional all-glass curtain wall with a mixed solution of aluminium and wood with external lattices made of wooden slats, which reinforces Colonial's commitment to using materials with lower embodied CO_2.

Development Phase: In terms of carbon footprint, the project and its design meet the requirements of Colonial's Responsible Product Procurement Guide, with a quantitative carbon footprint of 6,398tCO_2e which translates into a ratio of 602kgCOe/sqm in accordance with the Carbon Heroes Benchmark (CHB) standard.

Construction Phase: During the construction phase, embodied carbon was further optimised thanks to the coordinated work of the different work teams; the main goal was the reduction of this embedded footprint, so it was reduced to 5,497tCO_2e (537kgCO_2e/sqm ref. CHB), which means a saving of 901tCO_2e (65kgCO_2e/sqm ref. CHB). This total improvement results in an additional saving of 14%, which is the equivalent of planting approximately 577 feet of the narrow-leaved ash tree species plus about 1,440 feet of resin pine tree species and maintaining this amount of both species for 35 years.

Nearly zero energy building design: Wood is one of the main features of this renovation project. It becomes a sustainable product when it is actually handled and replaced responsibly, which is why this project has used blockchain technology to ensure transparency and traceability, as it is a tool that prevents the addition, removal, or manipulation of data in any way after the fact, at all stages of the process, both to the product itself and to the entire chain. It provides traceability from the source, proximity, negative carbon footprint. It is deforestation-free and a means of sustainable forest management.

The glass of the façades will be triple glazing with low transmittance, which means the estimated operation and maintenance costs, and specifically the costs of electricity consumption, will be similar to that of buildings with unglazed façades with high insulation features.

The building will also have an extensive photovoltaic installation, solar thermal energy on the roof, as well as a wind turbine system for the generation of wind power (a novelty for a building of these features), which will enable a high percentage of the building's energy consumption to be met from renewable sources. It will also be equipped with sustainable mobility solutions: Electric vehicle charging points, bicycle parking spots and showers and changing rooms to encourage the use of alternative means of transportation.

In addition, a distinguishing factor of the project is the focus on the health and well-being of its users thanks to the optimisation of ventilation flows, high-performance filters, the specification of materials with low Volatile Organic Compound (VOC) emissions, lighting designed following strict criteria of health, comfort, and energy efficiency, green outdoor areas on the roof for the occupants to relax, etc.

The table below shows the different phases of the lifecycle of Miguel Ángel 23:

I. Building acquisitions	**II. Comprehensive renovation**	**III. Operating real estate management**
		
> Positioning of the building on the market. > Analysis of future generation of economic value and sustainability. > Technical and environmental due diligence.	> Building materials with low carbon content. > Photovoltaic and solar thermal energy installation on the roof. > Wind turbine system for the production of wind energy. > Optimisation of ventilation and installation of high-performance filters. > Acoustic finishes in the work areas with optimum hearing comfort. > Lighting designs with ideal control conditions and energy efficiency.	> Multi-purpose spaces designed for new methods of work and the needs of each company. > Work areas that aspire to bring out the best of each person. > Open spaces that encourage meetings and networking. > Monitoring and control of energy consumption water and carbon footprint.

Case study Spain II: Cedro Renovation Programme

Colonial acquired the Cedro asset at the beginning of 2018 as part of the acquisition of Axiare SOCIMI SA and its subsequent merger with Colonial.

The lifecycle analysis has identified aspects to optimise the level of sustainability of the property and, consequently, maximise value creation.

The building was refurbished in 2021, with a completely new concept, adapted to the new generation of corporate spaces. This evolution merges modern architecture concepts with the latest generation of materials, with a maximum level of sustainability.

Following the best practices in sustainability and healthy habits, the building has a Building Management System (BMS) with real-time consumption measurement and consultation, a Digital Addressable Lighting Interface (DALI) air conditioning and lighting management and control systems, self-regulating through sensors in key areas, as well as energy-efficient air filtration thanks to an innovative polarisation system. In indoor spaces, air conditions and air quality are controlled, with a ventilation system 30% above the Regulation of Thermal Installations in Buildings (RITE) requirements.

The table below shows the different phases of the lifecycle of Cedro:

I. Building acquisitions	**II. Complete renovation**	**III. Management of assets in operation**
		
> Positioning of the building in the market. > Analysis of future economic value creation and sustainability. > Technical and environmental due diligence.	> Highly efficient LED lighting with low glare levels. > DALI air conditioning and lighting management and control system, self-regulating by means of sensors in key areas. > Energy efficient air filtration thanks to an innovative polarisation system. > Saving water thanks to low-cons umption bathrooms. > Locally sourced or highly recycled materials. > Interior soundproofing against noise pollution. > Private green area with local flora with low hydration requirements.	> Wide and flexible spaces to adapt to the needs of the companies. > Work areas that generate comfort and a feeling of being in an inspiring, pleasant location, designed for personal and professional development. > Garden areas, terraces, multiple common spaces and service areas create an environment designed for new corporate cultures and new ways of working. > Monitoring and control of energy and water consumption and carbon footprint.

Case study France: Biome Project

Biome, a building from the 1960s, was designed following a rational structure of concrete and metal resting on large, beamed poles. The building was the first congress centre in Paris, before becoming the headquarters of the SMA for fifty years, the historic mutual insurance company of construction workers created during the great works of Haussmann. SFL acquired the building in 2017 with the aim of transforming it into an iconic building with no equivalent in Paris.

Given the importance of this heritage site and its unprecedented urban and landscape context, the restructuring operation goes beyond a simple transformation. The architect-designer teams considered the project in a participatory approach to urban renewal and a benevolent reinterpretation of the architectural and aesthetic history of the existing building. They are committed to an ambitious, humane project, part of the future of tertiary architecture.

Utilisation of materials: The most distinctive aspect of this operation is its ability to make use of existing materials in all these aspects, while retaining 80% of the initial floor plans. More than 400 sqm of facade stones will be reused, and marble will be reused as granite in the new sanitary facilities. More than 60% of the poured concrete comes from less carbon-intensive alternatives and 86% of the raised floor slabs, i.e., more than 11,000 sqm, will also be reused.

Restructuring of the building: The restructuring is based on the structural design of the heritage building to free up the working floors and create new high-performance facades that are more transparent to the city. In the basement, the former floor level is restored to suit the new needs of the building by means of topographical work on the floor which allows generous openings, to use the height differences in order to create valleys and thus bring as much sunlight as possible into this location. Of special mention on the ground floor, the architectural and landscaped base of the project, designed as a unitary device of the buildings, you can find elegant chiselled concrete pillars.

Revegetation: The central 1,300 sqm garden contains about thirty trees, including tall stems thanks to a 15m open space, visible from the entire building, lobby, club, offices and lower floors. On each floor, the existing “technical” terraces have been transformed into accessible garden spaces, doubling the surface with greenery, giving the impression that employees are not working “just around the corner” but are working “in nature”.

Biome will be delivered in mid-2022 and is a clear example of a sustainable building with triple certification: HQE Exceptional, BREEAM Excellent Rehabilitation and LEED Gold. It has also obtained the BBCA (Low Carbon Building) Renovation label and will be labelled as BiodiverCity Excellent, highlighting the important revegetation effort made.

- BREEAM Refurbishment Excellent
- LEED Core and Shell Gold
- HQE Rénovation Exceptionnel
- BBC-Effinergie Rénovation
- BBCA Rénovation
- Biodivercity Excellent
- Wired score Gold

The table below shows the different phases of the life cycle of Biome:

I. Building acquisitions	II. Complete renovation	III. Management of assets in operation
		
> Positioning of the building in the market. > Analysis of future economic value creation and sustainability. > Technical and environmental due diligence.	> Reuse of existing materials. > Materials from less carbon-intensive alternatives. > Recovery of almost all waste in terms of materials and power. > Airflows calibrated to deliver their maximum capabilities. > Development of 3,100 sqm of green spaces and outdoor terraces.	> Bright and modular spaces to adapt to the needs of clients. > Services for the well-being of clients: fitness room, restaurant, etc. > Large garden and many landscaped terraces accessible on every floor of the property. > Installation of charging stations for electric vehicles.

5.4.3 Decarbonisation laboratory - WittyWood Project

The WittyWood Project is a benchmark project in the field of sustainability. This building, on which work began in 2020, will be newly constructed and located in Barcelona's 22@ District, and it will be the first wooden office building in Spain.

Its energy performance will be supported by the highest level of energy efficiency certification and the Group also aims to obtain LEED Platinum and WELL Gold certification for the building. This will make it a flagship of sustainability and architectural health in the offices sector.

The WittyWood project has taken up the challenge of promoting low-carbon building materials and driving this paradigm shift in the construction process by applying an innovative solution of replacing the traditional reinforced concrete structure with a timber load-bearing structure. The use of wood saves energy and reduces the environmental impact of the building in such a way that the lifecycle analysis conducted reveals the following advantages compared to a building with conventional solutions:

> A 20% saving in carbon emissions as a result of the use of building materials.

> A 24% decrease in the acidification process of the atmosphere (SO_2 emissions).

> An 11% reduction in non-renewable energy consumption.

In terms of the operation of the asset and its consumption, the building's energy demands will be minimised thanks to the high performance of the façade, and the reduced air conditioning needs will be covered by the Districlima system to which the building in question will be connected. This system obtains power from the combustion of urban waste in the thermal power station located in the Parc del Forum in Barcelona, generating savings of 55% compared to another reference building. On the other hand, there will be a rooftop photovoltaic installation capable of meeting 64% of the power consumption and a rainwater harvesting system to supply the toilet tanks and the irrigation system.

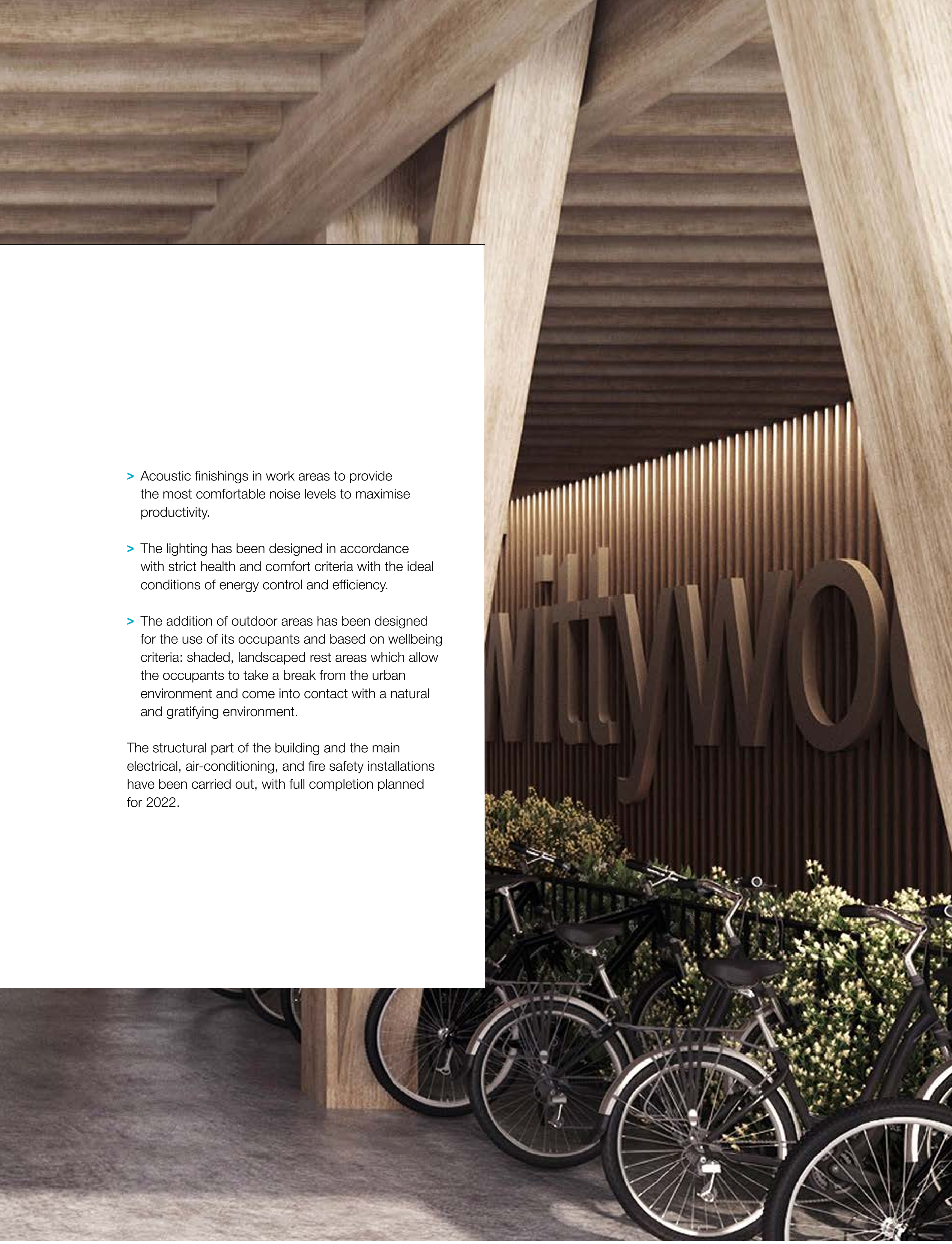
The building will also be equipped with sustainable mobility solutions: electric vehicle charging points, bicycle parking spots and showers that will encourage the use of alternative means of transportation.

In addition to the aforementioned sustainability features, the project ensures better health and well-being for people. The WELL certification will be achieved with multiple features including:

> Optimisation of ventilation flows, which shall operate in accordance with the interior CO_2 concentration parameters.

> Installation of high-performance filters in the ventilation system to prevent the entry of contaminants from the exterior.

> Specification of low-emission materials in interior finishes to ensure optimal indoor air quality, avoiding the presence of pollutants such as formaldehyde or volatile organic compounds (VOCs).



- Acoustic finishings in work areas to provide the most comfortable noise levels to maximise productivity.

- The lighting has been designed in accordance with strict health and comfort criteria with the ideal conditions of energy control and efficiency.

- The addition of outdoor areas has been designed for the use of its occupants and based on wellbeing criteria: shaded, landscaped rest areas which allow the occupants to take a break from the urban environment and come into contact with a natural and gratifying environment.

The structural part of the building and the main electrical, air-conditioning, and fire safety installations have been carried out, with full completion planned for 2022.

5.4.4 Digital transformation as an eco-efficiency accelerator

The Business Plan for environmental sustainability is supported by digital transformation. In this regard, the Colonial Group is strongly committed to innovation through the development and implementation of PROPNET technology, which will optimise the use of spaces throughout the group's portfolio over the coming years.

Within the Group there are different working groups with monthly and quarterly meetings focused on innovation and the digital transformation of real estate spaces in Colonial's portfolio.

From a real estate business point of view, there are several technological trends that can improve the environmental and cost efficiency of buildings.

As a result of this work, the Group is aware of the high potential for improving energy performance and water consumption through proper building management. To this end, the Group is developing a global plan to standardise building automation and control systems, the Building Management System (BMS), along with tools for real-time monitoring of the consumption and calculation of the carbon footprint, covering Scopes 1, 2 and 3.

As part of the Colonial Group's plan to sustainably improve asset maintenance, as well as to improve and increase cost efficiency, the following initiatives have been carried out:

PropTech Project - Digital Transformation of the Portfolio

The Colonial Group has started to implement an ambitious project called the PropTech project.

It covers the integration of the BMS with the objective to control all installations with significant power consumption in buildings and to install power and water meters to count in real time the general consumption of each building and the specific consumption of each installation. In addition, it will allow for general consumption data to be digitalized (historical consumption will be included for comparison with previous data) and submetering will be used for new data.

It also includes the installation of an Energy Management System (EMS) per building to monitor and remotely manage consumption per installation and the performance of production machines in real time. The main objective is to detect efficiency issues caused by deviations in the operation of the installations or unsuitable behaviour patterns of maintenance workers and building users.

By monitoring buildings in detail, a large amount of data is available to analyse the energy performance and gather information in order to make better decisions when designing and projecting.

This project has also extensively reinforced the security systems of the assets (access control, surveillance and anti-intrusion systems, image recognition, number plate readers, etc.), thus maximising the safety of users and the building. Monitoring is carried out remotely and continuously by security professionals, 24 hours a day, 365 days a year.

It should be noted that Colonial, together with other leading companies in the real estate sector, has invested in Fifth Wall, the first European fund focused on technologies for the global real estate industry. Fifth Wall aims to accelerate the adoption of European PropTech innovation by investing in high-potential European startups and providing co-investment opportunities alongside the firm's leading North American real estate technology funds.

PROPNET Project - Added value for clients with a focus on sustainability

In order to continue innovating and contributing proactive value to client management and understanding the needs of clients and users of our buildings, Colonial has launched the PROPNET platform.

PROPNET is an internal initiative of Colonial, together with its service providers, through which it directs its entire client-focused portfolio management strategy. By collecting and centralising data on a single platform, this tool enables Colonial to:

> Better understand and measure client needs.

> Improve the decision-making process in its value chain.

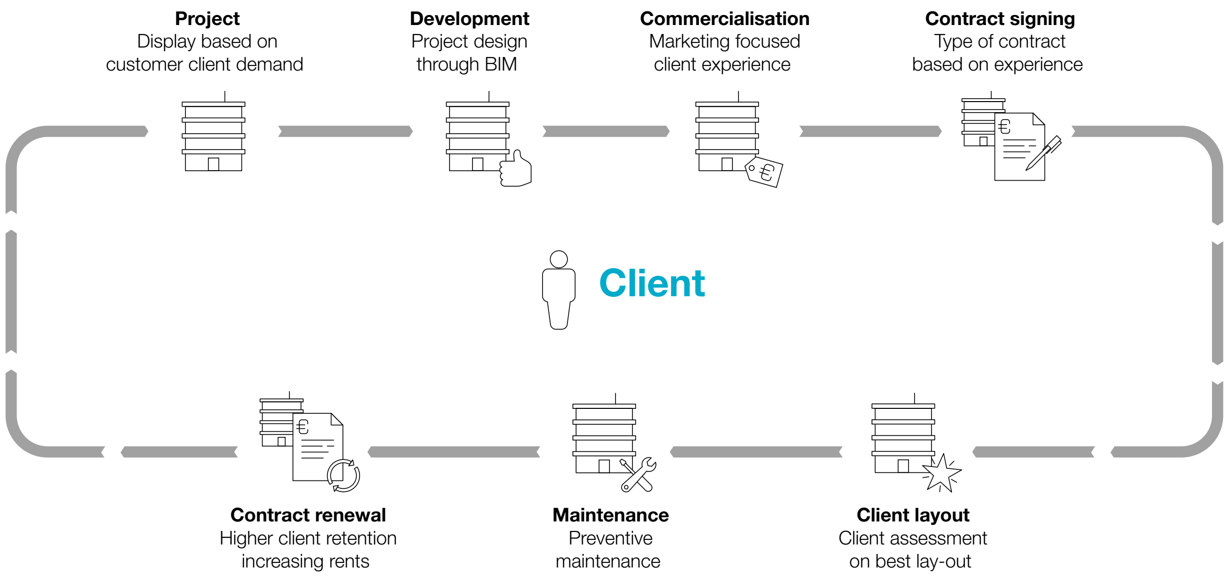
With PROPNET, using Artificial Intelligence, Colonial can foresee clients' needs according to behavioural patterns, as this platform makes it possible to measure the users'/clients' comfort in the space they occupy and control all the installations that affect their comfort.

As an example, with environmental sensors distributed in various areas of the workspaces on a floor, different comfort variables (temperature, relative humidity and CO_2 concentration) can be monitored and analysed by algorithms, automatically and accurately adjusting the installations to maintain the optimal point of comfort throughout the working day and therefore achieve maximum energy efficiency.

The implementation of this platform allows us to better understand our clients based on their current experience and thus meet their needs more quickly and efficiently.

PROPNET also prioritises the sustainability of Colonial's buildings. This tool makes it possible to measure the building's carbon footprint, control the use of resources to decrease and optimise energy consumption and, in the future, to design new assets and spaces as efficiently as possible to improve the client's own ESG rating accordingly.

The implementation of this platform will be developed gradually. Currently it has been installed and connected in 27 buildings in the Madrid portfolio and 14 buildings in the Barcelona portfolio. All of Colonial's new projects will be directly connected to PROPNET.



5.5. Eco-efficiency and decarbonisation results

5.5.1 Progress in eco-efficiency and decarbonisation

A key factor in reducing carbon emissions in the Group as a whole is the improvement in energy efficiency of the buildings that make up its portfolio, together with the increasing implementation and transformation of renewable energies, both “on-site”, by installing renewable technologies in the buildings themselves, and “off-site”, through the purchase of green energy.

5.5.1.1 Energy

I. Energy consumption in 2021

In 2021, the Colonial Group has made a great effort to increase its scope to monitor the consumption of its entire portfolio and to control the energy consumption of almost all of its assets, with the exception of single-user assets and assets that are still in the project stage and that do not yet generate operating power consumption.

The Group’s energy consumption in 2021 was 168,866 MWh, 108,305 MWh in Spain and 60,561 MWh in France.

Energy - Absolute

				Var. 20-21		Var. LFL 20-21		Var. LFL 19-21	
MWh	2021	2020	2019	MWh	%	MWh	%	MWh	%
Barcelona	41,629	37,397	35,824	4,232	11%	4,743	14%	–651	–2%
Madrid	66,676	55,706	44,706	10,970	20%	10,152	18%	–1,270	–3%
Paris	60,561	56,682	69,255	3,879	7%	1,930	3%	–10,118	–15%
Total	**168,866**	**149,784**	**149,785**	**19,081**	**13%**	**16,825**	**12%**	**–12,040**	**–9%**
Spain	108,305	93,103	80,530	15,202	16%	14,895	17%	–1,921	–3%
France	60,561	56,682	69,255	3,879	7%	1,930	3%	–10,118	–15%
Total	**168,866**	**149,784**	**149,785**	**19,081**	**13%**	**16,825**	**12%**	**–12,040**	**–9%**

In 2021, MWh consumption was above the consumption in 2020, which is a non-comparable year as a result of reduced activity, due to the COVID-19 pandemic.

If we compare the data obtained in financial year 2021 with financial year 2019, a pre-COVID period and therefore a more similar year in terms of the usage level of the buildings, in like-for-like terms, the energy consumed has decreased by 9%, mainly due to energy-saving measures adopted, such as the improvements made in the automation and control of the building management systems, and the replacement of lighting and air conditioning systems.

II. Energy intensity

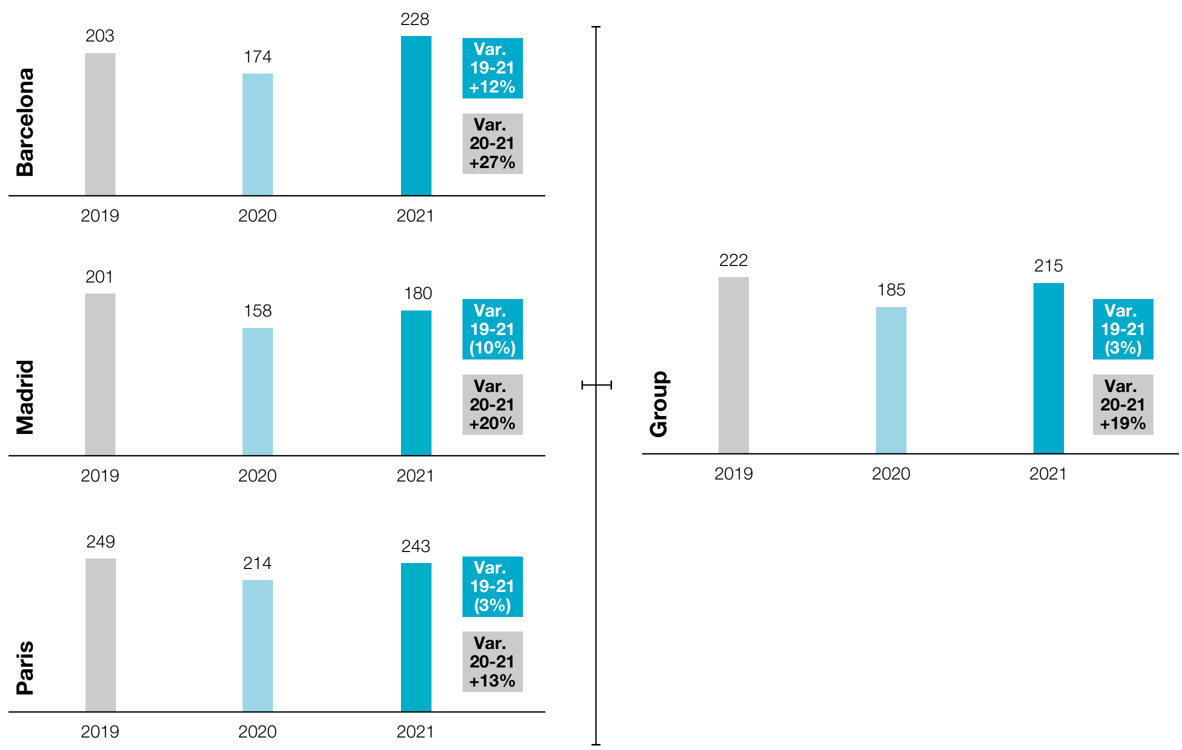
The **energy performance or intensity indicator** for the Colonial Group for the year 2021 was 216 kWh/sqm, with 206 kWh/sqm in Spain and 234 kWh/sqm in France.

Energy - Intensity

				Var. 20-21		Var. LFL 20-21		Var. LFL 19-21	
kWh/sqm	2021	2020	2019	kWh/sqm	%	kWh/sqm	%	kWh/sqm	%
Barcelona	216	168	203	48	28%	44	27%	25	12%
Madrid	201	162	209	39	24%	34	20%	–21	–10%
Paris	234	210	246	24	11%	28	13%	–7	–3%
Total	**216**	**179**	**223**	**36**	**20%**	**34**	**19%**	**–7**	**–3%**
Spain	206	164	206	42	26%	38	23%	–5	–2%
France	234	210	246	24	11%	28	13%	–7	–3%
Total	**216**	**179**	**223**	**36**	**20%**	**34**	**19%**	**–7**	**–3%**

In **like-for-like** terms, if **2021 is compared to 2019, there is a decrease in the energy intensity of the Colonial Group of –3%** (–2% in Spain and –3% in France).

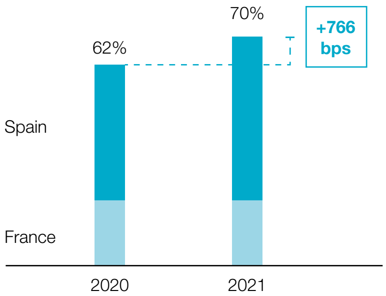
Intensity LFL 2021, 2020 & 2019 – Energy (kWh/sqm)



III. Renewable energy

a) Purchase of green energy

With the aim of reducing the organisation's carbon footprint, since 2018, we have been actively working with our clients to increase the supply of renewable energy based on energy with a Renewable Energy Guarantees of Origin (REGO) certificate. In 2020, the certificate was included in 62% of the Group's asset portfolio and in 2021 it was included in 70% of the Group's asset portfolio an increase of +766 bps, with a notable increase in Spain of 1,540 bps.



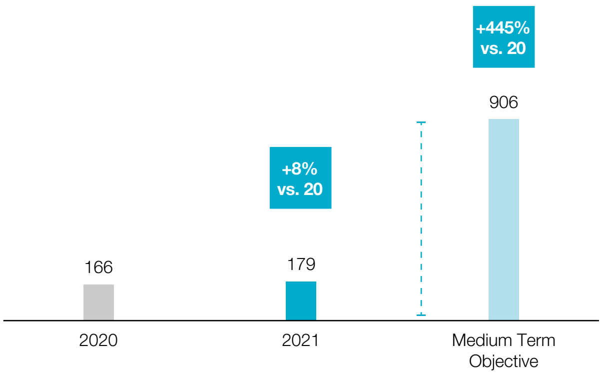
	2021	2020	Var.
Spain	89%	74%	+1,540 bps
France	30%	30%	*flat*
Group	**70%**	**62%**	**+766 bps**

b) Green on-site renewable energy installations

The Group currently has on-site solar photovoltaic installations on several of its assets, with a cumulative installed capacity of approximately 179 kWp. Colonial is aware of the importance of decentralised production with renewable energy sources, which is why it plans to implement this type of installation in practically all of the properties that it manages and for which installation is technically feasible, as well as in all of its large projects. In 2022, SFL plans to implement a photovoltaic installation on the Biome asset.

The following graph shows the evolution of the photovoltaic park installed in Colonial's portfolio of buildings in Spain. An increase from 179 kWp in 2021 to 905.5 kWp in 2026 is expected, i.e., a 500% increase.

Energy kWp generated "on-site"



5.5.1.2 CO_2 emissions in the 2021 portfolio

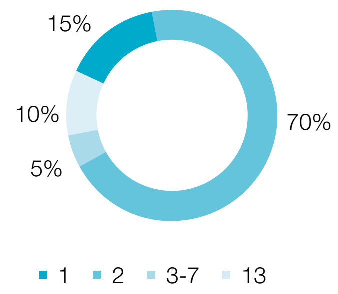
I. Maximum scope to measure carbon emissions

Until 2020, the Colonial Group has reported Scope 1 (direct emissions), Scope 2 (indirect emissions) and within Scope 3 (other indirect emissions), category 13, corresponding to the emissions generated by the energy consumption of restricted areas.

Considering the importance of the carbon emissions generated by Colonial's activity, the Group set up a taskforce to increase the scope of carbon emissions. The standards of the GHG Protocol define, within Scope 3, 15 categories, 7 of which are applicable to Colonial's business, as shown in the following table:

Scope 3 - Categories (GHG Protocol)	Inclusion / exclusion criteria
1. Goods and services purchased	✓ Applies. Lifecycle of goods and services acquired by Colonial (OPEX)
2. Capital goods	✓ Applies. Lifecycle of materials procured for construction and refurbishment (CAPEX)
3. Fuel and electricity activities	✓ Applies. Extraction, processing, transport, and distribution of consumed fuels and electricity
4. Transport and distribution of goods	✓ Applies. Transportation and distribution of products purchased by a company between suppliers and its own operations
5. Waste generated in operations	✓ Applies. Waste management and transport
6. Business trips	✓ Applies. Employee business trips
7. Displacement of employees	✓ Applies. Employees commuting to and from their workplace
8. Upstream leased assets	✗ Not applicable
9. Downstream transport and distribution	✗ Not applicable
10. Procedure for products sold	✗ Not applicable
11. Use of products sold	~ It would apply to Colonial when selling any of its assets
12. End-of-life processing of products sold	~ It would apply to Colonial when selling any of its assets
13. Downstream leased assets	✓ Applies. Power consumption of the restricted areas of the buildings
14. Franchises	✗ Not applicable
15. Investments	✗ Not applicable

In 2021, for the first time the Colonial Group reported the emissions of all categories, based on the GHG Protocol standards applicable to the Group's business. This means that, from 2021 onwards, in Scope 3, in addition to including category 13, Colonial will report on 6 additional categories applicable to the business.



Scope 3 categories applicable to the Colonial Group business	Reported in previous years	Reported in 2021	$TnCO_2e$
1. Goods and services purchased		✓	**15,952**
2. Capital goods		✓	**74,922**
3. Fuel and electricity activities		✓	**1,561**
4. Transport and distribution of goods		✓	**1,026**
5. Waste generated in operations		✓	**3,466**
6. Business trips		✓	**49**
7. Displacement of employees		✓	**113**
13. Downstream leased assets(1)	✓	✓	**10,468**
Total Scope 3			**107,557**

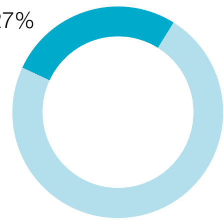
(1) Location based methodology is taken to be homogeneous with the calculation method of the rest of the categories.

According to the *Global Status Report on Buildings and Construction 2021* of the United Nations Environment Programme (hereafter UN), 37% of CO_2 emissions come from buildings and the construction industry. However, the environmental impacts and emissions associated with construction projects are very different.

Along these lines, the Colonial Group distinguishes between:

1. emissions associated with the operational part of the assets in the portfolio and
2. emissions associated with the Group's construction and major renovation projects.

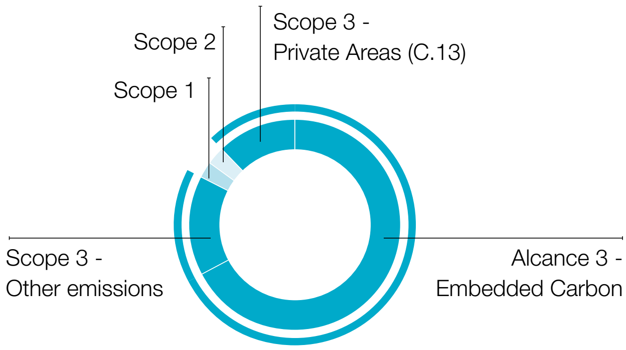
Below is a breakdown of these aspects and the different categories of Scope 3 (based on GHG Protocol standards):



Scope 3 Categories			Colonial Group
($TnCO_2e$)	Operating portfolio	Projects and refurb.	Total
1. Goods and services purchased	15,952	0	**15,952**
2. Capital goods	0	74,922	**74,922**
3. Fuel and electricity activities	1,561	0	**1,561**
4. Transport and distribution of goods	0	1,026	**1,026**
5. Waste generated in operations	376	3,090	**3,466**
6. Business trips	49	0	**49**
7. Displacement of employees	113	0	**113**
13. Downstream leased assets[1]	10,468	0	**10,468**
Total Scope 3	**28,519**	**79,038**	**107,557**

(1) Location based methodology is taken to be homogeneous with the calculation method of the rest of the categories.

Therefore, **the 2021 GHG emissions of the Colonial Group** reach **113,721 tCO_2e**, following the maximum measurement criterion, that is, including **Scopes 1 and 2 and all applicable categories of Scope 3** for the Group.



Scopes 1, 2 and 3 Emissions -$TnCO_2e$

	Group	Spain	France
Scope 1	**2,853**	2,710	143
Scope 2	**3,312**	1,009	2,303
Scope 3 - Restricted areas (cat.13)	**10,468**	9,478	990
Scope 3 - Other categories	**97,089**	46,874	50,215
Total Colonial Group Emissions	**113,721**	**60,070**	**53,651**

Comparative analysis of Scopes 1, 2 and partial Scope 3 (market-based)

The **2021 GHG emissions** corresponding to Scopes 1, 2 and partial Scope 3, that is, including the energy consumption of restricted areas (category 13 of the GHG Protocol), are **20,258 tCO_2e**, which are higher than the emissions in 2020 emissions as this year is non-comparable due to a decrease in activity as a result of COVID-19.

Comparing the GHG emissions obtained in 2021 with 2019, a pre-COVID year, in **like-for-like terms**, there was a **–34% decrease**, with Spain standing out with a –41% decrease, mainly due to the increase in the contracting of renewable energy (electricity supply with Renewable Energy Guarantees of Origin (REGO).

GHG Emissions - Absolute

	2021	2020	2019	20-21 Variation		Var. LFL 20-21		Var. LFL 19-21	
tCO_2e	Scopes 1, 2 & 3	Scopes 1, 2 & 3	Scopes 1, 2 & 3	Scopes 1, 2 & 3		Scopes 1, 2 & 3		Scopes 1, 2 & 3	
				tCO_2e	%	tCO_2e	%	tCO_2e	%
Barcelona	5,636	5,913	5,767	–277	–5%	–143	–3%	–1,628	–39%
Madrid	11,195	10,174	9,198	1,021	10%	1,046	10%	–3,473	–42%
Paris	3,428	2,597	3,509	831	32%	547	22%	–327	–10%
Total	**20,258**	**18,684**	**18,474**	**1,574**	**8%**	**1,450**	**8%**	**–5,429**	**–34%**
Spain	16,830	16,087	14,965	744	5%	903	6%	–5,102	–41%
France	3,428	2,597	3,509	831	32%	547	22%	–327	–10%
Total	**20,258**	**18,684**	**18,474**	**1,574**	**8%**	**1,450**	**8%**	**–5,429**	**–34%**

Scopes 1 and 2 (market-based)

The **2021 GHG emissions** corresponding to **Scopes 1 and 2**, which are the ones that can be influenced by the company more directly, amount to **6,164 tCO_2e**, of which 3,719 tCO_2e correspond to Spain and 2,446 tCO_2e to France. These figures are higher than the ones achieved in 2020.

Comparing the GHG emissions obtained in 2021 with 2019, pre-COVID year, in **like-for-like terms, there is a –32% decrease**, with Spain standing out with –47% decrease, mainly due to the increase in the contracting of renewable energy (electricity supply with Renewable Energy Guarantees of Origin (REGO).

GHG Emissions - Absolute

	2021	2020	2019	20-21 Variation		Var. LFL 20-21		Var. LFL 19-21	
tCO_2e	Scopes 1 & 2	Scopes 1 & 2	Scopes 1 & 2		Scopes 1 & 2		Scopes 1 & 2		Scopes 1 & 2
				tCO_2e	%	tCO_2e	%	tCO_2e	%
Barcelona	1,175	1,385	1,321	–210	–15%	–109	–9%	–656	–73%
Madrid	2,543	1,558	3,966	985	63%	929	60%	–1,398	–40%
Paris	2,446	1,982	2,731	464	23%	532	28%	–183	–7%
Total	**6,164**	**4,926**	**8,017**	**1,239**	**25%**	**1,351**	**29%**	**–2,238**	**–32%**
Spain	3,719	2,944	5,286	775	26%	819	30%	–2,055	–47%
France	2,446	1,982	2,731	464	23%	532	28%	–183	–7%
Total	**6,164**	**4,926**	**8,017**	**1,239**	**25%**	**1,351**	**29%**	**–2,238**	**–32%**

GHG intensity Scopes 1 and 2 (market-based)

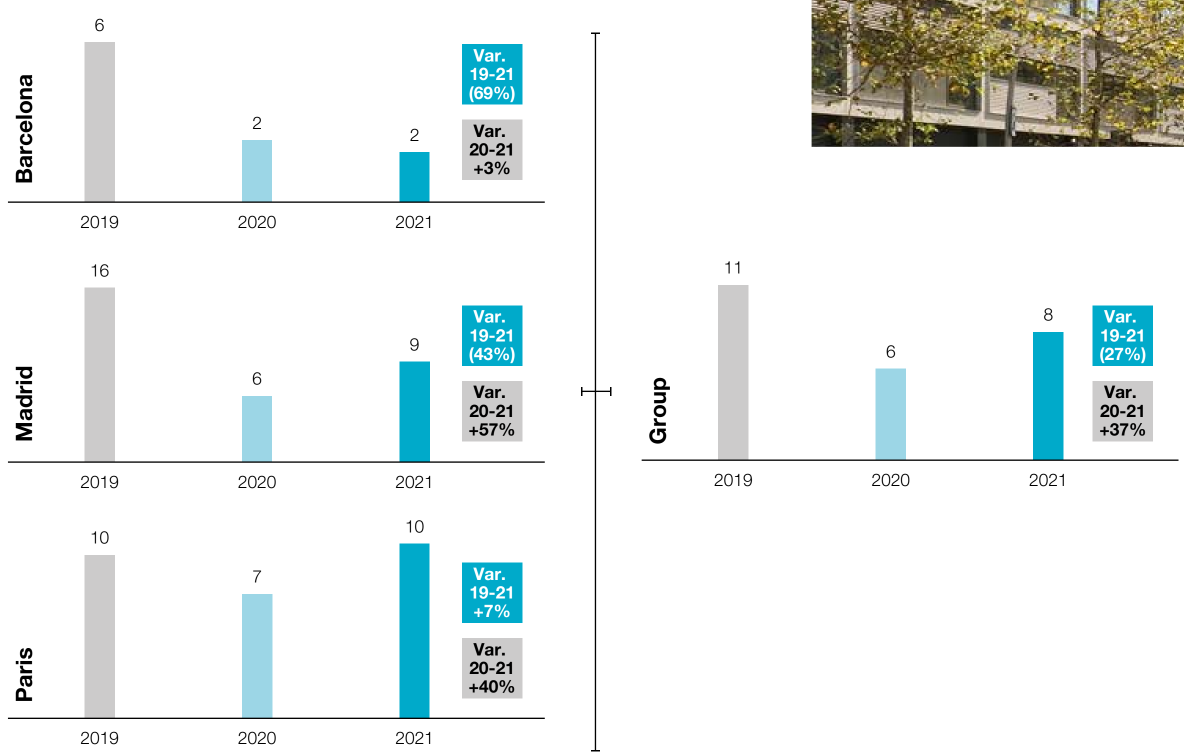
The Colonial Group's 2021 carbon footprint performance indicator and GHG emissions intensity for **Scopes 1 and 2** is **9 kgCO_2e/sqm**, 9 kgCO_2e/sqm in Spain and 10 kgCO_2e/sqm in France, an increase from 2020.

GHG emissions - Intensity

	2021	2020	2019	20-21 Variation		Var. LFL 20-21		Var. LFL 19-21	
kgCO_2e/ sqm	Scopes 1 & 2	Scopes 1 & 2	Scopes 1 & 2		Scopes 1 & 2		Scopes 1 & 2		Scopes 1 & 2
				kgCO_2e/ sqm	%	kgCO_2e/ sqm	%	kgCO_2e/ sqm	%
Barcelona	7	7	7	0	0%	0	3%	–4	–69%
Madrid	10	6	18	4	59%	4	57%	–7	–43%
Paris	10	7	10	3	41%	3	40%	1	7%
Total	**9**	**7**	**12**	**3**	**36%**	**3**	**37%**	**–11**	**–27%**
Spain	9	7	13	2	33%	2	35%	–6	–46%
France	10	7	10	3	41%	3	40%	1	7%
Total	**9**	**7**	**12**	**3**	**36%**	**3**	**37%**	**–5**	**–27%**

The 2021 GHG intensity compared to the pre-pandemic year 2019, in **like-for-like terms, decreased by –27%**, mainly due to Spain's portfolio thanks to the procurement of electricity with a Renewable Energy Guarantees of Origin (REGO) certificate. In France the intensity remains at 10 $kgCO_2e/sqm$.

Intensity LFL 2021, 2020 & 2019 - Scope 1 & 2 ($kgCO_2e/sqm$)



5.5.1.3 Water

I. Water consumption in 2021

The Colonial Group works to ensure that its facilities enable building users to consume this precious resource responsibly, with special attention to Spain, where there is a greater risk of water shortage. In this regard, it should be noted that the Colonial Group only consumes water from a local supply company in each of the communities of its properties. These are some of the measures taken by the Colonial Group regarding responsible water consumption in its buildings: the implementation of efficient bathroom fittings, automatic leak detectors, rainwater collection tanks, grey water recovery in some buildings, efficient irrigation systems and low water landscaping requirements in many assets, as well as the management of facilities by maintenance companies and users.

In 2021, **the Colonial Group's water consumption was 288,641 m³**, 189,927 m³ in Spain and 98,714 m³ in France.

Water - Absolute

				Var. 20-21		Var. LFL 20-21		Var. LFL 19-21	
m³	2021	2020	2019	m³	%	m³	%	m³	%
Barcelona	73,283	66,233	67,286	7,050	11%	11,260	19%	–1,590	–3%
Madrid	116,645	82,797	89,771	33,848	41%	27,117	33%	–23,820	–28%
Paris	98,714	121,711	150,243	–22,924	–19%	–20,423	–17%	–47,917	–33%
Total	**288,641**	**270,740**	**307,300**	**17,975**	**9%**	**17,954**	**7%**	**–73,327**	**–26%**
Spain	189,927	149,029	157,057	40,898	27%	38,377	27%	–25,410	–18%
France	98,714	121,711	150,243	–22,924	–19%	–20,423	–17%	–47,917	–33%
Total	**288,641**	**270,740**	**307,300**	**17,975**	**9%**	**17,954**	**7%**	**–73,327**	**–26%**

In 2021, water consumption was higher than in 2020, which is a non-comparable year as a result of decreased activity due to the COVID-19 pandemic. Furthermore, water consumption in Spain increased in 2021, mainly due to an increase in the scope of measurements and the biodiversity measures applied, which require water resources that were not previously needed.

Compared to 2019, pre-COVID period, and therefore a more similar year in terms of property usage, in like-for-like terms, water consumption has decreased by –26% (–33% in France and –18% in Spain).

The Group works to ensure that the users of its assets have the above-mentioned options available to responsibly consume this resource. The same as with energy efficiency, this variable is also included in the standardised system for the real time monitoring of consumption in all the buildings under Colonial's management.

II. Intensity of water consumption

Water consumption intensity in 2021 reached 381 litres/sqm, 364 litres/sqm in Spain and 419 litres/sqm in France.

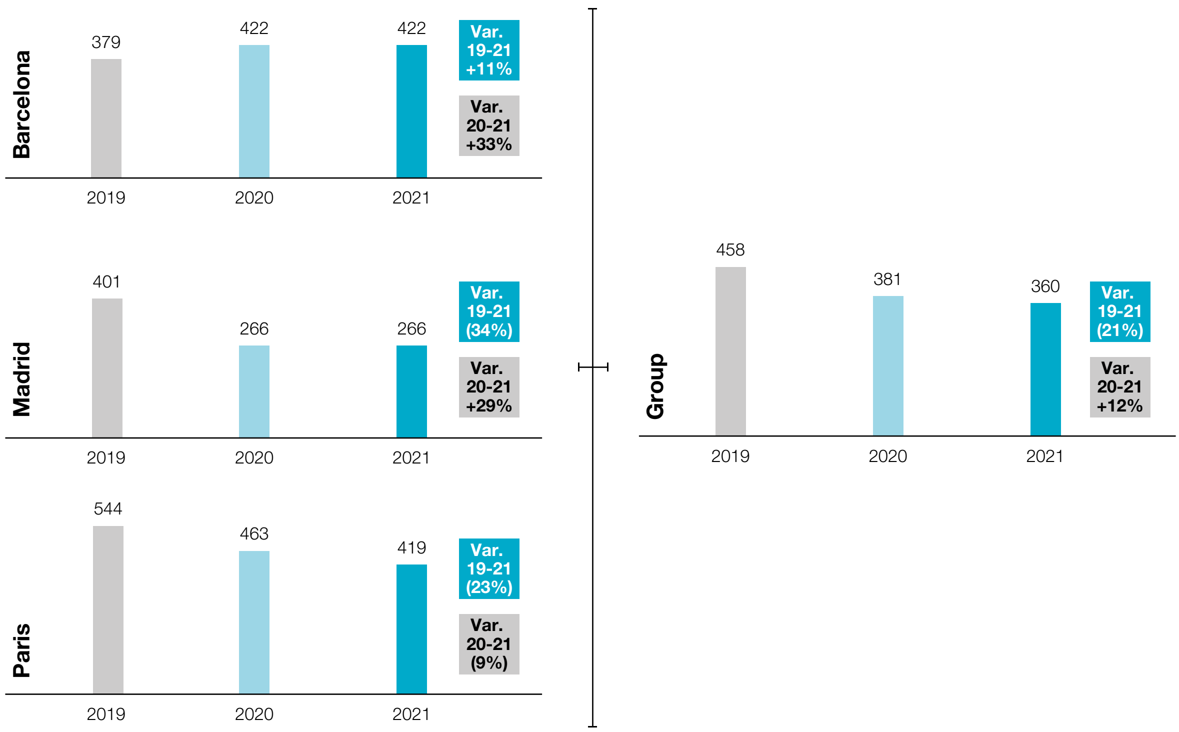
Water - Intensity

				Var. 20-21		Var. LFL 20-21		Var. LFL 19-21	
l/sqm	2021	2020	2019	l/sqm	%	l/sqm	%	l/sqm	%
Barcelona	385	305	381	80	26%	96	–22%	43	11%
Madrid	352	253	421	99	39%	85	–36%	–135	–34%
Paris	419	451	534	–31	–7%	–43	–9%	–125	–23%
Total	**381**	**332**	**457**	**49**	**17%**	**44**	**13%**	**–98**	**–21%**
Spain	364	274	403	90	33%	88	33%	–71	–18%
France	419	451	534	–31	–7%	–43	–9%	–125	–23%
Total	**381**	**332**	**457**	**49**	**17%**	**44**	**13%**	**–98**	**–21%**

Compared to the intensity achieved in 2020, this ratio has increased, basically for the reasons explained above, both in absolute terms and in comparable terms.

Comparing 2021 with 2019 (a pre-COVID period), the Colonial Group's water consumption intensity has decreased by –21% like-for-like terms (–18% in Spain and –23% in France).

LFL Intensity 2021, 2020 & 2019 - litres/sqm



III. Consumption of recycled and reused water

The Colonial Group recycles and reuses water in two ways:

1. **Reusing grey water** from sinks for flushing toilets and urinals

2. **Collecting rainwater** for watering green spaces and cleaning terraces.

The table below shows the most important water recycling and reuse actions in our portfolio:

Property	Total volume of recycled and reused water (m^3)	% of total consumption	Comments
Diagonal 409	160	19%	Grey water from sinks reused for toilet flushing. There is a specific meter.
Sant Cugat Nord	3,258	14%	Rainwater collected for irrigation of green spaces. There is a meter for water irrigation, with a separate meter for rainwater and water mains.
Martínez Villergas	467	8%	Rainwater collected for irrigation of green spaces. There is a specific meter for rainwater consumption.
Travessera	33	3%	Grey water from sinks for flushing toilets and urinals. There is a specific meter.
Amigó	0	0%	Grey water from sinks for flushing toilets and urinals. There is a specific meter.
Castellana 43	–	–	The system installed for reusing grey water from sinks to flush toilets and the rainwater collection system intended for watering the gardens are not currently in operation.
Washington Plaza	176	1%	Rainwater is collected and used for watering the planter wall. The total capacity is 18 m^3.

The volume of water reused in 2021 was higher compared to 2020 due to higher building occupancy and therefore lower greywater generation.

5.5.2 Certifications - Eco-efficiency level of the portfolio

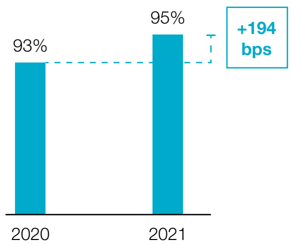
I. Energy efficiency/environmental certifications

The Colonial Group is firmly committed to obtaining sustainable certification for the assets in its portfolio. Over recent years, the Colonial Group has driven the certification of the buildings in its portfolio and has managed to maintain a sustained increase in the ratings it has obtained.

Currently, 95%(1) of the Colonial Group's operating office portfolio has a LEED or BREEAM sustainable certification, an increase of 194 points compared to the level of certifications a year ago. In terms of rental income, the operating portfolio for buildings with LEED and/or BREEAM certification accounts for 98% of rental revenue.

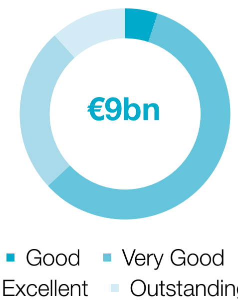
In particular, assets worth €1.6bn have LEED ratings and assets worth €9bn have BREEAM ratings.

Portfolio with LEED/BREEAM(1) - Value

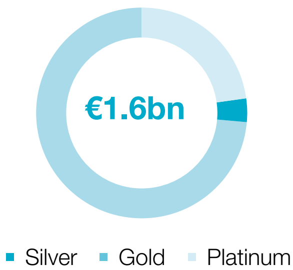


(1) Operating portfolio.

BREEAM Certifications - Value



LEED Certifications - Value



The strategic sustainability plan is committed to continuous improvement asset by asset, implementing energy efficiency initiatives and biodiversity measures, including PropTech for digital transformation, water saving measures and greater control in waste management, among other actions.

The high quality of Colonial's portfolio is reflected in the high level of asset certification. It should be noted that in 2019 BREEAM/GRESB recognised the Colonial Group as the sole European leader in responsible investment through the Award for Responsible Real Estate Investment in the large portfolios category.

(1) Percentage in terms of appraisal value 12/21.

The Colonial Group's portfolio has the following certifications:

> At the end of 2021, the Colonial Group will have close to €9bn worth of assets with the **BREEAM certification**. In this regard, the Group has introduced a guideline in the Paris portfolio to apply BREEAM-aligned design criteria in all refurbishments.

  At the end of 2021, 13 of SFL's assets in operation were BREEAM certified.

  Colonial has analysed the measures required for each certified building to improve the ratings obtained in future certification renewals.

> The **LEED certification** has been awarded to properties in the portfolio worth €1,637m. At the end of 2021, four assets had Platinum status, eleven had Gold status and one had Silver status.

> **The *Haute Qualité Environnementale*** is a certificate awarded to real estate properties in France. This certification assesses buildings according to their energy, environmental and health and user comfort performance.

  For more detailed information per asset, please refer to the appendices.

Certificate details according to the property value

Following EPRA Best Practices, the following table shows the percentage of the total portfolio value and the level of certification achieved:

	No. of certified buildings		% certified value	
EPRA Cert-Tot	2020	2021	2020	2021
BREEAM				
≥ Excellent	24	25	44%	25%
Very Good	12	17	30%	48%
Good	3	6	2%	4%
Total BREEAM	**39**	**48**	**75%**	**77%**
LEED				
Platinum	2	0	2%	0%
Gold & Silver	5	1	2%	1%
Bronze	0	0	0%	0%
Total LEED	**7**	**1**	**4%**	**1%**
BREEAM & LEED (Double Certification)				
BREEAM Outstanding & ≥ LEED Gold	2	5	0%	4%
≤ BREEAM Excellent & ≥ LEED Gold	4	8	8%	11%
BREEAM Good & ≤ LEED Gold	6	2	4%	1%
TOTAL	**58**	**64**	**93%**	**95%**

II. Energy ratings (European Performance Certificate)

All buildings in France have an energy certification and all properties in Spain must have an energy rating in compliance with Royal Decree 390/2021. In this regard, 100% of the offices in operation in the Colonial Group's portfolio have energy efficiency certification.

In Spain, 57% of the properties have energy ratings A or B. This percentage would increase to 85% if type C ratings were included.

On the other hand, the Colonial Group has implemented a system that allows it to manage the environmental aspects of its activity and the energy it consumes. It also guarantees continuous monitoring of the organisation's energy uses and the direct and indirect factors that affect environmental management.

The system covers maintenance activities associated with the correct technical operation of the building to ensure customer satisfaction and the comfort of the company's employees at its corporate headquarters.

The benchmarks used for the implementation of the integrated environmental and energy management system are the international standards ISO 50001 and ISO 14001. These provide a suitable framework to develop its integrated environmental policy and organise both energy and environmental aspects (including an analysis of the energy and environmental planning process, energy and environmental review, energy, environmental and legal aspects, objectives, targets and action plans, risks and opportunities).

The Environmental Management System (EMS) is integrated with the Energy Management System (EMS) in the building at Av. Diagonal, 532 in Barcelona, as well as in the building at Paseo de la Castellana, 52 in Madrid. This certification is renewed every three years by a mandatory external audit carried out by a certifying body of recognised prestige and accredited by the National Accreditation Entity (ENAC).

III. BBC-Effinergie Rénovation and BBCA Rénovation

The BBC-Effinergie label® aims to identify new buildings or new parts of buildings with very low energy needs that contribute to achieving the 2050 targets set by the French SNBC (National Low-Carbon Strategy): to reduce greenhouse gas emissions from buildings by up to four times. In 2021, the Biome and 83 Marceau assets obtained the renewal of this certification.

In addition, SFL has been awarded the BBCA Rénovation label for the Biome (low carbon building) project.

IV. Wellness

The Colonial Group's Well-being policy aims to maximise user comfort and health by recognising the relationship between buildings and their occupants, as user well-being is directly related to factors such as natural light, green spaces and social areas, among others.

The Colonial Group has a series of measures implemented in its buildings for its clients to certify their office spaces with the WELL certification, either because they are located in an environment that is already adapted to the requirements of this certification or one that facilitates its application.

For example, it is planned that Francisca Delgado 11 will obtain the International WELL Building certificate in 2022.

On the other hand, health and well-being are an integral part of a broader vision of sustainability and, as such, are also present in the requirements of the sustainability certifications, such as BREEAM and LEED, held by the buildings in the portfolio.

5.5.3 Circular economy and management of materials

I. The Colonial Group's circular economy model

The Group has implemented a circular economy model with the primary aim of reducing the input of raw materials and the production of waste, therefore closing the gap between the economic and ecological flows of resources.

The Colonial Group's circular economy model is based on the following 3 principles:

1. Reducing waste

Waste is reduced by promoting the sustainable procurement of materials and equipment, such as reusable packaging or materials, by establishing indicators for their control.

The Group monitors the amount of waste generated in its buildings. It also encourages and monitors the responsible procurement of materials with a high content of pre- and post-consumer recycled and recyclable materials. This requirement applies to the environmental compliance of 70% of the contract execution price for sustainable procurement in new construction, refurbishment, minor corrective actions and waste generated both by maintenance activity and in common areas of the buildings, among other things.

2. Reusing items that cannot be recycled

Items are reused to reduce the purchase of new material, giving the discarded product the same or a different use. In France, SFL is also committed to:

> On-site reuse of existing building materials.

> Reuse of materials resulting from renovations through digital marketplace platforms (when reuse is not possible on-site).

> Recovery of demolition waste.

> Use of natural or alternative materials with lower carbon content.

Of special mention are two renovation projects undertaken by SFL: 83 Marceau, a property delivered at the end of 2021, and Biome, a property to be delivered in 2022.

Biome achieved the Low Carbon Building (BBLA) renovation label. The possibilities for on-site reuse of materials from the existing building were studied in the renovation. More than 400 sqm of façade will be cleaned and reused, and marble will be reused in the form of terrazzo in the new sanitary facilities. More than 60% of the concrete will come from less carbon-intensive alternatives (4,000 m³) and half of the false floor slabs will also be reused, i.e., more than 6,400 sqm. These two initiatives represent a reduction of approximately 2,500tCO_2e.

At 83 Marceau, more than 7.4 tonnes of materials were recovered in 2019 and offered on digital market platforms. A second life was given to planters, doors, stair steps, tiles and lights. In addition, the end-of-life of demolition waste was also studied. From the cleaning of 83 Marceau, 99.9% of the waste (i.e., close to 9,840 tonnes) and 99.6% of the waste from Biome was recovered either as material or as energy.

The objective is to aim for zero waste in both the development and operational phases.

Biome

99.6% waste recovered

2,500 tCO_2e avoided

83 Marceau

99.9% waste recovered

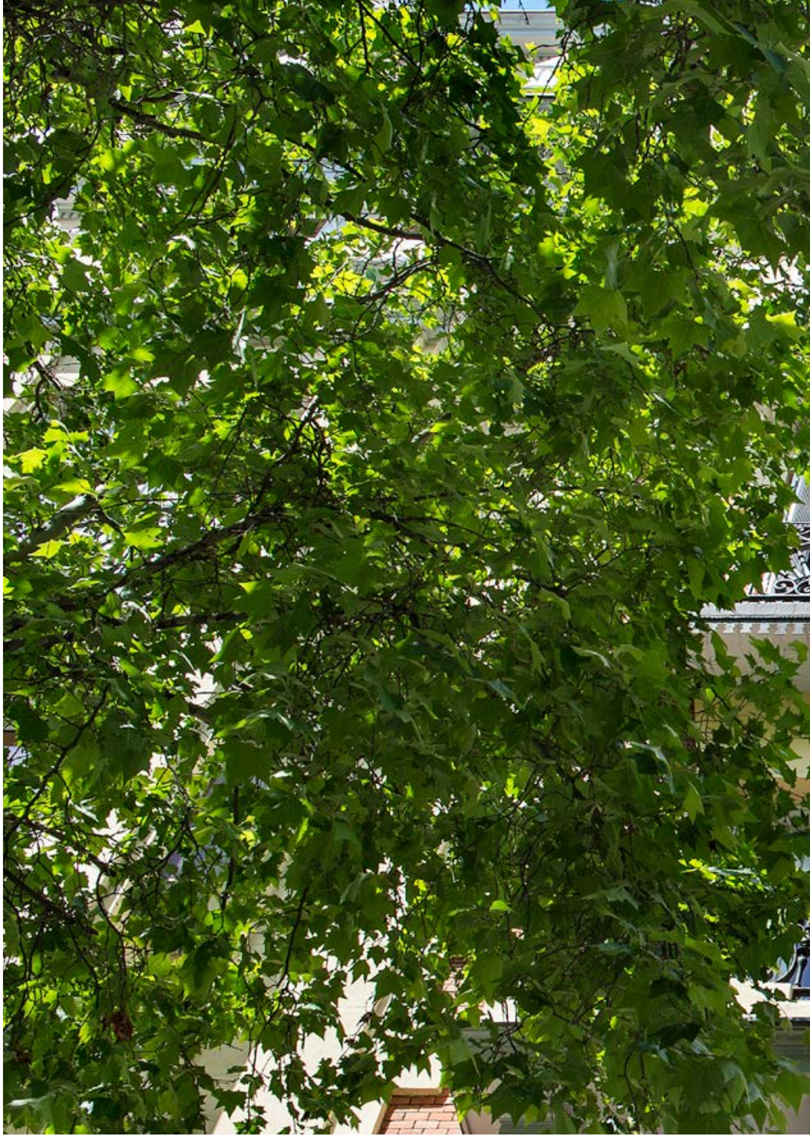
3. Recycling as much waste as possible

The Group facilitates the correct entry of waste into the recycling chain by providing containers in all its buildings to recycle cardboard and paper, plastics, glass and other waste, as well as hazardous waste such as batteries and fluorescent bulbs.

These initiatives have led to a considerable improvement in the monitoring of generated waste and its management in the portfolio, which explains the significant increase in the amount of waste managed in recent years.

However, the Colonial Group is aware that it must continue contributing, insofar as possible, to the transition towards a model based on a circular economy. To this end, the Colonial Group has increased the number of buildings covered by the reporting system, as well as control over the environmental monitoring procedure by promoting the acquisition of sustainable materials and the sustainable management of generated waste for optimal use.

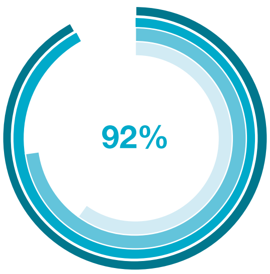
The 2018-2021 reporting and compliance indicators for new constructions, renovations or major refurbishment works are presented below:



Responsible sourcing

Report

Fulfilment > 70%

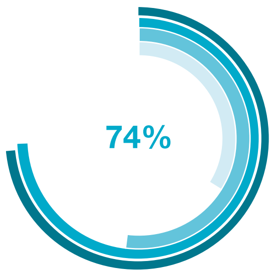


Year	Report	Fulfilment
2018	75.00%	60.00%
2019	82.00%	73.00%
2020	100.00%	92.42%
2021	**100.00%**	**92.18%**

Hazardous waste management

Report

Fulfilment > 80%

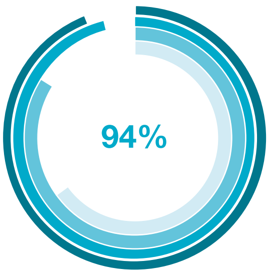


Year	Report	Fulfilment
2018	45.00%	34.00%
2019	58.00%	52.00%
2020	100.00%	74.47%
2021	**100.00%**	**73.75%**

Non-hazardous waste management

Report

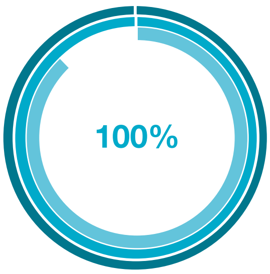
Fulfilment > 80%



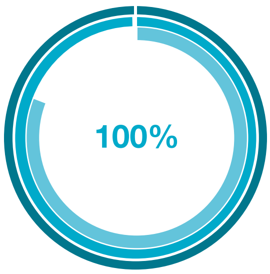
Year	Report	Fulfilment
2018	70.00%	65.00%
2019	88.00%	84.00%
2020	100.00%	96.31%
2021	**100.00%**	**93.95%**

Land management

Report



Fulfilment > 80%



Year	Report	Fulfilment
2018	0.00%	0.00%
2019	88.00%	81.00%
2020	100.00%	99.97%
2021	**100.00%**	**100.00%**

II. Sustainable waste management

The Colonial Group works towards ensuring sustainable waste management to improve supply, management and treatment. It works hand in hand with construction companies and other stakeholders to ensure that this objective is attained and aligned with its environmental policy.

The amount of generated hazardous and non-hazardous waste is monitored and managed. Requested from the parties involved is the supporting documentation that justifies both the quantity of each type of waste collected by the authorised waste manager (notes of collection and delivery to the treatment centre) and the type of treatment applied in each case (recycling, reuse or recovery certificates).

As regards the waste generated in the common areas of the buildings and most of the waste produced by the maintenance activity, a procedure is in place to ensure that generated non-hazardous waste is weighed correctly with scales and accounting tables for correct periodic reporting. In the properties managed by the Group, the waste generated in day-to-day operations, such as paper, cardboard, plastic, glass, organic waste, batteries and fluorescent lighting, is separated and weighed. Regular visits are also carried out to ensure that hazardous waste is properly stored. Hazardous waste is managed by the building maintenance firm through an authorised waste manager, who carries out the weighing.

Sustainable waste management is fostered by monitoring the quantities generated both in new construction work, renovations, minor corrective actions, maintenance activities and common areas of buildings. It is required that 80% of the usable, non-hazardous and hazardous waste that is generated be managed by recycling plants so it can be revalued. In addition, non-usable hazardous waste is required to be handled and controlled in an environmentally friendly way, in accordance with the current regulations and best environmental practices.

III. Waste generation 2021

According to the data obtained, over 99% of the waste has been re-used. Excluding recovered soil, recycling is the most widely used disposal method (close to 86% of waste), followed by energy recovery (over 9%), thus meeting the 2021 target of 80% waste recovery. On the other hand, the amount of waste going to landfill has been less than 1%, which has also made it possible to meet this target (of 20% for 2021). In terms of intensity, 221.3 kg/sqm of waste was generated in 2021.

It should be noted that in SFL, there was an increase in the recycling rate from 88% in 2020 to 91% in 2021 (mainly through recycling or incineration with energy recovery).

The main types of waste monitored during the year are presented below and compared with the 2020 results:

	2020		2021	
Type of waste[(1)]	Waste generated (kg)	% valued	Waste generated (kg)	% valued
Non-hazardous waste				
Construction and demolition	18,651,122	91.81%	5,686,933	77.67%
Wood	191,215	98.78%	257,748	91.70%
Metal	357,632	86.18%	168,724	83.80%
Concrete	35,499,171	98.81%	17,653,373	98.77%
Glass	116,669	97.50%	76,648	91.16%
Paper/cardboard	133,101	99.80%	132,772	94.20%
Organic/compost	1,969	100.00%	15,599	91.78%
Plastic	12,996	87.19%	21,953	85.22%
Textile	14,710	100.00%	303	94.24%
Pruning/Gardening	560	87.14%	0	N A
Other non-hazardous waste	607,266	72.71%	3,500,705	92.42%
Total Non-hazardous waste	**55,586,413**	**96.09%**	**27,514,757**	**93.38%**
Hazardous Waste				
WEEE	7,883	94.67%	1,677	72.46%
Luminaires	6,454	84.83%	3,245	59.85%
Refrigerants	30	33.33%	220	8.97%
Contaminated metal and plastic packaging	1,107	16.17%	2,413	44.35%
Batteries	1,146	56.28%	524	36.21%
Fuel and oils	58	100.00%	3,007	45.68%
Other hazardous waste	1,664	32.21%	2,450	21.41%
Non-reusable hazardous waste	586	0.00%	36,092	0.10%
Total Hazardous waste	**18,929**	**75.90%**	**49,627**	**12.84%**
Soil				
Uncontaminated soil	193,574,554	99.97%	159,583,273	100.00%
Contaminated soil	0	0.00%	12	0.00%
Total soil	**193,574,554**	**99.97%**	**159,583,285**	**100.00%**
TOTAL WASTE	**249,179,896**	**99.11%**	**187,147,669**	**99.00%**

(1) Waste generated in new construction work, renovations, minor corrective actions and waste generated both by maintenance activities and in common areas of buildings. Waste generated by tenants is not included because the organisation has no control over this, except for buildings in France where it is jointly managed.
The list of waste types may be amended if notification is received regarding other relevant waste types.
Only minor or non-relevant waste types will be included in the "other" category.

In 2021 there was a decrease in waste generation compared to 2020. This was due to fewer major renovations and new construction projects being carried out in 2021. The waste corresponding to the category "Soil" represents 85.3% of the total and corresponds to the projects of Méndez Álvaro 61, Plaza Europa 34, Ramírez de Arellano 37 and Velázquez 80. Apart from the increase represented by these projects, it should be noted that a process was put in place for continuous improvement and to make contractors aware of the notification and explanation procedure for waste reporting purposes.

5.5.4 Biodiversity and impact on urban areas

5.5.4.1 Biodiversity

I. Biodiversity Policy and Good Practice Manual

The Sustainability Master Plan includes actions aimed at protecting and enhancing biodiversity. These actions focus on two aspects: minimising their negative impact on biodiversity, as much as possible and developing biodiversity in urban spaces to the greatest extent possible.

Biodiversity Policy

The Group's Biodiversity Policy sets out the framework for action, priorities and commitments in this regard. This policy includes the commitment to:

- Preserve existing habitats at the sites of its buildings (urban and peri-urban environments).
- Create new habitats and mitigate the risk of species reduction.
- Reduce the heat island effect.
- Reduce the consumption of water for irrigation by selecting local plant species with very low water requirements.

Biodiversity Good Practices Manual

A *Biodiversity Good Practices Manual* has been developed as a tool to complement the policy. It is a design and maintenance guide on biodiversity for project developers, builders and maintainers, applicable to new constructions, renovations and minor corrective actions. The manual includes specific measures to minimise the negative impact on biodiversity as much as possible by protecting and favouring new habitats. This is achieved by using, wherever as possible, indigenous species that have edible fruit for birds as well as species of interest to pollinators. The reason behind this is that providing sustenance in the urban environment is one of the most urgent measures identified to support the survival of local fauna in an urban environment, the footprint of which is becoming increasingly larger.

In line with the Sustainability Master Plan and continuing with the efforts started in 2019 and 2020, efforts have also continued in 2021. One of the Group's priorities is to continue working in the coming years to achieve an increase in the percentage of green areas in buildings, with a focus on designing vertical gardens and green roofs, as well as developing new habitats for native flora and fauna.

II. Recurrent monitoring of biodiversity impacts

Quantification of the impact of biodiversity measures

The negative impacts on local biodiversity as a result of introducing a building in an urban space and the subsequent operation of the building are analysed and quantified, as well as the positive impacts produced by the biodiversity support measures implemented by Colonial in its buildings, based on the recommendations from the ecological reports.

Each report explains the measurement method or mitigation hierarchy currently used in most corporate environments. The explanation of the measurement method is accompanied by quantitative data for each individual building. These measurements take into account the current plantations on the property and distinguish between the impacts attributable to the initial situation of the property before the measures are implemented and those attributable to the measures themselves. It also analyses the effects these measures are having on the Company, the assets, users and the community. The conclusions highlight the achievements that have been attained as regards the objectives set forth in the Ecological Reports for the building which vary widely,

Providing a residual space with personality - Sagasta 31 update

depending on technical, urban, spatial, operational or design difficulties. The conclusions reflect on how collateral benefits and synergies have arisen with other building uses and functions, such as the improvement of rest areas, the creation of visual value or providing an identity to building spaces that were previously residual. The collateral effect of the biodiversity measures are very relevant and have valuable benefits for users. These include better psychophysical health, as well as improved well-being indicators and productivity due to the stimulation of biophilia. Other benefits result from enhancing the sense of community, providing areas for users to rest and meet and the fact that these biodiversity measures are of interest in themselves. In some cases, the conclusions of the reports outline new avenues for action and success stories to be replicated.

Identification of risks and opportunities for biodiversity measures

As regards the above, special attention is paid to the procedure used to implement the measures as well as the initial situation of the properties, since these two circumstances are the starting point used to identify most of the risks.

It is important to note how the complexity of the procedure has varied from one implementation phase to another. In the initial years, during Phase I, the approach to the procedure was linear and consisted in ecologists proposing measures based on Colonial's policy, which were then implemented literally. In the most recent and current stage, during Phase II, the accumulated experience reveals possibilities and synergies for the implementation of biodiversity measures with multiple approaches from a variety of company areas, which contribute added value to the projects. On one hand, the procedure in Phase I was simpler and more rigid and enabled the identification of a series of risks that could be mitigated in Phase II. The latter consists in a procedure that is more complex and includes the participation of more agents. This, however, allows for greater flexibility and adaptability to the particular circumstances of each building and makes it possible to achieve more ambitious results. Although the current procedure is less agile, the results are more resilient, as it involves the participation and consensus or more interested parties, as shown in the conclusions of these reports.

III. Implementation of biodiversity measures

Colonial has defined strategies and objectives to reduce the impact generated by the occupation of the soil and the materials used in the construction, and to widen its environmental commitment.

At the start of the project, a group of ecologists drew up the reports for the enhancement of biodiversity, which set out a series of measures tailored to the reality of each building in the portfolio.

New ecological reports are currently being drafted in parallel with the new construction and major renovation of five buildings. In addition, there are 1,265 sqm of vegetated area already defined in the ecological reports in the planning stage. The total metres executed to date are 1,131 sqm (31/12/2021).

The impact and risk management reports are making it possible to review procedures and learn from success stories and best practices and apply what has been learnt from other buildings in the portfolio to each new project.

The Group has made a great effort in this area by implementing over seven types of measures, including the following: (1) installing gardening features such as sustainable drainage and irrigation systems, (2) planting plants and flowers in flowerbeds, outdoor areas and interior courtyards, (3) indoor and outdoor flowerpots, (4) green roofs, (5) green walls, (6) creating habitats for native flora, (7) fostering native fauna with the installation of bird nesting boxes, insect hotels and other measures tailored to the reality of the 57 buildings seen by environmental consultants and ecologists.

As a leader in the Paris, Madrid and Barcelona office markets, the Colonial Group intends to take advantage of the capacity of numerous locations in each of the three cities to generate synergies and increase its positive biodiversity impact. This will enable the Colonial Group to become a promoter of biodiversity in urban environments.

Complementary measures have been designed between adjacent buildings to have an exponential effect on flora and fauna (mainly birds), as well as to establish relationships with the natural spaces in and around the city. The ecological corridors through cities defined by regional organisations have also been analysed with the aim of designing measures to support this essential ecological infrastructure.

The aim of this strategy is for Colonial's buildings to become support points for wildlife species and to act as nodes that enhance biodiversity in cities. Thus, birds will ensure the transportation of the propagules of flora species planted in and around the buildings, thereby enriching the natural spaces around cities with species of high ecological value.

To increase the sense of community, in 2021 it was decided to provide customers with information on the biodiversity measures implemented in the buildings by designing an entertaining marketing datasheet to explain their benefits. These marketing datasheets are expected to be finished in 2022 and then distributed.

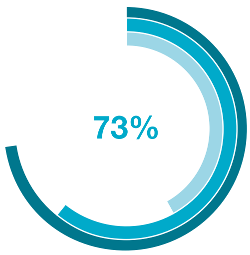
Pollinator habitat - Marenostrum Tower update

Fruit-bearing species optimal for pollinators - Ramirez de Arellano 15 update

The quantitative performance indicators of the biodiversity measures implemented in the portfolio are shown in the following graphs:

Visits carried out and coordination of the implementation of measures

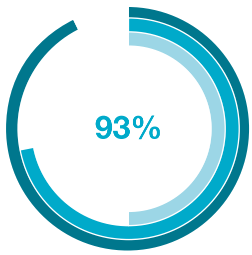
(% buildings with PGB)



Year	
2019	42%
2020	61%
2021	73%

Visits carried out and coordination of the implementation of measures

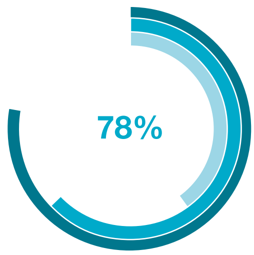
(% Multi-tenant buildings with PGB)



Year	
2019	50%
2020	72%
2021	93%

Total implementation of measures

(% Multi-tenant buildings with PGB)



Year	
2019	40%
2020	63%
2021	78%

IV. Significant biodiversity protection actions in 2021

Listed below are the most relevant recent biodiversity actions carried out in 2021 in Colonial's portfolio:

1. Ciudad de Granada 150 (Barcelona)

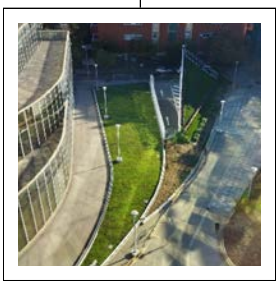
The amount of the vegetated surface on the façade and roofs of this building makes it a great promoter of biodiversity. In 2021, an inspection was carried out by competent technical experts and a report was created on their findings to improve the irrigation and fertilisation systems of this façade and to repopulate the flowerbeds with species that are a specific source of propagules for the surrounding ecosystems, associated with pine and holm oak forests. A total of 2,736 new specimens were replanted.

2. Manuel de Falla 7 (Madrid)

In this building, work was carried out to replace existing specimens with fruits and species of particular interest to pollinators recommended in the ecological report. In addition to the large amount of vegetated surface that this building provides as shelter and food for urban biodiversity, the replanting had to be carried out due to the damage caused by the snowstorm that hit Madrid at the very beginning of 2021. This adverse circumstance prompted the implementation of these measures in this building.

3. Marenostrum Tower (Barcelona)

A green roof with a surface area of 250 sqm has been installed on this building, including plants for pollinators and fruit-eating birds. So far, it is the largest green roof implemented on any of the buildings in the portfolio. This idea was not the first proposal in the ecological report for this building, but it was the result of a consensus between the team of ecologists and a team of competent technical experts appointed for the property to analyse the building's potential. This intervention can be considered a success story, not only because of the milestone reached as regards its dimensions, but also due to the type of approach, the discussion of ideas and the impact on the number of users who can enjoy this public space. This is a clear example of how to enhance a sense of community among the users of the building and improve their relationship with adjoining neighbours.



Planting of various Sedum species and specific species for pollinators - Torre Marenostrum

Biodiversity leaflet - Génova,17

Riesgos mitigados con la ejecución de las medidas de biodiversidad

- **Extinción de polinizadores**
- **Enfermedades por partículas en suspensión**
- **Trastornos psico-físicos por ansiedad**
- **Efecto isla de calor en ciudades**
- **Inundaciones por sobrecarga en la red de saneamiento**
- **Aumento de riesgo de pandemias por zoonosis**
- **Desertización de territorios**

Oportunidades de la ejecución de las medidas de biodiversidad

- **Creación de valor visual**
- **Observación de avifauna**
- **Mejora de las áreas de descanso**
- **Creación de la comunidad**
- **Divulgación sobre biodiversidad**
- **Producción de oxígeno**
- **Reducción de moscas y mosquitos**

Colonial

El Grupo Colonial asume el compromiso de procurar el mayor respeto por el medio ambiente en el desarrollo de sus actividades, así como de minimizar los efectos negativos que, eventualmente, puedan ocasionar estas actividades desde las sociedades del Grupo.

Con esta finalidad, se trabaja para establecer las mejores prácticas, involucrando clientes, trabajadores y proveedores, para alcanzar unos altos niveles de eficiencia en sus edificios, y reducir así el impacto en el entorno.

Más información en: ***www.inmocolonial.com***

Programa de apoyo a la biodiversidad urbana 2019-2021

Génova 17, Madrid

Colonial

Programa de apoyo a la biodiversidad urbana 2019-2021

El Grupo Colonial realiza anualmente análisis de riesgos y oportunidades del cambio climático, y de impactos de la actividad empresarial que realiza sobre la biodiversidad en las ciudades donde está presente su cartera inmobiliaria en España: Barcelona y Madrid.

Esta práctica revela, no solo la alta responsabilidad y compromiso con el medio ambiente, sino una visión estratégica que se adelanta y prepara sus inmuebles ante la incertidumbre que supone para todos, incluso para sus clientes, el cambio climático.

Medidas de apoyo a la biodiversidad en los inmuebles del Grupo Colonial

1.270m²
Cubiertas verdes
Jardines verticales
Plantaciones en macetero

21
Habitats para insectos

43
Cajas nido

Iniciativas que contribuyen al ODS nº 15: "Vida de ecosistemas terrestres"

Conjunto de medidas de biodiversidad de Colonial 2021. La cantidad de medidas implementadas en este ámbito se incrementa periódicamente, acorde a la aplicación del plan estratégico de sostenibilidad de la compañía 2015-2030.

Génova 17, Madrid

El edificio se sitúa en la calle Génova, entre el Paseo de Recoletos y la plaza de Alonso Martínez.

La implementación de las medidas de apoyo a la biodiversidad en el edificio de Genova 17 parte de un exhaustivo estudio ecológico del entorno, que da lugar a un informe por cada edificio, donde se incluye además un plan de la gestión de la biodiversidad en el emplazamiento.

Estos informes se complementan con el manual de buenas prácticas de biodiversidad del Grupo Colonial, que establece directrices precisas que aseguran el cumplimiento de métodos y procedimientos respetuosos con los ciclos vitales y reproductivos de flora y fauna.

Todos los materiales empleados cumplen con la política de aprovisionamiento responsable y las plantas, semillas y sustratos proceden de viveros ecológicos o de viveros que cumplen con la norma iso 14.001.

Medidas de apoyo a la biodiversidad en el edificio

11m²
Cubiertas verdes
Plantaciones en macetero

Riesgos mitigados con la ejecución de las medidas de biodiversidad

- **Extinción de polinizadores**
- **Enfermedades por partículas en suspensión**
- **Efecto isla de calor en ciudades**

Oportunidades de la ejecución de las medidas de biodiversidad

- **Creación de valor visual**
- **Mejora de las áreas de descanso**
- **Divulgación sobre biodiversidad**
- **Producción de oxígeno**

Especies vegetales

El objetivo final es incrementar la biodiversidad del entorno mediante la colonización por especies de mayor calidad ecológica, aprovechando además el potencial propagador de la avifauna, coordinando esta medida con la presencia de plantas con frutos.

10 m² de cubierta verde con prácticas de xerojardinería

Especies vegetales clave

El incremento de la biodiversidad y la mejora de la calidad ecológica de un hábitat, depende esencialmente de la existencia de zonas cercanas que sean fuente de propágulos: semillas, polen, esporas o esquejes.

20 pies

Sedum Album
Sedum Hispanicum
Sedum Acre
Sedum Montanum

Especies aromáticas

Se han instalado un gran número de pies de especies vegetales aromáticas que cumplen una doble función, al ser sustento de especies de polinizadores y, por otro lado, al segregar sustancias repelentes de mosquitos.

5 pies

Thymus Vulgaris (Tomillo)
Rosmarinus officinalis (Romero)
Lavandula stoechas (Cantueso)
Salvia officinalis (Salvia)
Santolina chamaecyparissus (Santolina)

Especies con frutos

Se han plantado varias especies de vegetación con frutos: Viburnum tinus, Pistacia lentiscus, Crataegus monogyna y Olea europaea var. Sylvestris, para servir de sustento a la fauna, aves e insectos principalmente.

3 pies

Arbutus unedo (Madroño)
Hypericum perforatum (Hyperico)
Prunus espinosa (Endrino)

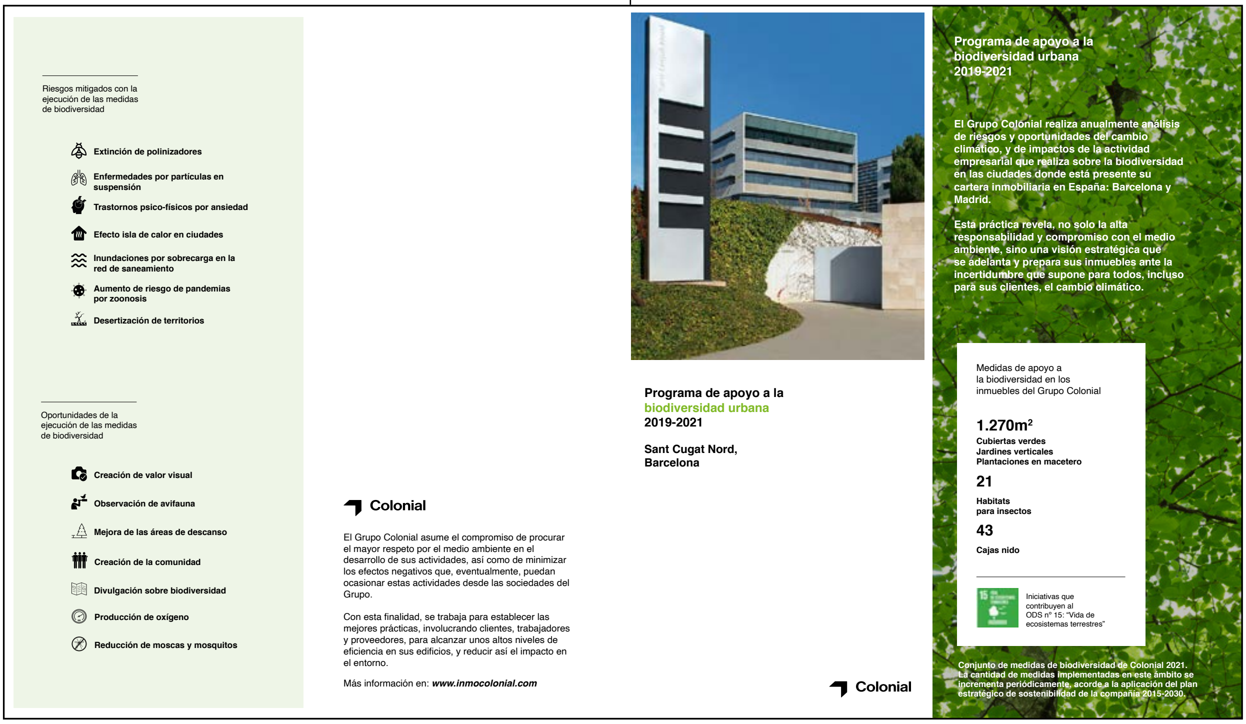
Especies purificadoras

Las plantas de interior pueden cumplir una doble función: además de la ornamental, pueden ser seleccionadas por su función de absorción de sustancias nocivas para el ser humano.

NASA Clean Air Study demostró en 1989 que ciertas plantas también eliminaban cantidades significativas de benceno, formaldehído y/o tricloroetileno del aire, además de CO2.

4 Maceteros con plantas de interior purificadoras del aire en el vestíbulo

Biodiversity leaflet - Sant Cugat Nord



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Programa de apoyo a la biodiversidad urbana 2019-2021

Sant Cugat Nord, Barcelona

Colonial

Programa de apoyo a la biodiversidad urbana 2019-2021

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Sant Cugat Nord, Barcelona

El grupo de edificios se encuentra al norte de la ciudad de Sant Cugat del Vallés, situada a su vez al norte del área metropolitana de Barcelona, al otro lado de la Sierra de la Collserola. Están, por tanto, situados en un entorno privilegiado, con numerosas zonas boscosas seminaturales.

La implementación de las medidas de apoyo a la biodiversidad en los edificios de Sant Cugat Norte parte de un exhaustivo estudio ecológico del entorno, que da lugar a un informe por cada edificio, donde se incluye además un plan de la gestión de la biodiversidad en el emplazamiento.

Estos informes se complementan con el manual de buenas prácticas de biodiversidad del Grupo Colonial, que establece directrices precisas que aseguran el cumplimiento de métodos y procedimientos respetuosos con los ciclos vitales y reproductivos de flora y fauna.

Todos los materiales empleados cumplen con la política de aprovisionamiento responsable y las plantas, semillas y sustratos proceden de viveros ecológicos o de viveros que cumplen con la norma iso 14.001.

Medidas de apoyo a la biodiversidad en el edificio

62m²
Cubiertas verdes
Jardines verticales
Plantaciones en macetero

5
Cajas nido

2
Hábitats para insectos

Riesgos mitigados con la ejecución de las medidas de biodiversidad

- **Extinción de polinizadores**
- **Enfermedades por partículas en suspensión**
- **Trastornos psico-físicos por ansiedad**
- **Efecto isla de calor en ciudades**
- **Aumento de riesgo de pandemias por zoonosis**
- **Desertización de territorios**

Oportunidades de la ejecución de las medidas de biodiversidad

- **Creación de valor visual**
- **Observación de avifauna**
- **Mejora de las áreas de descanso**
- **Creación de la comunidad**
- **Divulgación sobre biodiversidad**
- **Reducción de moscas y mosquitos**

Especies vegetales

El objetivo final es incrementar la biodiversidad del entorno mediante la colonización por especies de mayor calidad ecológica, aprovechando además el potencial propagador de la avifauna, coordinando esta medida con la presencia de plantas con frutos.

20m² de muro verde

12m² de plantación de especies de alto valor ecológico

Especies vegetales clave

El incremento de la biodiversidad y la mejora de la calidad ecológica de un hábitat, depende esencialmente de la existencia de zonas cercanas que sean fuente de propágulos: semillas, polen, esporas o esquejes.

65 pies

5 pies
Quercus ilex (Encina)
Quercus robur (Roble)

15 pies
Stipa gigantea (Berceo)

30 pies
Deschampsia cespitosa

15 pies
Euphorbia characias (Tártago Mayor)
Euphorbia myrsinites
Artemisia Lanata
Echium macalatum
Phoeniculum vulgare (Hinojo)

Especies aromáticas

Se han instalado un gran número de pies de especies vegetales aromáticas que cumplen una doble función, al ser sustento de especies de polinizadores y, por otro lado, al segregar sustancias repelentes de mosquitos.

32 pies

Thymus Vulgaris (Tomillo)
Rosmarinus officinalis (Romero)
Lavandula stoechas (Cantueso)
Origanum vulgare (Óregano)
Salvia officinalis (Salvia)

Especies con frutos

Se han plantado varias especies de vegetación con frutos: Viburnum tinus, Pistacia lentiscus, Crataegus monogyna y Olea europaea var. Sylvestris, para servir de sustento a la fauna, aves e insectos principalmente.

204 pies

54 pies
Viburnum tinus (Durillo)
Pistacea lentiscus (Lentisco)
Olea eur Sylvestris (Acebuche)

150 pies
Crataegus monogyna (Espino albar)

Especies purificadoras

Las plantas de interior pueden cumplir una doble función: además de la ornamental, pueden ser seleccionadas por su función de absorción de sustancias nocivas para el ser humano.

NASA Clean Air Study demostró en 1989 que ciertas plantas también eliminaban cantidades significativas de benceno, formaldehído y/o tricloroetileno del aire, además de CO2.

40 maceteros con plantas purificadoras del aire

Hábitats para la fauna

La eliminación de árboles de tronco viejo, y las hojas y ramas caídas de los suelos, junto con el crecimiento de ciudades y cultivos, reducen drásticamente las posibilidades de los insectos de encontrar cobijos naturales por sí mismos.

Los hábitats para insectos, quirópteros y aves, situados cerca de las zonas donde encuentran su alimento, favorece la supervivencia de especies autóctonas (algunas de ellas forman parte de la cadena alimenticia del ser humano, como el abejorro) que se encuentran en grave peligro de extinción.

5 Cajas nido para quirópteros

2 Hábitats de insectos colocados entre las plantaciones de aromáticas

5.5.4.2 Revitalisation of Urban Areas - Social Impact on the Environment

The Group prioritises projects in prime areas of Madrid, Barcelona and Paris. This model is clearly focused on urban areas and does not prioritise projects in greenfields, which have a much greater environmental impact. The Group has not carried out any such project in the last 10 years.

Colonial's projects also contribute to urban revitalisation. They boost the transformation of areas previously dedicated to industrial use and replace them with dynamic office space areas that are also home to residential buildings and significant commercial activity. In recent years, four projects have been developed in these locations. Two examples of how Colonial contributes to changes of use in cities are the Méndez Álvaro Campus in Madrid and 22@ in Barcelona.

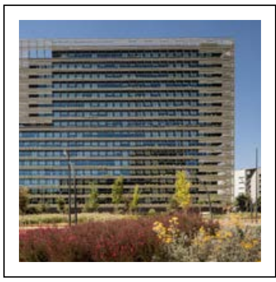
On the other hand, given SFL's strategic positioning in Paris, in particular within the first ring road (*Boulevard Périphérique*), the Company seeks to reinvent its heritage and initiate new operations while ensuring that the history of the buildings and their original architecture is maintained while applying the highest standards of sustainability. To this end, internal teams dialogue with architects and stakeholders to define work plans that preserve existing structures to avoid demolition and consequential new construction.

Méndez Álvaro Campus

The Méndez Álvaro Campus represents a commitment to the regeneration and renewal of the urban fabric in a former industrial area of Madrid once occupied by large industrial warehouses. This Colonial project will provide mixed uses (housing, offices and commercial use) and facilitate low-impact mobility on foot or by bicycle for users, neighbours and businesses in the area. Once completed, the built area will total approximately 169,500 sqm, occupied by over 7,000 office users, some 1,600 residents, about 190 shops and another 1,300 spaces for public use. It is also an answer to the growing concern for the environment and ecology by creating an ecosystem consisting of buildings with a low carbon footprint, nearly zero energy consumption, high digitalisation and extensive green areas. There will be two public areas as well as landscaped interior areas (covering a surface area of 6,400 sqm), the design of which includes green roofs, plant walls and planters in both the residential and office areas. The species of plants to be introduced have been selected with the assistance of ecologists to ensure that they are not invasive. These will be predominantly native, with low water requirements, aromatic for species pollination that will also bear fruit for birds. Nest boxes and insect hotels have also been included. Therefore, the project will meet BREEAM and LEED requirements. In addition, rainwater collection will be carried out in the residential area by installing a cistern in the basement.

22@ District

Barcelona's 22@ district is located in what used to be the most industrial area of Poblenou. Innovation, creativity, design and technology are the driving force that has replaced the old factories with a new model to propel Barcelona towards balanced and sustainable renovation. Colonial has contributed to this urban development by positioning an iconic building in the most prime area of 22@. The building, designed by Batlle & Roig, is destined to become an emblem of the city, with a surface area of more than 24,000 sqm distributed over 17 floors. The property stands out for its 1,800 sqm of open-plan floors and for being located in the heart of the city's newest and most modern business district. It has also been awarded the highest LEED sustainability certification (Platinum) and the highest energy rating.



5.6. Green financing and sustainable investment

Colonial leads the real estate sector in terms of eco-efficiency and decarbonisation. Its portfolio of prime offices is among the most sustainable in Europe with more than 95% of the portfolio in operation with maximum energy efficiency certificates and a carbon footprint of 9 kgCO_2/sqm, leading the industry in Europe.

The Group is a clear leader in various ESG ratings in the European real estate industry, with top ratings in the GRESB (Global Real Estate Sustainability Benchmark) index, the main ESG benchmark in the real estate industry, as well as in CDP, ranking among the top 12 best-rated real estate companies worldwide.

Over recent years, Colonial's ESG strategy has obtained the recognition of the main entities in this field in Europe, making the Colonial Group a European leader in the real estate industry.

With one of the most eco-efficient and green portfolios in the industry, Colonial and SFL have aligned their financing strategy with their corporate mission and in particular, with their sustainability objectives and decarbonisation strategy. The Group has taken a major step forward by transforming all its conventional bonds into green bonds under a Green Bond Framework.

The Group's commitment is that all future issuances of the Group will be qualified as "Green" to the extent that there are allocable assets eligible to these issuances.

The Colonial Group has recently successfully completed the conversion of all its outstanding bonds into green bonds, making it the first and only Spanish issuer with 100% of its issuances rated as green.

> All the Colonial and SFL bondholders' meetings, which took place in February 2022, have approved the conversion of the current bonds to "green" bonds, maintaining their terms and conditions, interest and maturities.

> The Colonial Group reached this milestone thanks to its portfolio of environmentally sustainable investments with a value equal to or greater than €4,602m of its bond financing.

Green bonds are an alternative to Group financing in an environment where sustainability is becoming more and more important and increasingly more demanding. This is why Colonial proposes a dynamic approach to its eligibility criteria, in line with this ambitious perspective, allowing it to align this Framework with its objective of decarbonising the portfolio by 2030.

Green Bond Framework

In order to implement the conversion into Green Bonds, the Group defined a Green Bond Framework in 2021, which establishes certain Key Performance Indicators (KPIs) linked to the energy certificates and CO_2 emissions of the Group's asset portfolio. This framework has been developed in alignment with the International Capital Markets Association Green Bond Principles (ICMA Green Bond Principles), which promote the transparency, accuracy and integrity of the information disclosed and reported by issuers and has been validated in a Second Party Opinion by Vigeo Eiris.

This general framework therefore implies that the Group will allocate an equivalent amount of its outstanding green bonds to Eligible Green Assets booked on its own balance sheet ("Eligible Green Portfolio").

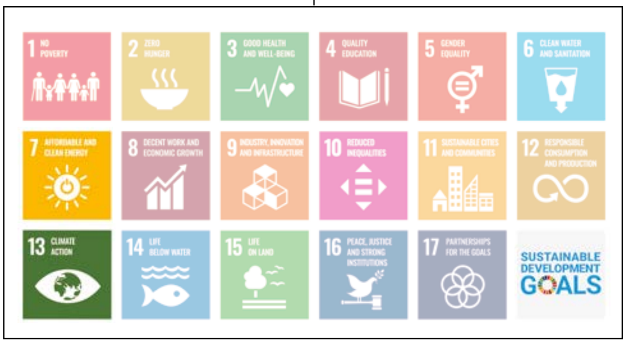
Contribution to the SDGs and EU Environmental Objectives

The creation of this Green Finance Framework also contributes to the Sustainable Development Goals, specifically two of them:

> SDG 7 Affordable and Clean Energy

> SDG 13 Climate Action

In parallel, this process also contributes to the objectives set by the EU. The EU Taxonomy Regulation has defined six environmental objectives, one of which Colonial is a major contributor to: climate change mitigation through the procurement, construction and renovation of low-carbon buildings.



Rationale for the Green Bond Framework

The Green Bond Framework complies with the four Green Bond principles: Use of Funds, Project Evaluation and Selection Process, Fund Management and Reporting, including external verifications.

Use of Funds

The use of funds from any green bonds under this Framework will be subject to the eligibility criteria set out below, which will apply to new or existing assets (the **"Eligible Green Assets"**).

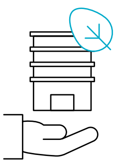
Eligible green assets aim to address the EU's environmental objective of climate change mitigation through the following economic activities:

> Acquisition and ownership of buildings.

> Construction and renovation of buildings.

The emission thresholds presented below as eligibility criteria should be interpreted as GHG emission intensity factors, expressed in kgCO_2 per sqm per year, covering Scopes 1 and 2 controlled by the owner, according to the market-based methodology of the GHG Protocol.[1]

Eligible green assets	Eligibility criteria
Green buildings	**Buildings that have received at least one (or more) of the following certificates:**
	> LEED "Gold" or higher
	> BREEAM in use "Very good" or higher
	> HQE "Excelente" or higher
	Or:
	Buildings that do not exceed the following emission thresholds
	> 2020-2023 < or = 20 Kg CO_2/sqm per year
	> 2024-2025 < or = 15 Kg CO_2/sqm per year
	> 2025 and onwards < or = 10 Kg CO_2/sqm per year



(1) GHG Protocol, World Resources Institute.

Project evaluation and selection process

This function will be carried out by Colonial's ESG Committee, which will verify compliance of the selected set of eligible assets with the eligibility criteria defined by this Framework. It will also be responsible for approving the allocations of such assets with the outstanding bonds.

In addition, it will monitor the Eligible Green Portfolio of each Issuing Entity over the life of the bonds and manage potential ESG risks identified as potentially associated with the eligible assets. If appropriate, the ESG Committee shall also replace an asset that is removed from the Eligible Green Portfolio with another appropriate eligible green asset.

This Framework will be in line with EU taxonomy at all times and could be updated by the ESG Committee. This dynamism in the eligibility criteria is a sign of the Group's constant intention to improve its ESG performance.

Fund Management

The Eligible Green Portfolio will be allocated an amount equal to all outstanding green bond issues of the Group, in line with the section entitled "Use of funds". The Eligible Green Portfolio will be verified each year by an independent external auditor to assess the number of Eligible Green Assets that meet the defined criteria.

Any future green bonds will be submitted primarily by the relevant Issuer to the ESG Committee, which will verify the alignment of the shortlisted Eligible Green Portfolio with the total amount of green bonds issued.

Reports

The Group will provide investors with an annual Green Bond Allocation and Impact Report linked to the Green Bond Framework, specifying the relevant measurement methodologies.

External verification

In terms of external verification, the Group has appointed Vigeo Eiris to provide a Second Party Opinion on the Framework, its transparency, governance and alignment with the Green Bond Principles. Should this Framework be updated in the future, the Group undertakes to update this Independent Opinion. This document is available to the public on the Group's website.

In addition, as of 31 December each year (until full allocation and thereafter in case of material changes), an independent auditor will verify that each Eligible Green Portfolio has at least a value equal to the current value of the outstanding green bonds and meets the criteria established.

Other sustainable debt

The process of converting all of the Group's issues is a further step forward on the path initiated by Colonial in 2019, when the Group's first sustainable financing was signed.

Colonial currently has a loan contracted in the amount of €76m, as well as an available credit facility (Revolving Credit Facility - RCF) for an amount of €1,000m. Both have the sustainable status as their margins are linked to the rating obtained by the GRESB agency, reinforcing the message of the Group's commitment to ESG.

In addition to the transactions described above, Colonial has pre-hedging instruments for an amount of €625m which are classified as "Sustainable Derivatives" since they contain a clause whereby, if a rating below a certain level is obtained by GRESB, Colonial will contribute a certain amount to sustainable projects.

5.7. Responsible supply chain

I. Responsible supply chain management

The Colonial Group is aware that its social responsibility goes beyond its business activities and that it must require an exemplary attitude from the suppliers it works with. The Company therefore extends the commitments and basic principles of its Code of Ethics to suppliers and ensures that they are applied at every stage of its activity. Specifically, the organisation strives to ensure that both its employees and suppliers respect the conventions established by the International Labour Organization (ILO) regarding:

> Freedom of association and collective bargaining.

> Elimination of any type of discrimination in relation to access to employment and occupation.

> Eradicating the use of forced and/or compulsory labour.

> Elimination of any form of child exploitation.

The Colonial Group extends its ethical, sustainable and social commitment to its entire supply chain, with the aim of ensuring that all its operations are carried out on the basis of the social responsibility criteria set by the Group.

Therefore, the Colonial Group extends the following points to its entire supply chain:

> Inclusion of ESG criteria in the supplier selection process.

> Efficient use of resources to guarantee maximum sustainability in its operations.

> Suppliers' adherence to Colonial's Corporate Social Responsibility Policy (ESG Policy).

> Creation of value in the local communities in which Colonial operates, by contracting local suppliers as far as possible.

  In this regard, SFL is committed to encouraging local employment in agreements with contractors for new projects, for which, as part of the contract, the contractor agrees to carry out actions to integrate unemployed persons from the local community into the workforce.

> Health and safety in all operations, with a special focus on preventive measures.

> Compliance with Colonial's Code of Ethics at all stages of the collaboration.

> Payment period of around 33 days.

> SFL sets a maximum of two subcontracting levels to avoid abusive subcontracting.

> Compliance with conventions established by the International Labour Organisation (ILO).

In the event of non-compliance with any of these points, Colonial may unilaterally cancel the collaboration agreement.

With regard to the inclusion of ESG criteria in the selection of its suppliers and the adherence of suppliers to its social responsibility policy, and within the framework of the ESG strategic plan, the Colonial Group has developed the ESG criteria policy for the selection of suppliers and developed a questionnaire that adds further requirements in this regard. It is worth highlighting the importance given from 2020 onwards to the distance between the main contractor's and subcontractors' headquarters and Colonial's headquarters in order to reduce the Scope 3 carbon footprint, as well as to the organisations' own or external ESG resources.

Finally, to avoid any illegal employment situation and fulfil its document compilation duties, as in previous years, SFL outsourced this process by using a collaboration platform (E-attestation). This platform manages all administrative documents submitted by suppliers, checks that they are complete and, if necessary, issues reminders. In the case of Spain, the SGS Portal is used to control these aspects.

At an organisational level, technical proposals are issued to encourage responsible behaviour, particularly in the following areas:

- Optimisation of energy and liquid consumption.
- Use of ecological cleaning products.
- Reduction of packaging and the volume of waste.
- Enhanced occupant comfort.
- Increased certification of building operations (BREEAM In-Use).

Likewise, the Colonial Group has adopted special measures with construction service providers during building renovation and improvement works with a dual objective: to guarantee the good progress of the works and the safety of the people who participate in these processes. Therefore, the health and safety procedure includes:

- Environmental training/information.
- Identification of staff through the use of badges.
- Preventive measures to ensure collective protection.
- Presence of first aid teams on site.
- Incident log book.
- Instructions on personal protective equipment and break times in accordance with the regulations.
- During the pandemic this procedure was updated with an annex to the risk assessments, to include an annex to the self-protection plans related to COVID-19.

The Group's suppliers are divided into three main categories based on the type of goods and services provided:

- Maintenance and service providers.
- Different types of consultancy firms (architectural, engineering, regulatory agencies, etc.).
- Construction companies for the renovation and improvement of buildings.

Colonial is committed to local suppliers in order to help generate value in the community in which it operates. Therefore, of the 918 suppliers that Colonial worked with in Spain in 2021, 91.4% are local, with 94.6% of the volume of purchases made by Colonial coming from this group of suppliers. As for France, 100% of the suppliers are local. Furthermore, in line with this commitment to contribute value to the community, 89% of all suppliers are located in Ile-de-France, the region where all the buildings in the portfolio in France are located.

In 2021, the average supplier payment period was 29 days, below the legal maximum of 60 days established by Law 31/2014 of 3 December, which establishes measures to prevent late payment in commercial transactions.

II. Supplier approval survey

In line with the ESG criteria policy, in 2019 the Colonial Group approved a supplier accreditation survey with ESG criteria that was sent in 2020 to both regular and sporadic suppliers from different areas, such as construction companies, maintenance companies, manufacturers, service companies and consultants of different types (architects, engineering firms, control bodies, etc.). As it is embedded in the selection process of any supplier for the Company, it is part of a supplier ESG scoring system. The aim of this mechanism is to comply with the ESG criteria policy for the selection of suppliers, ensuring that the companies that make up the supply chain share the same values and apply them in each phase of the activity linked to Colonial, while seeking to maximise the positive impact on the entire value chain. Therefore, the survey includes environmental, social and governance aspects:

> Evaluation criteria for choosing suppliers from an environmental perspective and for determining their stance on issues such as the environment, climate change, energy, water, biodiversity, pollution, waste, responsible procurement and sourcing, among others.

> Evaluation criteria for the selection of suppliers from a social perspective, analysing their commitment to their workers, health and safety, diversity, reconciliation, human rights, subcontracting, etc. With regard to subcontracting and as a general criterion, the work teams in the different areas (maintenance, construction, consultancy, etc.) are made up of the companies' own personnel, and any type of subcontracting is subject to Colonial's authorisation.

> Evaluation criteria for the selection of suppliers from a governance perspective, taking into account key aspects such as ethics, corruption prevention, risk management and corporate social responsibility, etc.

After conducting this supplier survey exercise, it should be noted that, of the surveys sent out, 85.4% were received and analysed with ESG criteria and the average score of the companies surveyed was 67 out of 100 points, with only 14% of the companies below 50 points.

All contracts from 2021 onwards include specific clauses in the work and service contracts to ensure ESG performance, including the possibility of audits by Colonial to verify the veracity of the information provided. Formulas will also be studied to strengthen the audit strategies of these suppliers and help them to make positive changes to address any weaknesses found.

With regard to human rights risks in the supply chain, the risk is considered to be low or very low, given that most of the suppliers are national and, furthermore, construction equipment, materials, and installations are purchased from leading brands from companies of recognised prestige, as corroborated in the supplier approval surveys with ESG criteria and in the environmental monitoring carried out in the construction and maintenance works. Furthermore, in relation to the human employment rights of its workers, established by the International Labour Organisation (ILO), no risks were detected through the surveys conducted or through Colonial's other communication channels.

III. Sustainable procurement of materials

The consumption of materials and consumables is one of the most relevant indicators for the Group. Therefore, since 2018 the Group has worked on obtaining a better performance in this area, consolidating its performance in 2020 and continuing this trend during 2021.

Similarly, thanks to the implementation of the environmental policy, since 2018, extensive work has been carried out to monitor the data on the supply of materials in collaboration with the different business partners of the organisation through the environmental monitoring procedure: (1) new construction work, refurbishments and large renovation projects, (2) small renovation projects and (3) maintenance work in existing buildings.

As a result of these efforts, purchasing requirements have been established to ensure that materials and products have environmental certificates, such as Type III, DAP or ECV environmental labels, FSC and/or PEFC certified wood, local sourcing (<800 km from the point of distribution), high recycled and recyclable content and/or low emissions of volatile organic compounds.

In 2019, the List of approved manufacturers was drafted and implemented in order to encourage the selection of materials, products and equipment in compliance with environmental criteria.

To date, the list of products includes at least 1,914 materials, products and equipment that meet the environmental requirements defined in Colonial's environmental policy, as well as another 275 that do not meet these requirements.

The list of approved manufacturers has proved to be effective and has greatly facilitated compliance with the responsible procurement of the different works and services for designers, and especially for contractors and maintainers.

This list is updated periodically with the aim of increasing the alternatives of materials, goods and equipment that meet the established requirements, as well as continuously adding new categories to the assessment.

The relevant indicators on material consumption during 2021 are listed below:

Purchase of materials

	2021						2020					
	Total	Responsible sourcing	Recycled material	Recyclable material	Renewable material	Regional material	Total	Responsible sourcing	Recycled material	Recyclable material	Renewable material	Regional material
Type of material	kg	% of each mat.	% of each mat.	% of each mat.	% of each mat.	% of each mat.	kg	% of each mat.	% of each mat.	% of each mat.	% of each mat.	% of each mat.
Stone and ceramics	1,704,596	97.25%	12.71%	83.63%	0.00%	99.58%	577,472	88.89%	1.46%	69.94%	0.00%	97.95%
Concrete and mortar	264,288,715	98.97%	0.16%	51.07%	0.00%	99.99%	54,676,651	99.97%	2.47%	55.71%	0.00%	99.99%
Glass	413,333	99.61%	3.35%	83.53%	0.00%	93.12%	45,621	94.32%	6.24%	76.43%	0.00%	99.21%
Plastics and rubbers	10,592	74.07%	8.83%	41.01%	0.00%	84.69%	394	84.60%	22.35%	35.79%	0.00%	89.17%
Metal	43,595,954	99.63%	78.91%	99.24%	0.00%	99.86%	3,043,396	96.72%	74.75%	97.00%	0.00%	96.14%
Wood	341,457	96.56%	49.40%	74.29%	99.97%	98.35%	373,169	99.67%	39.46%	73.30%	100.00%	84.34%
Plaster	283,400	96.05%	2.43%	78.01%	0.00%	95.46%	185,132	98.81%	5.66%	71.38%	0.00%	97.36%
Insulation / waterproofing	145,964	81.11%	11.00%	34.17%	0.00%	94.72%	210,660	86.43%	38.76%	68.29%	0.00%	99.24%
Paints and varnishes	31,068	70.24%	0.06%	0.00%	0.00%	93.44%	34,298	93.05%	0.00%	0.00%	0.00%	91.85%
Installations-light fixtures	60,744	83.85%	0.00%	0.06%	0.00%	93.83%	5,808	88.64%	1.25%	1.13%	0.00%	97.17%
Installations-toilets	20,951	71.53%	0.04%	0.07%	0.00%	97.52%	15,642	86.52%	0.00%	0.00%	0.00%	99.27%
Installations-AC/ventilation	93,992	76.62%	0.03%	0.42%	0.00%	95.41%	63,331	98.48%	0.22%	0.23%	0.00%	81.42%
Coolants	10	100.00%	0.00%	0.00%	0.00%	100.00%	10	0.00%	0.00%	0.00%	0.00%	100.00%
Adhesives and sealants	10,016	97.93%	0.00%	0.07%	0.00%	80.60%	41,829	59.51%	0.18%	0.00%	0.00%	98.82%
Oils and lubricants	38	96.31%	0.00%	0.00%	0.00%	100.00%	6	0.00%	0.00%	0.00%	0.00%	100.00%
Cleaning products	5,222	50.70%	0.00%	0.04%	0.00%	76.64%	9,668	60.81%	0.00%	0.08%	0.00%	98.63%
Gardening products	2,933	30.58%	46.90%	27.00%	0.00%	76.84%	6,086	30.94%	23.98%	36.86%	0.00%	99.56%
Soil and gravel	27,492,962	0.03%	0.02%	90.75%	0.00%	100.00%	750	100.00%	0.00%	0.00%	0.00%	100.00%
Textiles and papers	8,624	92.26%	1.17%	2.11%	0.00%	98.72%	396	33.04%	32.05%	0.00%	0.00%	94.82%
Others	152,470	78.75%	20.29%	5.33%	0.00%	93.92%	29,723	84.31%	11.97%	0.58%	1.87%	99.16%
Total	**338,663,040**	**90.98%**	**10.42%**	**60.68%**	**0.10%**	**99.94%**	**59,320,040**	**99.57%**	**6.55%**	**57.99%**	**0.63%**	**99.64%**

Note: Includes materials for new constructions, large and small renovations and the maintenance of common areas. Materials purchased by tenants are not included because the organisation has no control over them. In the case of France, information on materials supplied is not included as the works and renovations for which this information is collected, and which have been carried out in 2019 have not yet been completed.
The materials list may be modified if any other relevant material is reported.
The category "other" includes rarely used and non-relevant materials.

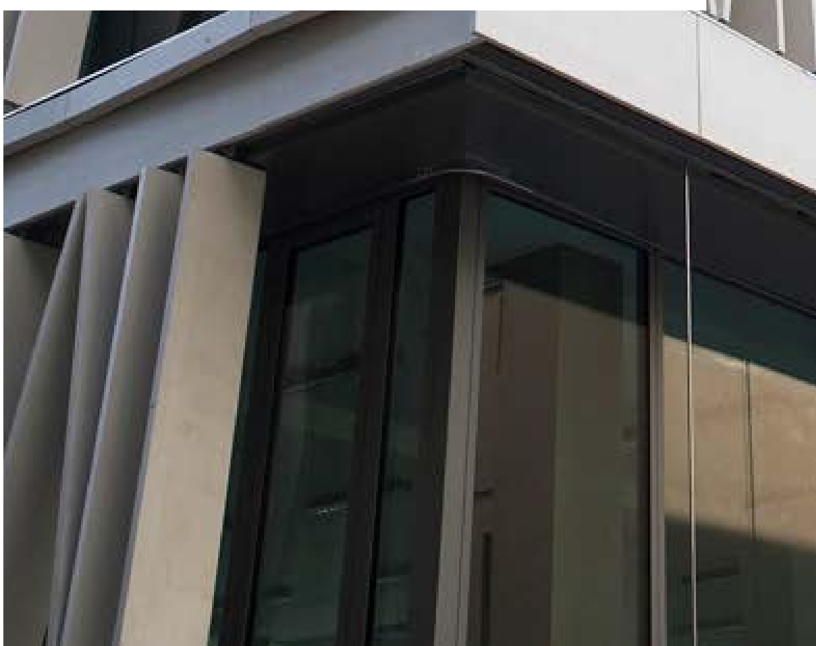
From this data, it is worth highlighting the effort made by Colonial to purchase materials in the region in which they are going to be used, obtaining **a result of close to 100% of the total materials used that met this criterion, which considerably reduces the carbon footprint linked to transport and distribution**.

With regard to responsible sourcing, Colonial strives to ensure that most of the materials **purchased are sourced responsibly through the *Guide to the Procurement of Products, Materials and Equipment,* which is why 91% of the materials complied with this guideline in 2021**. Wood is one of the most significant materials, as Colonial monitors its origin extensively, with the aim of ensuring that most of the wood purchased has a certificate of sustainability or good practices. In 2021, out of a total of 341,457 kg of wood purchased, 92.5% was certified.

Percentage of wood certified by standards

Certification system/standard	Quantity (kg)	Percentage (%)
FSC (*Forest Stewardship Council*)	315,459.45	92.39%
PEFC (*Program for the Endorsement of Forest Certification schemes*)	11,889.61	3.48%
SFI (*Sustainable Forestry Initiative*)	0.00	0.00%
CSA (*Canadian Standards Association*)	0.00	0.00%
Other (specify)	0.00	0.00%
Total certified wood	**315,945.95**	**92.53%**

On the other hand, in line with the provisions of this guide, it should be noted that 98.9% of the concrete and mortar poured in the different works carried out in Spain during 2021 come from alternatives with a lower carbon impact, as they comply with the ANEFHOP Expert Concrete certificate and/or ISO 14001 of the manufacturing process, in addition to other requirements in terms of recycled and recyclable material.



IV. Integrated supply management model

Colonial's environmental policy establishes the following commitments:

> Responsible procurement of materials.

> Sustainable waste management.

> Reduction of the carbon footprint from the two previous activities.

The environmental monitoring procedure mentioned above is explained as follows:

A1
New construction works
Major refurbishments
Major renovations
(CEP(1) > €500,000)

A2
Minor alterations
in existing buildings
(1,000 < CEP(1) < €500,000)

A3
Maintenance work:
general gardening
and cleaning services

Monitoring tool:
Environmental monitoring and reporting tables

Responsible sourcing
+
Sustainable RSD management
+
Energy efficiency improvements
+
BREEAM certification improvements
+
Inventory updating
+
Carbon footprint control and reduction

A1
Managers
Design team
Main contractor
Project Manager

A2
Managers
Contractor
Facility Manager

A3
Managers
Maintainers of general services, gardening and cleaning

Environmental consultant

(1) CEP = contract execution price.

In order to manage, oversee and report on environmental issues according to the procedures described, the Group regularly monitors the following aspects:

> Advice to contractors and maintenance providers on the use of sustainable products and in the sustainable management of waste.

> Updates of the list of approved products.

> Review of projects and budgets for actions and works.

> Recommendations to improve eco-efficiency and for BREEAM In-Use.

> The data/documentation of the environmental monitoring tables of all actions carried out in Colonial's buildings are verified.

> Environmental monitoring visits are carried out to oversee new constructions, renovations and major refurbishment projects (1).

> Regular environmental monitoring visits are made to existing buildings to oversee minor renovations (2) and maintenance tasks (3.)

> Inventories of the facilities are updated and cross-checked with the actions.

> A comprehensive monthly follow-up is carried out to ensure that the circular economy model implemented by Colonial is being followed by the subcontractors and maintainers for all the actions underway.

> All of Colonial's environmental information is collected and reported for the Integrated Annual Report and sustainability indices.

In order to approve compliance with responsible sourcing, environmental requirements must be proven for materials, products and equipment amounting to 70% of the contract execution price (CEP) of the works (in the case of maintenance, 70% of the total).

In addition, with regard to sustainable waste management, it must be proven that at least 80% of the waste generated, including hazardous and non-hazardous waste that can be re-used, is managed for its use, and therefore a maximum of 20% is processed without recovery.

These objectives are achieved through the environmental monitoring procedure established according to the scale of the actions:

A1: New construction, complete renovation and major refurbishment projects (refurbishments of floors of office modules, lobbies, and/or rest rooms, or other refurbishments of a similar scope, with a CEP > €500,000 or a lower price but of this type).

The subcontractor must justify the environmental requirements for responsible procurement of materials and sustainable waste management on the construction site.

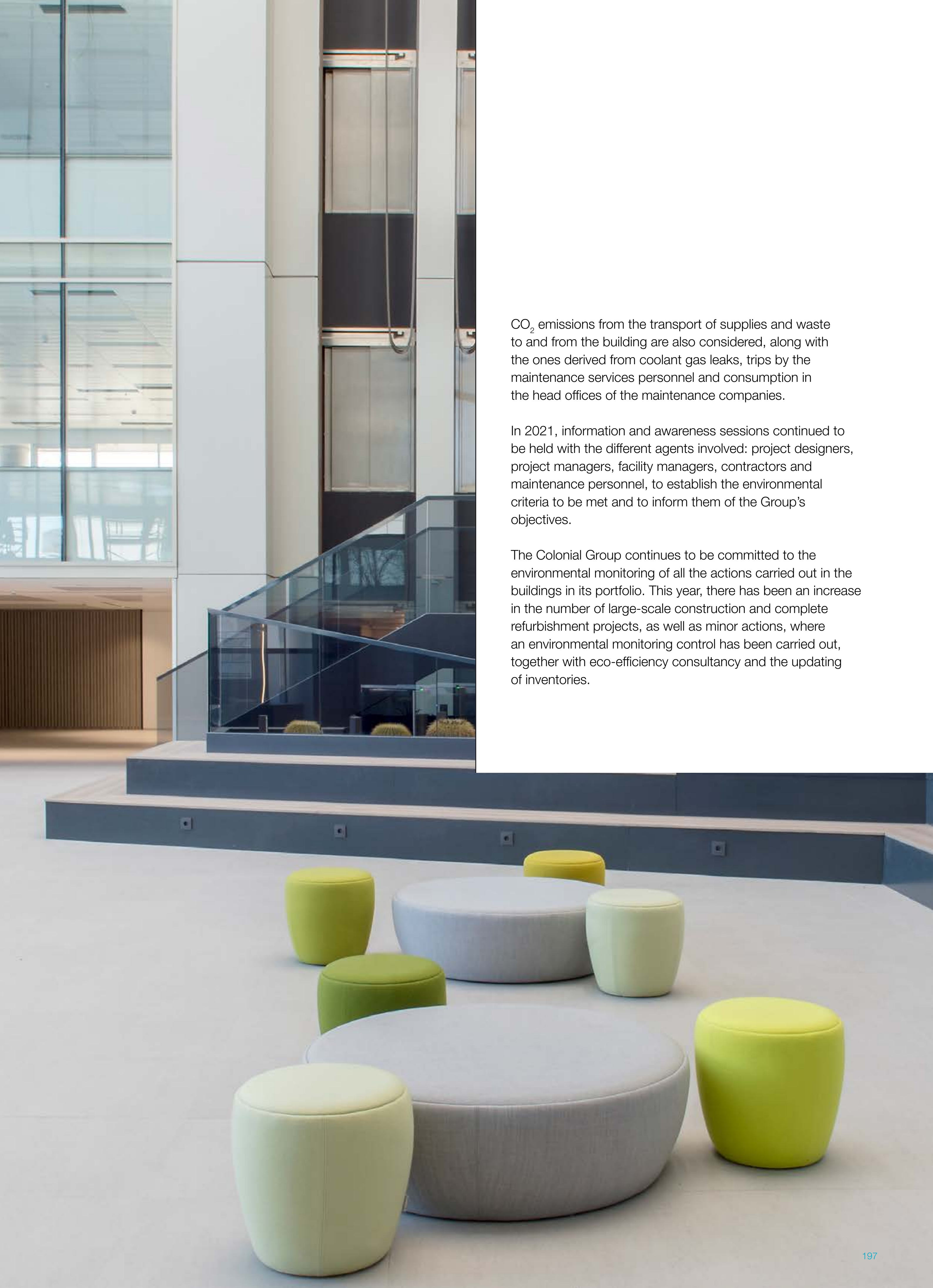
A2: Any minor action/refurbishment project (€1,000 < CEP < €500,000)

The subcontractor or industrial contractor must justify the environmental requirements for responsible procurement of materials and sustainable waste management in each of the actions they carry out in the buildings.

A3: Any actions derived from the continuous maintenance of general services, gardening and cleaning

The general services, gardening and cleaning maintainer must justify the environmental requirements for the responsible procurement of materials and sustainable waste management on a quarterly basis.

The parties responsible for the actions must verify all the environmental aspects established in the Guide to contracting products, materials and equipment, which establishes the demands for the final review of compliance with the requirements by the environmental consultant.



CO_2 emissions from the transport of supplies and waste to and from the building are also considered, along with the ones derived from coolant gas leaks, trips by the maintenance services personnel and consumption in the head offices of the maintenance companies.

In 2021, information and awareness sessions continued to be held with the different agents involved: project designers, project managers, facility managers, contractors and maintenance personnel, to establish the environmental criteria to be met and to inform them of the Group's objectives.

The Colonial Group continues to be committed to the environmental monitoring of all the actions carried out in the buildings in its portfolio. This year, there has been an increase in the number of large-scale construction and complete refurbishment projects, as well as minor actions, where an environmental monitoring control has been carried out, together with eco-efficiency consultancy and the updating of inventories.

5.8. Team of professionals

5.8.1 Staff excellence and professionalism: key factor for sustainable growth

The People team's **excellence and professionalism** are key pillars of the Group's Human Resources strategy, which also guarantees long-term sustainable growth with value creation for shareholders and all its stakeholders. This chapter describes the Group's efforts to enhance the skills, motivation and health of its people.

The Group is clearly committed to creating a corporate culture and ensuring the well-being of its employees. That is why its human resources policies are based on these two values while promoting a culture of customer-focused high added value.

Our workspace forms part of our culture and our understanding of the future of work: safe, equitable, inspiring, collaborative and inclusive, helping to achieve cohesion and a sense of belonging to consolidate sustained growth. A space that helps to co-create and to feel part of the engine that drives our success.

5.8.1.1 Human Resources Strategic Plan

"We want to continue to grow as people, as citizens, as employees and as a Group based on our values of transparency, excellence, professionalism, rigour, leadership and commitment".

The Human Resources Strategic Plan aims to drive sustainable value creation through the Group's social component. This is why it has different policies that ensure the creation of diverse and multidisciplinary work teams, with high capabilities to address the Group's strategic plan.

It is made up of six areas of interest that enable the achievement of excellent results and, therefore, a continued contribution of value to the corporation and its activity.

1. **Total Reward**: Colonial understands total reward as all the value that Colonial's employees receive for their contribution and input. This involves both financial remuneration and emotional compensation. The principles of fairness govern our policies which are tailored to each of our companies.

2. **Organisational and human capital development policies**: We include all the organisational policies and processes to provide a human organisation capable of responding to the Company's present and future strategy. This includes all recruitment and selection processes, on-boarding, career planning, succession planning and contingency planning.

3. **Colonial Career Conversations**: Understanding the value contribution of each employee is key for the organisation and the employee. Our corporate culture establishes a leadership model based on continuous and honest feedback through annual conversations about the performance and value contribution of each employee, as well as their career plans and professional and personal development.

4. **Equality, Equity and Diversity Policies**: These ensure that our values are consolidated in an equal and friendly environment.

5. **Colonial Te Cuida (Colonial Takes Care of You)**: Well-being and work-life balance policies to protect the physical and mental health of our staff.

6. **Colonial Cuenta Contigo (Colonial Counts on You)**: Internal Communication and Corporate Culture Policies to anchor our values, focus our efforts, drive our ambitions and enjoy our successes within a shared framework of knowledge and information.

For the Group, the well-being of its employees is key and their contribution is a critical part of creating a corporate culture, which is why the Group supports and safeguards diversity, equal opportunities and inclusion, values included in its Equality Plan.

Our concern for our greatest asset, our team, focuses on nurturing our people, developing and increasing their skills and rewarding their achievements.

Main initiatives of the Strategic Human Resources Plan carried out in 2021

Total rewards: In 2021, the remuneration models of all business units and subsidiaries were analysed in depth in order to understand our competitiveness in increasingly more sophisticated talent recruitment and retention markets. Fixed remuneration, variable remuneration, social benefits, as well as recognition, development and well-being policies are the elements that make up the total reward in the Colonial Group. All of them together are aimed at attracting, retaining, engaging and motivating our employees.

Personal Development:

> The “Colonial Career Conversations” tool has been digitised and improved and new features have been added. In addition, the scope has been extended to Utopicus and will be implemented from 2022 onwards. Moreover, the internal management process and the implementation of training programmes have been improved.

> Coaching and mentoring have also played an important role as several processes have been carried out in 2021.

With these two initiatives, our aim is to accompany our employees at key moments in their professional growth and, with the help of another person, to help them reach their goals, work on areas for improvement and reinforce the strengths that will allow them to advance in their career.

Organisation: As part of the Colonial Career Conversations programme, the group identifies the skills it needs to achieve its strategic objectives using its performance assessment tools. Looking to the future, the Group is seeking profiles that not only meet the technical requirements, but which are also aligned with the values and competencies of the Colonial Group.

Equality, Equity and Diversity Policies: For the Group, the well-being of its employees is key and their contribution is a critical part of creating a corporate culture, which is why it supports and safeguards diversity, equal opportunities and inclusion, values included in its Equality Plan.

Colonial Te Cuida (Colonial Takes Care of You): This initiative takes a step forward in our culture of work-life balance, which is why we continue to move towards a more flexible and hybrid work model through remote working in order to promote a better work-life balance. From 1 January 2022, it will be easier to work from home four days a month. In addition, all the necessary security measures have been taken to adapt to the different circumstances caused by the pandemic; mixing in-person work in shifts with full periods of remote working, in order to prioritise the health of our employees.

5.8.1.2 Colonial's Team

In 2021, Colonial's ability to adapt to changes in the environment has been proven and consolidated. Colonial has handled the challenges posed by the pandemic successfully; professional activity has continued, employees have been able to access and enjoy their jobs, all thanks to the implementation of the necessary prevention and safety measures, and to a hybrid work model in which we have alternated in-person work in shifts and mandatory, or even optional, remote working when some employees have chosen to work in the office.

Colonial Cuenta Contigo (Colonial Counts on You): Actions identified in the Great Place to Work survey have been implemented. These include the creation and implementation of an agile and user-friendly intranet that provides a meeting point between employees and the company, as well as with the rest of the subsidiaries.

Colonial cuenta contigo

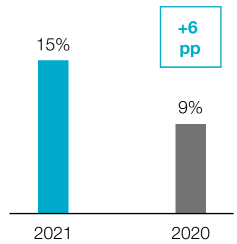
SFL Commitments for 2020-2030:

Our French subsidiary has addressed its priorities based on people development and recruitment: skills, talent attraction and retention, and well-being at work surveys, along with ensuring diversity and gender equality.

In this respect, our French division has an annual target of allocating approximately 2.5% of its payroll to developing the skills of its employees, in addition to ensuring a competitive remuneration system in line with market practices and the commitments made in terms of gender equality (signed in December 2020 and valid from 2021 to 2024).

Stable and quality employment

Average seniority



Diversity of the Colonial Group

70% Spain

30% France

76 men

149 women

225 employees

Colonial Group employees

99% permanent contracts

Of special mention is our commitment to diversity and gender equality as expressed in our equality plan. Of all our new employees in 2021, 77% were female, and women now account for 66% of the total workforce. Below is the data on the new hires in Colonial's workforce, as well as the breakdown of employees by age, gender and professional category in 2021 as of 31 December 2021.

New employees by age, gender and country

	2021		2020	
	Total	Percentage of new recruits	Total	Percentage of new recruits
Gender				
Female	27	18.1%	22	15.6%
Male	8	10.5%	9	10.2%
Age				
Under 30	17	47.2%	18	40.9%
30-50	18	13.7%	11	8.8%
Over 50	0	0.0%	2	3.3%
Country				
Spain	29	18.5%	25	16.0%
France	6	8.8%	6	8.2%
Total	**35**	**15.6%**	**31**	**13.5%**

Number of employees by age, gender and professional category

	2021					2020					Variance	
	Total	Male	Female	% Male	% Female	Total	Male	Female	% Male	% Female	Male	Female
Colonial Steering Committe	**8**	**4**	**4**	**50%**	**50%**	**8**	**4**	**4**	**50%**	**50%**	**0%**	**0%**
Job category												
CEO, General Managers and Area Managers	18	10	8	56%	44%	22	13	9	59%	41%	–23%	–11%
Technical Graduates and Middle Managers	80	32	48	40%	60%	89	41	48	46%	54%	–22%	0%
Administrative Staff	127	34	93	27%	73%	118	34	84	29%	71%	0%	11%
Total Group	**225**	**76**	**149**	**34%**	**66%**	**229**	**88**	**141**	**38%**	**62%**	**–14%**	**6%**
Age												
Under 30	36	5	31	14%	86%	44	13	31	30%	70%	–62%	0%
30-50	131	51	80	39%	61%	125	51	74	41%	59%	0%	8%
Over 50	58	20	38	34%	66%	60	24	36	40%	60%	–17%	6%
Total	**225**	**76**	**149**	**34%**	**66%**	**229**	**88**	**141**	**38%**	**62%**	**–14%**	**6%**

It should be noted that, as was the same in 2020, 99% of the Group's workforce has a permanent employment contract, with temporary contracts only being made on an occasional and circumstantial basis (two in 2021), which provides stability in the employment created by the business. For more details, see tables in 8.2. Key Sustainability Indicators GRI & EPRA BPRs.

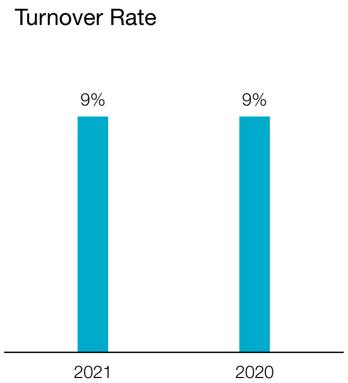
In terms of working hours, 97% of the workforce is full-time, with only 5 employees in 2021 working part-time. For more details, see tables in 8.2. Key Sustainability Indicators GRI & EPRA BPRs.

In relation to employees leaving, 35 leavers were registered in 2021, which is a turnover rate of 15% for the Group as a whole. However, the turnover rate for the real estate business, which represents 77% of the Group in terms of employees, remained at 9%, the same as in 2020. This result demonstrates the Group's efforts to retain talent.

Turnover and turnover rate by age, gender and occupational category in the Colonial Spain and SFL

	2021		2020	
Turnover	Total	Turnover rate	Total	Turnover rate
Gender				
Female	7	7%	12	12%
Male	9	13%	4	5%
Age				
Under 30	2	12%	4	20%
30-50	9	9%	6	6%
Over 50	5	8%	6	10%
Country				
Spain	7	7%	8	8%
France	9	13%	8	11%
Total	**16**	**9%**	**16**	**9%**

Turnover rate in the Colonial Spain and SFL



It is worth noting that, of the Colonial Group's total number of leavers, only 23% correspond to terminations. In addition, the rate of terminations has decreased by 53% compared to 2020.

Terminations by professional category, age and gender

Total terminations	2021	2020	Variance
Job category			
CEO, General Managers and Area Managers	2	0	100%
Technical Graduates and Middle Managers	3	0	100%
Administrative and other	3	17	–82%
Age			
Under 30	1	4	–75%
30-50	4	10	–60%
Over 50	3	3	0%
Gender			
Female	2	8	–75%
Male	6	9	–33%
Total	**8**	**17**	**–53%**

5.8.2 Human capital development

5.8.2.1 Developing and increasing the skills of our employees

The Colonial Group promotes a culture of continuous learning and individual responsibility for professional careers, so that employees are aware of their strengths, areas for improvement and are empowered to create an action plan that allows them to achieve their professional goals.

5.8.2.1.1 Training plan

"Learning requires certain skills. Unlearning requires attitude."

The Colonial Group Training Plan is based on:

1. An inward analysis with the "Colonial Career Conversations" (hereafter "the CCC"): a performance assessment tool through which managers and employees discuss the different areas which facilitate professional growth and create value for the company.

2. An outward analysis to explore market trends in the acquisition of new skills and competences.

3. And a sharing by each individual in order to learn from each other.

The mission of the Training Plan is **to enable employees to carry out their current and future jobs** so that they can add value and meet strategic challenges.

The Training Plan has a two-fold approach:

1. **Group training of employees**: This aim is to align knowledge across different work teams within the organisation and is complementary to the functions of the position. Enables individuals to acquire additional knowledge and/or skills necessary and/or advisable for a good work performance.

2. **Individualised training**: This need is detected through each employee's CCC and closely related to the technical know-how of the position. It is most often taught on a one-to-one basis or in teams that share a mission, allowing the role to evolve by acquiring a greater degree of specialisation.

I. Group and general training

Professional development

In order to foster a culture of feedback, Colonial and Utopicus employees have been trained in CCC and in having a conversation that allows them to further their development, to express themselves, to stop and reflect on their daily lives. This training is carried out under a coaching approach that seeks to empower employees. Internalising this culture is fundamental for Colonial in order to provide employees with a shared, positive language that encourages personal and professional growth.

At Utopicus, the same principles of personal growth are followed based on the identification of needs and the individual commitment of each employee to acquire them together with the company. This year, the focus has been on prioritising the development of collective skills in the field of digital transformation, and personal and professional growth as training for the future.

Regarding SFL, in order to maintain and develop a management culture, in 2021 a training course on the management of new work organisations for senior management was carried out.

Language skills

On the other hand, continuing the work of previous years, Colonial continues to support and promote the linguistic development of all employees. We are moving in a direction in which we consider it essential to equip all our employees with the communication skills that will enable them to move beyond borders and overcome cultural and language barriers, as well as different ways of working, all of which is only possible if we are committed to continuous development in language skills.

For this reason, Colonial's entire workforce has the possibility of receiving English and French language training, 100% financed by Colonial.

In addition, employees considered as "High Potential" or "High Performers" will have access to private language lessons based on our previous co-payment method: 80% financed by Colonial.

SFL has strengthened its online training in foreign languages (English and Spanish) with recorded video courses.

Sustainability training plan: Eco talks

With regard to **Sustainability**, an internal initiative has taken place, thanks to which all Colonial's employees were able to attend ESG Eco Talks training sessions. This way, one of our fundamental pillars, sustainability, has been reinforced by focusing our efforts on ensuring that all employees are aware of key aspects, while at the same time aligning the training plan with the Company's strategy. Colonial's commitment to sustainability is one of the Company's main vectors of development. It is becoming more relevant every day, both in current business management and in future strategies. For this reason, and with the main objective of sharing the actions we carry out in more detail, we have launched Eco Talks as part of **Colonial Cuenta Contigo (Colonial Counts on You)**: a series of talks spread over several fortnightly sessions led by the Technical Department. The following topics discussed during the sessions were as follows:

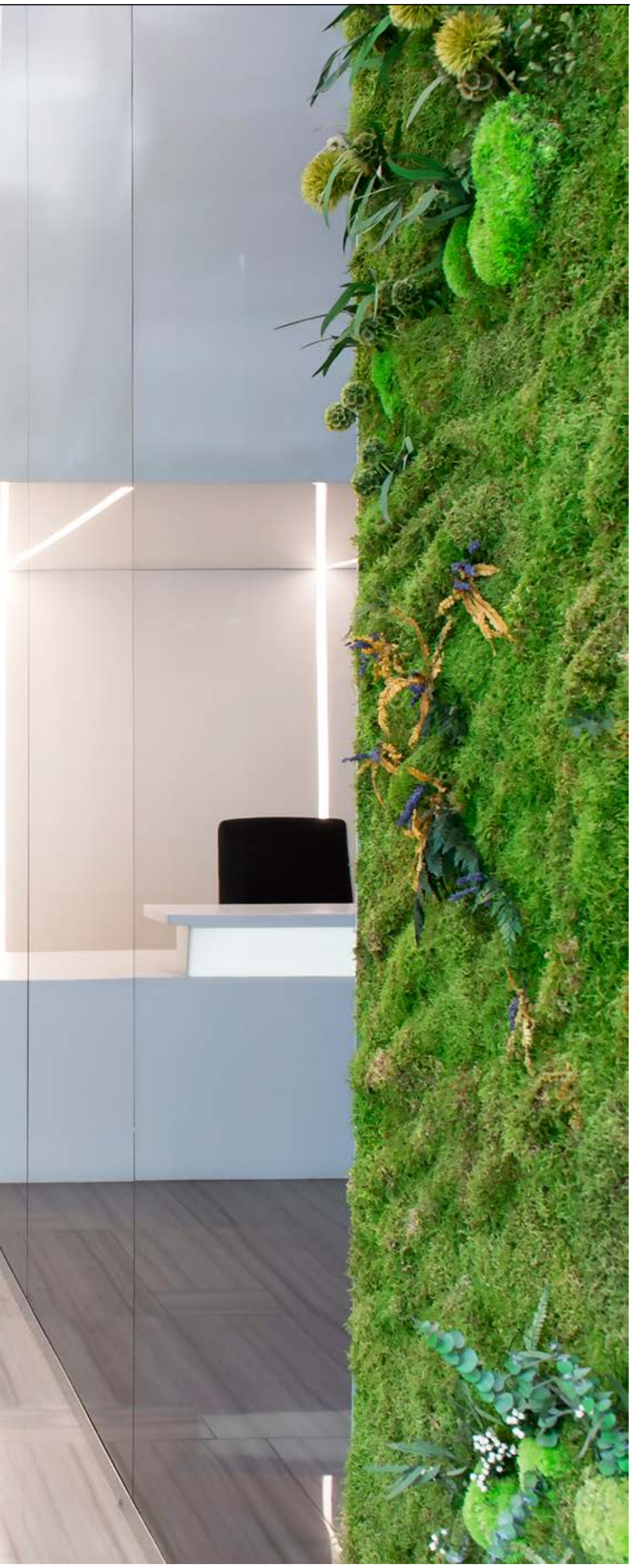
> Business Objectives, Sustainability Plan, and Sustainability Policies
> Environmental Monitoring
> Nearly zero energy buildings
> Conventional and renewable energies
> Carbon footprint
> BREEAM Certification
> Sustainable mobility
> User well-being and digital transformation
> Life cycle analysis
> Biodiversity

Health, safety and well-being

In 2021, there will continue to be a focus on the health and safety of all employees. For this reason, all of Colonial's new recruits have received training in occupational risk prevention and COVID-19. At Utopicus, regular online training and information has been provided to our employees about risks and security measures when they join, and again during the first half of the year. Subsequently, this training was channelled through memos, campaigns, posters in workspaces and communications while still covering all the aspects previously discussed online. Regarding SFL, as part of the occupational risk prevention policy, new employees have been trained in electrical authorisations, first aid and the handling of fire extinguishers.

Data protection

Data Protection, a growing topic of great importance in the professional environment, has invited us to train both Colonial and Utopicus staff to provide them with basic knowledge that is very useful in their day-to-day work. This training, created on a virtual platform, will allow us to continue along the same lines and extend the knowledge to all new recruits from now on.



II. Individualised and role-specific training

With regard to digital transformation, it is worth highlighting the training related to the Salesforce software provided to 100% of the sales department (8 employees) and almost 50% of the spaces department (11 employees) have joined a project of transformation and cultural change with regards to the Company's customer interaction and data and information analysis systems, allowing them to not only improve the efficiency of daily tasks but also the communication of information through a single transparent, secure and shared way of obtaining data for all departments.

In addition, it is worth highlighting Colonial's commitment to the development of its professionals. In 2021, two employees were supported in the financing of their respective Master's degrees at renowned business schools.

On the other hand, Utopicus needed to reinvent itself, merge, break down barriers between departments and, above all, give a voice to its employees –who know the business in greater depth– so that they feel empowered to participate in the creation of the Company's strategy. To this end, an inspirational team-building programme has been implemented: Empower Utopicus. This programme has been developed as a training programme for 12 employees, who have been assisted by an expert in the field of corporate culture change and agile methodologies, training them in teamwork, collaboration and project management techniques. The starting point was the search for solutions and the proposal of new ideas and projects based on the employees' own experience in the workplace. They focused on three main aspects: what the spaces should be, what the relationship with the client should be and what our business model should be.

During these four months, training was given not only in project management skills but also communication, interpersonal relations and team building (intra and interdepartmental).

With regard to SFL, training sessions were held in the areas of financial asset management, law, office automation, regulatory affairs and taxation.

5.8.2.1.2 Total participation in training 2021

SDG 4: QUALITY EDUCATION

	2021	2020	Var.
With the goal of empowering its employees, Colonial invests heavily in the development of its human capital with training and evaluation plans. Ensuring that all employees have professional growth objectives is vital to a motivated and ambitious team.	6,461 hours of training	5,054 hours of training	28%
	28.7 training hours per employee	22.1 training hours per employee	30%
Strategies/Lines of action > Training plan	93% of employees trained	93% of employees trained	0 pp

In relation to the total number of training hours, in 2021 a total of 6,461 training hours were provided by the Group, of which 4,545 hours correspond to Colonial Spain, 600 hours correspond to Utopicus and 1,316 hours correspond to SFL. This translates into an average of 28.7 hours of training per employee, equivalent to 3.9 working days of training. The data demonstrates the Group's commitment to the training and professional development of its workforce, even during a pandemic, as well as the continued success of the Group's Human Resources Strategic Plan.

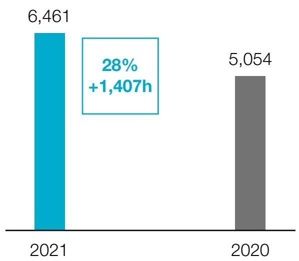
Hours of training by professional category, gender and country

	2021			2020			Variation		
	Spain	France	Group	Spain	France	Group	Spain	France	Group
Professional category									
General and area managers	170	247	417	208	232	440	–18%	7%	–5%
Technical graduates and middle managers	1,110	702	1,812	532	711	1,243	109%	–1%	46%
Administrative staff	3,866	367	4,233	2,354	326	2,680	64%	13%	58%
Utopicus Professionals				691	0	691	–100%	0%	–100%
Total	**5,145**	**1,316**	**6,461**	**3,785**	**1,269**	**5,054**	**36%**	**4%**	**28%**
Gender									
Male	2,000	409	2,408	1,696	519	2,215	18%	–21%	9%
Female	3,146	907	4,053	2,089	750	2,839	51%	21%	43%
Total	**5,145**	**1,316**	**6,461**	**3,785**	**1,269**	**5,054**	**36%**	**4%**	**28%**

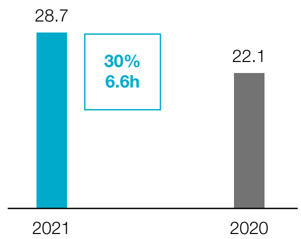
Note: In 2021, the Utopicus Professionals category was removed. From now on, the training hours of Utopicus professionals will be included in the respective categories, together with those of Colonial and SFL.

Hours of Training

Carried out



Per employee



The hours of training carried out by subject, country, and gender in 2020 and 2021 are shown below.

Hours of training by subject, country and gender - 2021

	Spain			France			Group		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Total general training	**1,649**	**2,683**	**4,332**	**218**	**697**	**915**	**1,867**	**3,380**	**5,247**
Environmental Sustainability	145	348	493	0	0	0	145	348	493
Ethics and Compliance	29	83	112	40	28	68	69	111	179
Languages	1,398	1,936	3,334	60	294	354	1,458	2,230	3,688
Occupational Health and Safety	11	67	78	61	146	206	72	213	284
Social Skills	40	130	170	0	0	0	40	130	170
Technology, Data and IT	26	119	145	49	70	119	75	189	264
Other	0	0	0	9	160	169	9	160	169
Total technical training for the position	**351**	**463**	**814**	**191**	**210**	**401**	**541**	**673**	**1,214**
Total	**2,000**	**3,146**	**5,145**	**409**	**907**	**1,316**	**2,408**	**4,053**	**6,461**

Hours of training by subject, country and gender - 2020

	Spain			France			Group		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Personal Development	142	278	420	154	202	356	296	480	776
Technology	104	0	104	133	70	203	237	70	307
Finance	5	0	5	14	28	42	19	28	47
Office skills	0	30	30	28	91	119	28	121	149
Project management	72	60	132	0	0	0	72	60	132
Auditing	17	0	17	7	28	35	24	28	52
Occupational health and safety	233	436	669	63	56	119	296	492	788
Compliance	41	71	112	0	0	0	41	71	112
Languages	1,082	1,214	2,296	120	275	395	1,202	1,489	2,691
Total	**1,696**	**2,089**	**3,785**	**519**	**750**	**1,269**	**2,215**	**2,839**	**5,054**

As a result of the focus and drive on the professional development of the Group's employees, €202,702 was invested in training activities in 2021. However, as a result of the COVID-19 pandemic, the investment allocated for training decreased. Despite this, 93% of the Group's employees received training in 2021. Investment in training in 2021 represents about 1% in Spain and 1.3% in France.

Number of employees trained by the Group by gender and country

	2021			2020			Variation		
	Spain	France	Total	Spain	France	Total	Spain	France	Total
Gender									
Male	52	18	70	58	22	80	–10%	–18%	–13%
Female	108	32	140	98	36	134	10%	–11%	4%
Total	**160**	**50**	**210**	**156**	**58**	**214**	**3%**	**–14%**	**–2%**
% Employees trained	**103%**	**74%**	**93%**	**100%**	**79%**	**93%**	**3**	**–5**	**0**

5.8.2.1.3 Colonial Cuenta Contigo (Colonial Counts on You)

We continue to create digital environments of proximity and trust where employees can share their contributions and doubts about the business. Our aim is to encourage participation and the creation of meeting points on the most relevant topics such as sustainability and the digital transformation of work, among others.

Colonial cuenta contigo

For this reason, as part of the "Colonial Counts on You" actions, several activities have been carried out in 2021 to continue fostering a sense of belonging and to discuss the status of the business on a qualitative and ongoing basis. The Live sessions have continued to take place on a monthly basis and have covered the following topics:

- New Working Model - Video calls
- Launch of the new Colonial intranet
- Looking outwards: What's happening to Barcelona?
- Colonial's Equality Plan and GPTW Results
- Opportunities in the PropTech Industry
- Renovation Project - Paseo Castellana 163
- Our common future
- Colonial's Solidarity Payroll 2021
- Christmas Toast 2021

Intranet

As part of the new ways of working and the benefits of digital transformation, we have remodelled our intranet, which connects all levels of the company and gives employees the possibility to participate, respond and collaborate on it. This is the result of a great transversal effort, where different areas of the company have collaborated to achieve a modern, agile and intuitive tool. Subsequently, an Intranet Team has been created, comprised of one member from each functional area, with the aim of sharing the different projects on which all areas of the company are working. This team meets weekly to ensure the news is current and up-to-date. During these meetings, all ideas are pooled through structured planning to get the most out of them and to get the most interesting and up-to-date information within Colonial.

This corporate platform provides all information that is considered relevant and of a shared interest to all, for example: a document library including all of the Colonial Group's information, centralised and updated, as well as the Company's policies and protocols. The suggestion box, the complaint channel and our social media platforms will allow us to cover the different channels and opinion forums, where employees share and connect according to their interests.

At the same time, we have planned the new Employee Portal so that over the next few years we can improve the functionality, e.g., to be able to apply for internal vacancies for new development opportunities in line with our Equality Plan.

5.8.2.1.4 The well-being of our teams: How do we measure it?

Our aim is to create a working culture where employees are happy to be part of a group that cares for them and is concerned about their well-being. To this end, we have different tools in place. One of the most important is the one that allows us to measure the level of trust and satisfaction with the organisation.

> *"If you cannot define it, you cannot measure it.*
>
> *If you cannot measure it, you cannot improve it.*
>
> *What is not improved, will deteriorate."*
>
> (Sir William Thomson)

Great Place to Work

As part of our commitment to be a great place to work, Colonial follows the Great Place to Work (GPTW) methodology, based on measuring levels of trust in the organisation and its leaders.

A survey for all employees is launched every two years. The feedback collected is analysed and two-year action plans are put in place, aimed at achieving our goal of each employee feeling a sense of contribution and belonging to the Group.

The latest survey conducted at the end of 2020 revealed a number of top-rated categories:

Pride in belonging

The PRIDE dimension gauges the pride of Colonial's employees in their own work, the work by their team, and the Company's work.

Employees are proud of what has been achieved through their work, and they enjoy going to the office to work and socialise. They believe Colonial is an excellent place to work, and they are also proud of the excellent service provided to customers.

Credibility

The CREDIBILITY dimension gauges the extent to which employees perceive their superiors as credible and worthy of trust, in an assessment of their perceptions of communication practices, and the competence and integrity of managers and directors.

In this regard, Colonial's employees highlight their superiors' clear vision of where the business is going, and their knowledge to manage it skilfully. In terms of human development, they point out the trust inherent to delegation, and the assistance received.

Camaraderie

The CAMARADERIE dimension gauges the sense of comradeship of employees in the workplace, in an assessment of relations, hospitality and collaboration at work.

In line with the above, employees feel they are themselves in their work and in their relations with co-workers, whom they can rely on at any time. They also point out the effort to make any person at the company "feel at home".

GPTW audited the people management practices and policies, and the audit placed Colonial among their 50 best companies.

The rate of participation in the survey was 92% (four points up on 2018). Among other aspects, there is a predominant pride of belonging among employees.

5.8.2.2 Professional development: Colonial Career Conversations

I. Performance evaluations

While 2020 was the time to inspire and pre-design the tool, 2021 was the year in which we implemented and achieved the goal we defined a year before: to conduct a digital evaluation of 100% of the employees in 2021. We can proudly confirm that the objective was met and, in 2021 and thanks to the Colonial Career Conversations (CCC) tool, 100% of the workforce was evaluated.(1)

Colonial Career Conversations is an agile tool based on the method of conversational coaching. It aims to empower each individual with the management of and responsibility for their personal and professional growth and development in a constructive manner. In 2021, CCC was enhanced and digitalised.

Within this process, we should also mention the training provided for the entire workforce in the technique of the conversation, focusing on aspects such as giving and receiving feedback, and establishing smart objectives.

Utopicus joined the digital performance evaluation system and during the 2021 financial year it made preparations to implement the CCC tool for all its employees. Human Resources has worked in parallel to be able to launch this essential tool by early 2022.

At SFL, two types of interviews take place related to capacity building and adding value. On the one hand, there are Annual Appraisal Interviews aimed at evaluating the achievement of objectives by employees and to identify training needs. On the other hand, there are Professional Interviews which take place every 2 years and are compulsory, in which training commitments are established for the acquisition of competences and which are reviewed every 6 years.

The digitisation of these processes makes it easier to conduct these interviews and ensures the traceability of these exchanges and their follow-up.

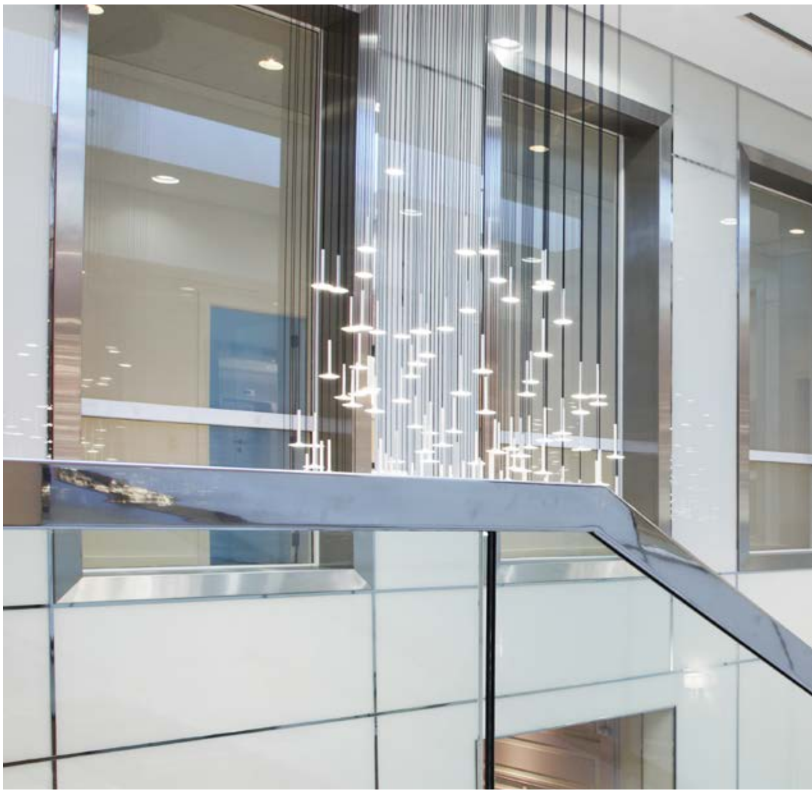
(1) This evaluation is not applicable to the Chairman or CEO of the Company.

II. Attracting and retaining talent

The Colonial Group participates hand in hand with a group of universities to generate internship opportunities for its students, while creating its recruiting ground for the future.

We would like to highlight our collaboration with the European University in its annual Career Week where thousands of students from different branches and degrees of study approach our Company as a future centre for personal and professional development.

We also look inwards, with the contribution to the project Barcelona Global in which one of our employees has been selected to participate in the different activities offered. This project focuses on attracting talent and businesses, as well as in the commitment of initiatives promoted by the members that compose it to identify challenges of entrepreneurship, research, culture and social impact in the city.



5.8.2.3 Total Reward

Total Reward refers to all the aspects that comprise the Colonial Group's employee remuneration package: fixed salary, variable salary, social benefits, recognition, development and well-being.

The analysis and creation of a competitive total rewards package is a key aspect that is worked on every year from a gender equality perspective, taking into account internal and external equality along with the following aspects:

> For each employee: contribution, value addition and impact on results.

> Principle of equal remuneration for men and women.

> Market salary data, from national surveys or the industry.

On the other hand, the Colonial Group's **Total Reward policy is structured** around the following three pillars:

Suitable remuneration for each position. Tools (CCC) are used to assess the contribution, supported by market surveys for the sake of objectivity.

Equal opportunities. The remuneration policy is based on the recommendation of external experts who are continuously advising the Group on market practices.

Competitiveness with respect to the market. Colonial looks outwards and wants its offer of employment, development, compensation, professional and personal growth to be competitive in the market.

Colonial's and SFL's remuneration system consists of:

- Fixed salary
- Variable salary
- Social benefits

The fixed part of the salary is reviewed annually to ensure that it is in line with the pillars of the Total Reward Policy, the market and the Equality Plan.

Various market studies with external advisors help us to define and evolve our remuneration policy and to integrate the Group's ESG Strategy objectives into objectives eligible for variable remuneration for the Chairman and CEO as well as the Management Committee.

In order to assess pay equality in the Spanish subsidiaries, the pay gap is studied by external consultants and shared with the different committees that oversee these principles: the Equality Plan Monitoring Committee and the Workers' Committee.

Pay gap by professional category (Colonial Spain)

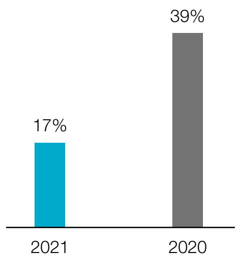
Professional category	2021	2020	Evolution
General and area management[1]	–8%	–6%	–2
Technical graduates and middle managers	23%	25%	–3
Administrative and other	16%	16%	0

(1) Executive Directors excluded.

For more information on the pay gap, please consult Colonial Spain's Equality Plan: https://www.inmocolonial.com/sites/default/files/uploaded-files/2021-12/3.plan_de_igualdad_de_inmobiliaria_colonial_2021.pdf

On the other hand, considering the current legal minimum wage, the ratio of the standard entry level wage in Spain to the minimum wage in Spain is 1.17 for women and 1.20 for men. Additionally, the ratio of the standard entry level wage in France compared to the minimum wage in France is 1.41 for women and 1.62 for men.

Colonial Spain global pay gap



The third component of compensation is social benefits. These are available to the workforce regardless of their type of contract (permanent, temporary or part-time). Along these lines, the Colonial Group offers some general benefits and specific benefit plans for each area of business and country. In 2021 these benefits were maintained and distributed as follows:

Common social benefits in Colonial Spain and SFL - Thousands of euros

	2021	2020	Variation
Health insurance	296	297	0%
Life and accident insurance	173	164	5%
Meal *vouchers*	221	179	23%
Total	**689**	**640**	**8%**

Specific social benefits of Colonial Spain - Thousands of euros

	2021	2020	Variation
Parking Places	0	1.4	–100%
Christmas hamper, Christmas dinner, gift baskets, company events and others	101	15	571%
Total	**101**	**16.4**	**514%**

SFL specific social benefits - Thousands of euros

	2021	2020	Variation
Pension plan - PERCO(1)	261	205	27%

1) PERCO stands for “Plan d’épargne pour la retraite collectif”, a business savings system used in France.

A retirement savings plan is in place for SFL employees in France. Uniform contributions to the PERCO plan continued in 2021, and the maximum amount rose from €4,500 to €4,860 per year. This is complemented by other benefits such as a time savings account that can be used to monetise unused holiday time and transfer “universal service vouchers” to PERCO (PER d’Entreprise Collectif) fully financed by the Company and its Workers’ Committee, and the employer’s participation in the financing of meal expenses (meal *vouchers*).

5.8.2.4 Employees Representatives

The Colonial Group is committed to compliance with the provisions of the conventions of the International Labour Organization (ILO), including respect for freedom of association and the right to collective bargaining.

In accordance with current legislation, in all the Group's subsidiaries, there is an employee representation body, which is ready to collaborate in any circumstances where the employees of the Company may need it.

Colonial's Workers' Committee is made up of 6 members, 5 in the Barcelona offices and 1 in the Madrid offices. In Spain, employees are covered by the provincial collective bargaining agreements for the construction industry and the collective bargaining agreements for the advertising industry in Madrid and Barcelona.

SFL's representative body, the Unified Delegation of Employees, has a total of 8 members representing the different departments of the company. The purpose of the delegation is to address the priorities of employees in the workplace, such as fostering an optimal working environment during the COVID-19 pandemic, making proposals for changes in this area and formally communicating them to be included in the collective bargaining agreement.

Utopicus set up its first Workers' Committee in order to represent the workers and to be a platform for dialogue between employees and the company and, therefore, to address different issues related to human resources. In mid-November, an election was held and as a result a workers' delegation comprised of 4 union representatives was created: 3 in Madrid and 1 in Barcelona, thus complying with the legally established ratio by number of workers. The Advertising Agreement governs the activity in Utopicus.

The collective bargaining agreement applicable to Colonial Spain employees is the construction agreement, which was in force until 31 December 2021. The agreement applicable in France is the IDCC 1527. The Spanish agreement is currently under negotiation.

99% of the Group's employees are covered by the Collective Bargaining Agreement. The table below shows the percentage of employees covered by collective bargaining agreements by country.

% of employees covered by collective agreement

	2021	2020
Spain	98%	97%
France	100%	100%
Group	**99%**	**98%**

The CES is the *Comité Economique et Social* (Economic and Social Committee) of SFL and is the body that represents the workers and has responsibilities for health, safety and working conditions. It also manages social and cultural activities. Meetings are held at least once every two months.

It consists of company representatives and employee representatives elected for a period of four years. The number of members is calculated on the basis of the company's workforce. SFL currently has 4 full members and 4 substitute members.

CES's mission is to bring individual or collective complaints to the attention of workers. It ensures the freedom of expression of workers by allowing their interests to be taken into account in decisions concerning management, the economic and financial development of the company, work organisation, vocational training and production techniques.

In this context, the committee is informed and consulted by the Company on matters related to the organisation, management and general functioning of the Company.

5.8.3 Diversity, equality and equal opportunities

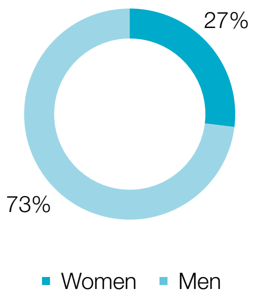
Colonial's relations with its employees, and their relations with each other, are based on mutual respect, equal treatment and equal opportunities.

The table below shows a breakdown of the Colonial Group's gender diversity in the different categories:

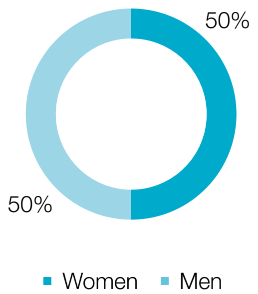
	2021				2020			
	Women		Men		Women		Men	
	No.	%	No.	%	No.	%	No.	%
Board of Directors	3	27%	8	73%	3	27%	8	73%
Colonial's Management Committee	4	50%	4	50%	4	50%	4	50%
Group Managers[1]	52	58%	37	42%	57	51%	54	49%
Rest of the staff	93	73%	34	27%	84	71%	34	29%

(1) Includes SFL and Utopicus managers as well as technical graduates and middle managers.

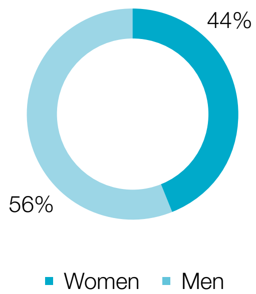
Board of Directors



Colonial's Management Team



Group Managers



In line with its Code of Ethics and the Sustainable Development Goals (SDGs), the Colonial Group rejects any type of discrimination based on the personal, physical or social characteristics of its employees. It also supports equal treatment for men and women in terms of access to employment, training, promotion and working conditions.

Within the framework of the Equality Plan, Colonial has defined the following commitments in this area:

> Ensure that collaborating companies have equality plans in line with regulations.

> Striving to obtain, to the extent possible, the same number of female and male candidates in recruitment processes.

> Encouraging greater diversity (gender, age, ethnicity, etc.) in the workforce across all professional categories.

> Guaranteeing equal access to training opportunities for women and men.

> Equal paternity and maternity rights in order to protect the interests of newborns and children.

> Defining the training development necessary to reintegrate employees into the company after maternity or paternity leave.

> Ensuring that pay differences are based only on performance, contribution, knowledge and impact on the organisation.

These commitments were translated into specific actions in 2021 which are reviewed by a Monitoring Committee comprised of 8 members, the same as for the negotiation, and who equally represent a social side and the employers' side.

SDG 5: GENDER EQUALITY/SDG 10: REDUCTION OF INEQUALITY

Trend in indicators

	2021	2020	Var.
In line with its Code of Ethics, the Colonial Group rejects any kind of discrimination in relation to personal, physical or social characteristics of its employees. It also supports equal treatment for men and women in terms of access to employment, training, promotion and working conditions.	66% women in the Group	62% women in the Group	4 pp
Strategies / Lines of action > Encouraging greater diversity (gender, age, ethnicity, etc.) in the workforce across all professional categories. > Guaranteeing equal access to training opportunities for women and men and ensuring that pay differences are based only on performance, contribution, knowledge and impact on the organisation. > Equalising paternity and maternity rights with the aim of protecting the interest of newborns and children.	27% women on the Board	27% women on the Board	0 pp

Equality Plan

Our Equality Plan was published on 5 March 2021, on the website of the *Generalitat de Catalunya* (https://web.gencat.cat/es/tramits/tramits-temes/Presentacio-de-Plans-dIgualtat) in compliance with the regulations to that effect.

This plan has transcended within the organization to become a meeting point to strengthen our values of equity, equality, diversity and inclusion.

Over the next four years, with quarterly meetings, the plan's monitoring committee will ensure compliance with and implementation of the planned actions, evaluating the objectives established in the Plan, always with a gender perspective.

It has also been submitted to the Appointments and Remuneration Committee of Colonial's Board of Directors.

The lines of action for Colonial are:

- > Company structure: eliminate any discriminatory treatment that prevents the achievement of a balanced representation of women and men within the company.
- > Organisational changes: equal opportunities.
- > Family situation and work-life balance: establish measures that favour a better balance between work, family and the personal life of workers.
- > Training: ensure equal opportunities for entry and career development at all levels of the company.
- > Wage Policy: ensure that there is no unjustified gender pay gap for positions of equal value.
- > Occupational Health: integrating the principle of equal treatment from a gender perspective into the management of occupational risk prevention (safety, ergonomics, environmental conditions), as well as providing effective protection in situations of pregnancy and breastfeeding.
- > Sexual and gender-based harassment: create a process for internal sexual and moral harassment complaints that is known by the entire organisation and that ensures the neutrality and confidentiality of the complainant.
- > Communication, Values and External Relations: reinforce the Group's commitment to Corporate Social Responsibility in order to improve the quality of life of employees and their families.

For Utopicus, 2021 was the year in which the Equality Plan was created through the creation of the Workers' Committee together with external collaborators. It was launched at the beginning of the last quarter of 2021, during which work was carried out on the quantitative and qualitative diagnosis, as well as on the proposal of actions to be implemented. At the end of the year, negotiations will begin on these, with the aim of publishing them before March 2022.

SFL's Equality Plan focuses on the following aspects and objectives:

- > Recruitment and access to employment. The number of female and male candidates is equal, thus promoting a greater diversity across the board.
- > Professional promotion through vocational training: equal access to training, support for returning to work after maternity leave, work-life balance.
- > Equal pay: guaranteeing the same level of remuneration in recruitment, neutralising the effects on remuneration of parental leaves of absence.

5.8.4 Health, Safety and Well-being

5.8.4.1 Occupational Health and Safety

I. Occupational Health and Safety Management

In order to provide a safe and stable environment for its professionals, the Colonial Group complies with all current Health and Safety regulations, and also has sophisticated and protective occupational risk prevention measures in place to prevent and minimise any incidents.

The Spanish External Prevention Service (SPA) conducts the assessment of occupational hazards in all positions, as well as in the other office spaces, and plans and proposes corrective measures if necessary to prevent any accidents. The assessment of occupational hazards is carried out pursuant to current legislation, in due consideration of the nature of the activity, the characteristics of the positions and the employees working in these roles. This establishes priorities for courses of action to reduce, eliminate and control the hazards identified.

In the event of an accident or any potential danger posed to the health of employees, the Human Resources team is informed along with the SPA contact, internal reports are completed, and if a person involved in an accident requires attention, the accident insurance company is contacted. The accident is investigated on the basis of the reports, and if necessary, a review is conducted of the risks assessed and planned in preventive activities, in order to ensure that the factors which may have led to an accident cannot be repeated.

Colonial and Utopicus provide a course on Occupational Risk Prevention (ORP) and COVID-19 to all new recruits and ensure that external workers who collaborate through temporary employment agencies have also completed the courses.

Quirón Prevención, our External Prevention Service (SPA) has kept us periodically informed of all updates to the COVID-19 protocols and measures to be adopted by both Colonial and Utopicus.

For Colonial, the most important thing is the health and safety of our employees and for this reason we have adapted the working conditions to the requirements of the pandemic at all times, establishing as a preventive measure the option of working remotely for both Colonial and Utopicus.

In 2021, Utopicus continued to look after employee health and carried out medical check-ups during the months of September and October.

Health, safety and well-being are key factors for a quality work life. With this conviction, SFL has fully integrated these criteria into its human resources policy by regularly measuring well-being at work through a climate survey (QVT). In this way, SFL fulfils its obligation to provide a regular climate survey on occupational risks and to lay the foundation for the continuous improvement of well-being at work.

In the context of the health crisis, SFL has been in constant contact with its occupational health department and employees' representatives and have facilitated the development and monitoring of the implemented prevention and protection measures. These measures are regulated and controlled in the Single Occupational Risk Assessment Document (DUERP).

In France, in 2021 SFL implemented an active policy in terms of taking care of the health and safety of its employees, which has focused on:

- The continuation of the First Aid at Work training programme.
- Renewal of firefighting training in coordination with the company APAVE.
- Updating the electrical allotments of the affected employees.

In Spain, Colonial has a Health and Safety Committee, made up of four people (two representing the Company's management and two representing the employees) representing 100% of the organisation's workforce. The Committee ensures the proper application of measures focusing on safety and the prevention of occupational hazards, at the same time guaranteeing a healthy working environment.

In 2021, three meetings were held with the Health and Safety Committee at Colonial. The major issues discussed at the meetings were the physical and psychological well-being of our employees, to enable them to carry out their professional duties in the safest, most appropriate manner.

Main topics covered:

- Information and recommendations on COVID-19 (via press releases, intranet, signage, etc.).
- Remote work.
- Changes in the members of the Health and Safety Committee.
- COVID-19 protocol updates.
- In-person work procedure in shifts. Vulnerable staff can keep working from home.
- Information on the purchase of the PPE recommended by the healthcare authorities.
- Serological tests and PCR tests for any employees who request them.
- New review and application of COVID-19 measures by Quirón Prevención.

As for Utopicus, in the last quarter of the year, a staff delegation was created in which a trade union delegate was appointed as responsible for PRL (ISPA - Spokesperson for the External Prevention Service) in order to represent the workers in this aspect.

At SFL, occupational health and safety issues are the responsibility of the Economic and Social Committee (CSE). In addition, as part of its efforts to promote a quality work life, SFL conducts an annual survey for its employees with two objectives in mind: to fulfil its obligation to ensure the regular assessment of occupational risks, but also to lay the foundations for continuous improvement of a quality work life. This survey is carried out by means of an online questionnaire addressed to all employees and it covers 7 topics: the connection with the company, its management, work engagement, the working conditions, the rhetoric, the authority and the team project. If necessary, it is supplemented by individual interviews with the collaborators who want to participate and which are added to the total once the results have been obtained. In 2021, 76.5% of collaborators replied when surveyed. Management accountability meetings were then organised to jointly define the action plans to be implemented.

II. Colonial Group's response to COVID-19

Both Colonial and Utopicus have an internal protocol, which is regularly updated and shared with all employees as guidelines for action in case of a suspected case of COVID-19. We have placed an internal manager at their disposal, available 24 hours a day, 7 days a week, and any employee may contact the manager to explain their specific case. At that point, the action plan is activated, and the doctor assigned to our external prevention service is informed, the employee receives advice, and may go to a lab in less than 24 hours to do a test. If a positive case is confirmed, any close professional contacts are tracked, and the areas involved are thoroughly cleaned.

In addition, in order to guarantee a safe return to work after COVID-19, Colonial has requested a review of each of the workstations from Quirón Prevención to verify and update the safety protocols in our offices. Our external prevention service has confirmed that all the preventative measures taken and established to prevent and limit the spread of COVID-19 at the offices are high-level and suited to the structure. The report shows the dedication and hard work by the organisation on the implementation and resources provided, and the high level of employee participation. At Colonial, the most important thing is the people and their safety.

In October 2021, a new request was made to Quirón Prevención for the return of 100% of the workforce. Quirón reports that in workstations where a distance of 1.5 m cannot be guaranteed, and in meeting rooms and common areas, employees must always wear a mask. Afternoon shifts and deep cleaning and disinfection in common areas was implemented.

Colonial has provided all employees with protocol guidelines for a return to work at our offices, overseen by our external prevention service, Quirón Prevención, and in accordance with the recommendations of the healthcare authorities. This guide has been updated along with new events. It aims to explain how the offices have been adapted according to the recommendations of the health authorities (gel dispensers, PPE, shifts by employees and days), the recommended hygiene protocols and the capacities of meeting rooms and cafeterias.

Colonial has complied with all the recommendations and regulations issued by the healthcare authorities, providing safety, cleanliness, disinfection and well-being in its spaces.

At Utopicus, the COVID-19 prevention measures are still being audited in relation to workstations, rooms and common areas within the spaces in order to achieve the AENOR certificate.

Colonial is committed to technology, providing all its employees with the tools they need to carry out their work. This commitment has enabled the company to continue operating effectively despite the pandemic.

The pandemic, digital transformation and the VUCA (Volatile, Uncertain, Complex, Ambiguous) environment we live in have meant that we require greater flexibility and agility to be able to respond to current demands. At Colonial, we have moved towards a work model where employees feel safe and protected, without negatively impacting results or their contribution to the business and always following our values and the corporate culture.

To this end, we have strived to achieve a model of coexistence that favours collective creation and an entrepreneurial culture while at the same time allowing for individual flexibility. Thanks to the digital transformation of work and all the current technological resources, Colonial has demonstrated great flexibility and the ability to adapt to the context of the pandemic, always prioritising the well-being of its employees through a hybrid model combining remote and in-person work in shifts and on a voluntary basis.

During the period where remote work became commonplace due to the pandemic, SFL also paid particular attention to the psychosocial risks associated with this type of work and produced and distributed internal guides for employees and their superiors. The configuration and location of SFL's offices also facilitated a gradual return to work for employees wishing to do so, thereby maintaining the collective link to the company and the working environment.

COVID-19 tests

In view of the return to our offices, we have made available to our employees the possibility of PCR and/or antigen tests for those who have possible symptoms or have been in close contact with a person with COVID-19 at both Colonial and Utopicus. This dynamic has continued throughout 2021, allowing all employees to come to the offices safely. To assist with travel logistics and prevent crowding, a healthcare team went to our offices to carry out the tests and thus obtain a health map of our employees.

Utopicus provided monthly antigen testing during the first half of the year. Following the arrival of the COVID-19 vaccine, the company discontinued antigen testing in order to provide a final post-vaccination serological test to determine the effectiveness of the vaccine. However, in cases of suspected COVID-19 infections, Utopicus follows its safety protocol and performs PCR tests on workers who must test negative before returning to the office.

III. Health and safety indicators

SDG 3: HEALTH AND WELL-BEING

	Trend in indicators		
	2021	2020	Var.
Colonial is committed to ensuring the health and well-being of its employees, in addition to their safety. Going beyond the requirements demanded by law, Colonial aims to create environments and facilities that are conducive to a healthy lifestyle in and out of work for its people.	0 incidents of non-compliance concerning health and safety	0 incidents of non-compliance concerning health and safety	0 pp
Strategies / Lines of action > Training in Occupational Risk Prevention > Medical check-ups > Well-being measures: flexible working hours, ergonomic spaces, mindfulness workshops, etc.	2 accidents	0 accidents	+2 accidents
	0 workplace illnesses	0 workplace illnesses	0 pp

As part of its undertaking to protect its employees, the Colonial Group monitors the main indicators in this regard. In 2021, two accidents were recorded (none in 2020), however, it should be noted that this year the Company's activity has increased.

The table below shows the number of accidents at the workplace, the number of accidents on the way to and from work, and the frequency and severity rates.

Accident Rate

	2021	2020
Accidents	2	0
Accidents to and from work	2	3
Frequency rate(1)	4.79	0
Frequency rate of accidents with serious consequences(2)	0	0
Severity rate(3)	0.04	0

(1) (No. of accidents with sick leave/total hours worked) *1,000,000.
(2) (No. of accidents with serious consequences/total hours worked) *1,000,000.
(3) (No. of days off work/total hours worked) *1,000.

The following table shows the accident rate broken down by gender. As this is the first year that this information has been made public, only data for 2021 has been included.

	2021		
	Men	Women	Total
Accidents	1	1	**2**
Accidents to and from work	0	2	**2**
Frequency rate(1)	6.73	3.72	**4.79**
Frequency rate of accidents with serious consequences(2)	0	0	**0**
Severity rate(3)	0.03	0.04	**0.04**

(1) (No. of accidents with sick leave/total hours worked) *1,000,000.
(2) (No. of accidents with serious consequences/total hours worked) *1,000,000.
(3) (No. of days off work/total hours worked) *1,000.

No occupational illnesses were reported during the same period, showing the efforts to prevent psychosocial hazards and an improvement in the quality of life in the workplace. Employees also undergo health checks every two years.

Lastly, as shown in the table below, the absenteeism rate increased to 2.6%, compared to 2.5% in 2020. The total number of hours of absence for the Group in 2020 was 10,789.

Absenteeism - Colonial Spain

	2021	2020	Variation
Number of absenteeism hours	10,789	9,909	9%
Absentee rate	2.6%	2.5%	0.1 pp

5.8.4.2 Welfare

The wellbeing and physical and mental health of employees is an essential aspect of ensuring the sustainability of the business and providing the best services for its clients. We pay special attention to the holistic care of our employees, so we have initiatives in place that help to take care not only of their physical health but also their mental health. For this purpose, our employees have the health platform **Colonial Te Cuida** (Colonial Takes Care of You) at their disposal, which offers different plans for doing sport, eating a balanced diet and even obtaining a personal trainer.

Therefore, as part of **Colonial Te Cuida**, the Group has continued with the actions initiated in previous years with the aim of improving its employees' wellbeing.

I. Promoting healthy diets

Colonial provides all employees and collaborators with organic fruit that is distributed every week and fully equipped canteens to eat comfortably, always respecting the safety distances and capacity, as well as intensifying the cleaning and disinfection of the canteens. In addition, the company provides employees with vending machines, as well as machines for a healthy diet, decalcified water dispensers and mechanical cold-pressing blenders. Milk, coffee and oil are available to employees.

II. Facilitating wellness spaces

At Colonial we listen, react and strive to create healthy habits in open spaces with natural light. Wellness in the workplace is essential to maintain a sustainable healthy lifestyle. Cleaning and disinfection of all common areas has been increased.

III. Promoting physical activity

Healthcare conditions did not permit the entire schedule of physical activity, but training and physical exercise were replaced by virtual activities. The collaborative app for a number of gyms provided access to virtual classes in all kinds of sports.

IV. Colonial Takes Care of You" - Objectives 2021

Thoughtfulness is part of our culture, which is why the company has provided a gift basket with different utensils and baby care items for important personal moments such as maternity and paternity.

Colonial and Utopicus jointly host a virtual Christmas get-together to encourage bonding between all colleagues. At this special time of the year, Colonial and Utopicus take care of their employees and give a Christmas gift to each of them (both internal staff and interns) with the aim of giving employees something special to enjoy moments with their loved ones.

5.8.5 Reorganisation management

In the event of a reorganisation of the Company, either by acquisition or merger with another company, these are the measures that are considered at the different levels:

I. Early retirement

At Colonial, we conduct an annual talent review, spearheaded by HR, to assess positions and replacements by identifying skills and opportunities. Our aim is to analyse roles and positions within the organisation to ensure any updates: skills, competences, information aspects, etc. To this end, we work with the CCC (Colonial Career Conversations) tool.

II. Reduction of working hours

In this regard, two programmes have been implemented:

(i) **Reduction of working hours**: there is an option to reduce working hours for those employees who need to take care of a family member. In accordance with the Collective Bargaining Agreement, the salary is pro-rated accordingly.

(ii) **Intensive full-time working day**: this measure, included in the Equality Plan, makes it possible to compact the working day into a single shift, which makes the working day more flexible.

III. Internal mobility programme

This measure gives visibility to any career opportunity within the Group. Any employee can apply and be part of the selection process for each available job. There is a defined procedure that is governed by the principles of transparency and confidentiality.

In addition, this measure is our main talent management tool as we listen to and meet the professional expectations of our employees. For more information see section 5.8.2. Human capital development.

IV. Outplacement services

We are committed to supporting our employees throughout their employment cycle. That is why we partner with external providers to ensure that employees who leave Colonial receive professional advice to protect their careers. The programme consists of the following benefits to help the transition to a new project:

- Increased knowledge of the labour market and the most viable career alternatives.
- Specialised, individual support.
- Implementation of job search methodologies.
- Increased networking with regard to recruitment agencies and headhunters.
- Organisation of training sessions. The candidate will be able to attend individual and team training sessions. Examples include:
  - Personal branding
  - Networking
  - Interim management
  - Competency-based interviews
  - LinkedIn Advance
- Online training: the person will have 30 hours of training based on the following concepts.
  - Interpersonal skills
  - Leadership and management skills
  - Sales skills
  - Business skills

To support people wishing to transition from Colonial to a new project, we offer the following benefits:

- **Emotional assistance**: to overcome severance with a positive attitude.
- **Orientation**: defining personal objectives and designing strategies to achieve them, always bearing in mind the reality of the employment market.
- **Maximising the value of each individual**: empowering and valuing people, selecting the right market channels.
- **Self-awareness**: conducting a self-assessment exercise to identify strengths and establish opportunities and areas for improvement.

5.8.6 Human Rights

Colonial wants to base its development and growth on the basic principles of human rights, integrity and transparency, which is why in 2019, it became a signatory to the United Nations Global Compact, supporting the 10 principles relating to Human Rights, Labour Rights, the Environment and the fight against corruption, and committing itself to integrating these principles into its strategy, culture and daily management of the company, as well as its area of influence.

For yet another year, we have continued with the Solidarity Payroll initiative, which shows the generosity of all employees to do their part for the most disadvantaged, focusing on helping those affected by the eruption of the volcano on La Palma.

In 1996, the Spanish Food Banks set up the Spanish Federation of Food Banks FESBAL, which currently brings together 55 Food Banks, at least one in each province of the country.

The employees of Colonial and Utopicus wanted to collaborate so that no household on La Palma would go without food. The employees made a contribution to FESBAL, whose major challenge is to work resolutely and proactively to ensure that all people, especially the most impoverished, have access to healthy, nutritious and sufficient food.

Human rights

> Principle 1. Colonial should support and respect the protection of internationally proclaimed human rights.

> Principle 2. Colonial must ensure that its companies are not complicit in human rights abuses.

Labour

> Principle 3. Colonial should uphold the freedom of association and the effective recognition of the right to collective bargaining.

> Principle 4. Colonial should uphold the elimination of all forms of forced and compulsory labour.

> Principle 5. Colonial should uphold the effective abolition of child labour.

> Principle 6. Colonial should uphold the elimination of discrimination in respect of employment and occupation.

Environment

> Principle 7. Colonial should support a precautionary approach to environmental challenges.

> Principle 8. Colonial should undertake initiatives to promote greater environmental responsibility.

> Principle 9. Colonial should encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

> Principle 10. Colonial should work against corruption in all its forms, including extortion and bribery.

Through its code of ethics applicable to the entire Group, Colonial is committed to maintaining a working environment free of any discrimination based on gender, race, sexual orientation, religious beliefs, political opinions, nationality, social origin, disability or any other personal, social or physical attributes of its professionals.

Likewise, any display of violence, abuse of authority or any other type of harassment or abuse, whether physical, psychological or moral, is expressly prohibited, as well as any other conduct that could lead to an intimidating, offensive and hostile working environment for people. To this end, Colonial has an internal protocol for dealing with situations of harassment in the workplace, which is available to all employees via the intranet.

As part of our Equality Plan, another of the actions planned is to make available to all Colonial's employees the company's internal protocol for dealing with situations of harassment in the workplace and/or sexual harassment.

This protocol has been reviewed by an expert specialising in psychosocial risks from Quirón Prevención, our external prevention service. The Health and Safety Committee, as well as part of the Works Council, carried out the training on workplace harassment.

Colonial prioritises a culture of equality, equity, diversity and inclusion, as well as safe and healthy spaces. That is why Colonial has created procedures and resources to prevent, detect and eradicate conduct involving psychological and/or sexual harassment at work and, if such cases occur, to adopt corrective and protective measures for the victims.

In the event that a case should arise, the protocol details all the steps to be followed, from the first contact to the resolution of the conflict.

Similarly, the Group also undertakes to respect the national and international regulations in force in all countries in which it operates. In doing so, it ensures compliance with labour standards and the fundamental conventions of the International Labour Organization (ILO), allowing freedom of association and the right to collective bargaining, eliminating discrimination in employment and occupation, and eliminating all forms of forced or obligatory labour and child labour. Colonial extends these commitments to its entire supply chain.

5.9. Clients and social contribution

5.9.1 Prime client portfolio

Prime client portfolio with solvency

The Colonial Group's operational strategy focuses on supporting and meeting the needs of its clients so that they achieve high levels of satisfaction with the spaces, as well as with the services and treatment received.

The Colonial Group has a high volume of renewals of its rental contracts, the result of its effort, of the Group's professional specialisation and the vast experience of the entire Colonial team. Proof of this is that 85% of our clients have stayed with us for more than five years and 41% have been renting active space from our portfolio for more than 10 years.

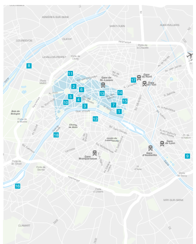
On a financial level, this high client retention capacity should be seen as conferring a high resilience and recurrence to the Company's revenues and therefore a sustainable business in the long term.

The Colonial Group's asset portfolio consists of grade A assets in the top locations in the Paris, Madrid and Barcelona markets. Our client portfolio is highly diversified across many sectors, which provides great robustness to revenues given the low tenant rotation. In addition, across different sectors, of special mention are those that require quality offices in central business districts.

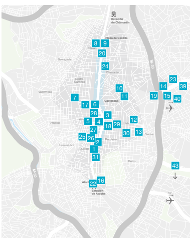
Attracting "AAA" clients with proven solvency

Better location

Paris



Madrid



- Less time to travel to the office
- Reduced carbon footprint
- Urban living and talent recruitment
- Corporate branding

Better product

- Low-level buildings
- Efficient floor design
- Flexible Product
- Highest quality and energy efficiency standards

High customer loyalty

5.9.2 Value-added services

The Colonial Group places client relations at the heart of its business strategy. Knowing and understanding current and future needs is the key to operating its assets and the starting point for scheduling its activities and proposals. To achieve this, the Colonial Group has two key pillars: personalised service in the daily management of relations through a single point of contact (Client Solutions Manager) and the measurement, improvement and monitoring of the satisfaction of its clients and users.

A personalised service is extremely important and a differentiating factor in the property market, as it allows the client to have an exclusive channel through which to communicate with Colonial, whatever the nature of the issue to be addressed, thus offering greater agility in the management of queries and requests by the team in charge.

Client satisfaction is measured through different satisfaction surveys on a recurring basis in its three operating markets: Paris, Madrid and Barcelona. These are used to control and monitor how their needs evolve and to evaluate how Colonial responds to them.

5.9.2.1 Anticipating trends and client needs

I. Paris

As part of the client satisfaction monitoring, every two years, SFL conducts a satisfaction survey for all the employees of its clients in Paris to measure their level of satisfaction and expectations in terms of working methods, services and environment.

Nearly 1,000 people participated in the last satisfaction survey conducted in 2021.

The Paris WorkPlace survey was carried out before and after COVID-19, thereby allowing trends and social inflections to be identified. The user profile of the Paris buildings is 40 years old, a manager, who lives in central Paris and takes between 5 and 45 minutes to get to work by public transport. More than 95% of respondents are satisfied with their facilities, with the percentage of very satisfied people increasing from 26% to 46% since 2015. As such, the 85% target is largely achieved.

The majority of respondents stated that they are more sensitive to issues such as waste sorting (86%), reducing printing (84%) and the use of sustainable mobility (63%) than 10 years ago. However, 78% of employees (of all ages) say they behave more eco-responsibly at home than at the office.

The company's commitment to its environment is further reflected in the wellbeing of its clients and employees. Employees who work for a company that supports associations give themselves a wellbeing score of 7.1/10 compared to 6.2/10 for those who work for a company that does not support an association.

II. Barcelona and Madrid

The Satisfaction and Quality Survey is carried out every three years in Barcelona and Madrid among the client portfolio, which this year exceeded 240 in number. The survey aims to capture their opinions, wishes and concerns about the spaces, services and facilities that Colonial provides at its properties.

The latest survey conducted in 2018 revealed that 86% of clients were satisfied or very satisfied. In 2021, the evolution of the pandemic made it impossible to conduct the survey.

However, Colonial has a strong determination, demonstrated over the years, to be able to obtain ongoing feedback from our clients. With that in mind, in 2021, an environmental survey was launched, which, through 27 different questions, has allowed us to update the opinions and preferences in aspects such as energy consumption, carbon footprint and waste management, etc. In this year's survey, we have also included an assessment of the following two aspects:

1. The protocol implemented by Colonial against COVID-19.

2. Preventive measures carried out to manage the impact of COVID-19 in our buildings.

The result obtained on the first issue is that **97%** of clients rated it as positive or very positive, while the same ratings on the second issue totalled **95%** of the responses.

As it does every year, Colonial has carried out a series of planned improvement actions in accordance with the ongoing renewal programme of the Colonial portfolio, the dual purpose of which is to modernise the common areas for the enjoyment of users as an accessory to the environmental policy implemented by the Company.

Of all the actions carried out, the most relevant have been the following:

1. Opening of catering and cafeteria spaces at Fca. Delgado 11 and Ribera del Loira 28 in Madrid.

2. Opening of a gym at Ribera del Loira 28.

3. Creation of an interior lounge in the Cedro Building in Madrid as a space included in the complete refurbishment of the building with the aim of providing a rest and meeting area for clients, as well as the renovation of the existing lounge in Paseo Recoletos 37 in Madrid.

4. Opening of new changing rooms at Fca. Delgado 11 to promote healthy exercise, as well as in the Torre BCN building and Diagonal 525 in Barcelona.

5. Creation of a new post room at Fca. Delgado 11 for the channelling and centralisation of couriers for the benefit of users.

6. Extension of the installation of a line for parking electric scooters and bicycles at Puerto de Somport 8 and Edificio Egeo, the installation of a new line at Edificio Cedro, both locations in Madrid, as well as an installation at Diagonal 525 in Barcelona. A new very complete mixed parking area for folding scooters and bicycles was inaugurated in the Torre BCN building.

In addition, Utopicus, as an expert in the user experience of the Group's flexible spaces, also conducts a recurring Satisfaction Survey among its users and clients. The Utopicus management team considers this satisfaction to be fundamental to the proper design of its space and client management strategy.

This survey is carried out on a quarterly basis, which makes it possible to continuously monitor the degree of satisfaction and at the same time check the acceptance of the new measures that are being implemented.

The last consultation took into account the responses of 662 users and clients in the different centres in Madrid and Barcelona. Like in 2020, all the centres continue to score more than 8 out of 10 for satisfaction with the Utopicus community, while the assessment of the space also received a B. Finally, all the centres scored more than 8.1 out of 10 in terms of how confident and comfortable they feel with the preventive measures implemented against COVID-19.

Clients can report incidents on a management platform or via their centre's community front.

5.9.2.2 Coworking & PROPNET value-added services

Hybrid product - Colonial/Utopicus

In the offices market, one of the main trends to adapt to the increasingly demanding needs of clients and users has been the creation of offices that can also offer flexible spaces (coworking).

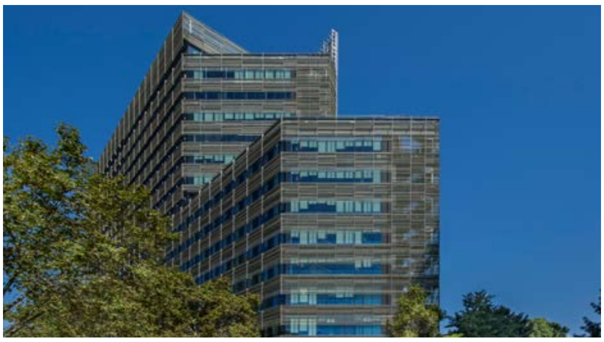
Since the acquisition of Utopicus, Colonial has boosted its growth and establishment in Barcelona and Madrid by launching various initiatives that have managed to consolidate this brand as one of the main operators in the sector, which currently has 12 of its own centres with more than 38,000 sqm of floor space at 31 December 2021. During this period, the centre located at C/Colegiata 9 in Madrid has ceased to be managed as it did not meet the high-quality standards established for the centres of Utopicus. On the other hand, the centre at Paseo de la Habana 9-11, Madrid, with a surface area of 5,791 sqm in a new building, was inaugurated in the middle of the year.

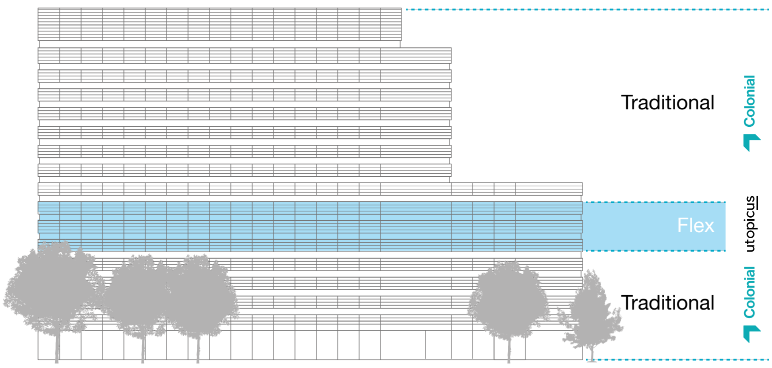
Based on the experience in managing the Utopicus coworking spaces (the leading coworking brand in Spain), in 2019, the Group started to develop a product that best adapts to the new needs by offering a new type of "hybrid" real estate service. This model involves having traditional offices and coworking offices coexisting on different floors in the same building, a product that allows office clients to gain flexibility in their implementation. In the same building they can have additional space for their teams, meetings and events, as well as benefit from all the digital content and courses offered by Utopicus. For their part, customers and users of flexible spaces benefit from being in a more professional environment and benefiting from the HUB effect of companies in the same sector.

The hybrid product allows Utopicus to access the best locations in the city centre in Colonial's buildings, as well as to incorporate the know-how of Colonial's teams in works and installations and to benefit from framework contracts with approved suppliers.

In 2021, work began on the extension of the Francisco Silvela 42 centre, which has been very well received, and also on the implementation of a new, more exclusive 1,300 sqm Utopicus centre on the first floor of Avenida Diagonal 532, where Colonial's Barcelona headquarters are located.

The case for Parc Glòries Barcelona



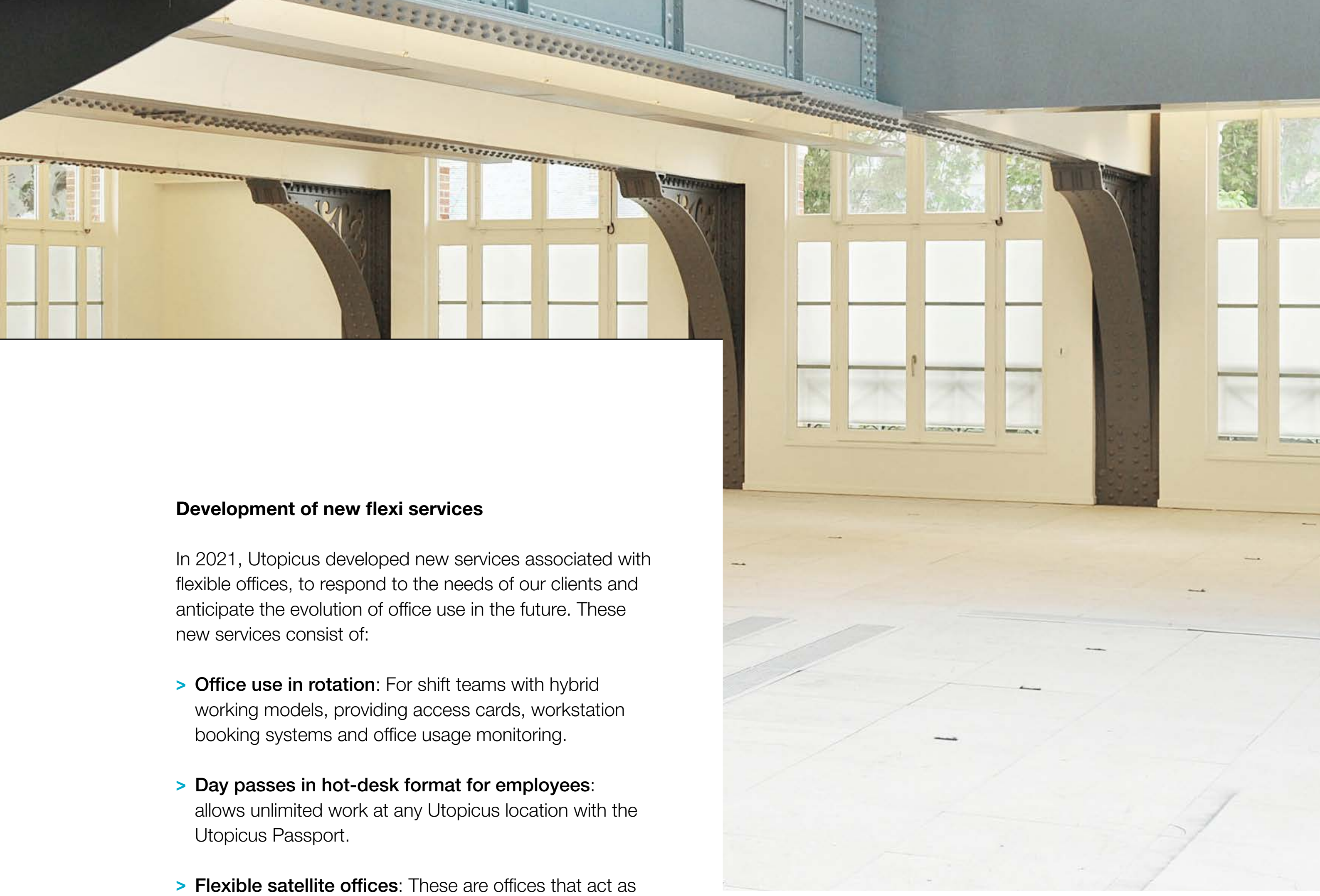


Benefits of hybrid products

Base clients "Traditional space" — Adevinta, King

Traditional	Flex
Flexibility	Increased occupancy
Additional services	Less volatility
Collaboration with start-ups	"Hub effect" / Leads
Dynamic environment	Reduce chum rate

Flexible Office Proposition as complement
utopicus



Development of new flexi services

In 2021, Utopicus developed new services associated with flexible offices, to respond to the needs of our clients and anticipate the evolution of office use in the future. These new services consist of:

- **Office use in rotation**: For shift teams with hybrid working models, providing access cards, workstation booking systems and office usage monitoring.
- **Day passes in hot-desk format for employees**: allows unlimited work at any Utopicus location with the Utopicus Passport.
- **Flexible satellite offices**: These are offices that act as an accessory to the headquarters in a traditional office, facilitating mobility in the city and reducing transport times to the office. They also provide extra workspace in the Utopicus-Colonial hybrid product, with office clients also hiring flexi office space with Utopicus in the same building.
- **Flexi headquarters or Headquarters as a service**: In this model, the flexible office is entirely private for the company, on a half or full floor, including workstations, meeting rooms, reception and office corners where the client can customise the contracting of extra services. This service may or may not include access to the rest of the flexi floor that provides common services (meeting rooms, auditorium or canteens) to the building.
- **Hub&Club flexible offices**: These are used as a meeting place on working days, complementing the home office, and also for training or teambuilding activities beyond the daily office use. L'Oreal uses the space on the ground floor of Torre Marenostrum in Barcelona to train its employees and partners.

Technological innovation to improve our clients' sustainability

Within the framework of innovation in the management of client and their needs, Colonial has launched the PROPNET platform. This is a Colonial initiative that, by collecting and centralising data in a single platform, allows us to better understand and measure customer needs, and also to improve decisions in the value chain.

With PROPNET Colonial can measure, control and add artificial intelligence to its customer management. It can measure the customer's comfort, to control all the installations that affect their comfort and to anticipate their needs according to behavioural patterns.

PROPNET focuses on the sustainability of Colonial's buildings. It can measure the building's carbon footprint, control the use of resources to reduce and optimise energy consumption, as well as design the most efficient future spaces and assets possible and boost the client's own ESG rating.

5.9.2.3 Environmental sustainability proposal

The Colonial Group aims to maintain a proactive service in constant communication with clients in order to improve the degree of satisfaction and intensify long-term relationships. As such, it assures the quality, technical safety and environmental values of its properties.

To this end, and in line with the Group's Welfare Policy, the following goals are set:

> To promote innovation and be at the forefront in the services available in the common areas (by fitting out spaces such as the adaptation of rest areas or installing equipment such as water dispensers for the use of tenants), and in client wellbeing and accessibility.

> Involving tenants in strategies to improve the environmental performance of properties.

> Encouraging the inclusion of the environment and social dimensions in the satisfaction surveys, as well as the design of other surveys on specific elements that may concern its customers (e.g., environment, accessibility, services, etc).

I. Welfare

The objectives of the Wellness Policy are in line with improvement actions at the levels of sustainable certifications, eco-efficiency targets and the requirements of the Group's environmental monitoring procedure. Through these objectives, the Group implements measures to achieve healthy, safe and comfortable environments with optimal indoor conditions.

Recognising that clean air is critical to health, Volatile Organic Compounds (VOCs) emitted by finishing materials and cleaning products, which would pollute indoor air, are limited and CO_2 levels are controlled in both outdoor air and air generated inside office spaces, as well as other physical conditions such as temperature and relative humidity. In addition, the Colonial Group avoids carcinogenic or toxic cleaning products and those with side effects.

The Group monitors water quality with the necessary analyses and treatments, as well as the accessibility of water sources, by installing dispensers connected to the supply network in the common areas of the buildings.

In terms of the spaces, the elimination of architectural barriers in buildings is monitored. In compliance with current regulations on universal accessibility, all the Colonial Group's buildings have accessibility measures for people with disabilities. Where space permits, communal seating areas have been provided for all occupants (inside they include seating and vending machines and outside they are protected from wind and rain).

The numerous biodiversity measures implemented in the buildings also contribute to increasing the physical and psychological well-being of the users, as plant species contribute to oxygenating the environment and maintaining the humidity level, thus reducing the accumulated dust in the air and creating a pleasant atmosphere.

The indoor environment should be a space that promotes comfort, productivity and the physical and psychological wellbeing of people. For this reason, the Group guarantees transparent and open spaces that enable maximum flexibility in implementation works, adequate natural and artificial lighting, as the buildings have high percentages of glazing in their façades, which allow natural light to pass through and accessibility to exterior views. In addition, most of their facilities are equipped with LED lighting for visual comfort. Daylight sensors are installed in the renovations, which automatically regulate the artificial lighting to achieve optimum illumination.

The Building Management Systems (BMS) implemented homogeneously in the buildings ensure that the air conditioning elements are working in accordance with the indoor comfort strategies, monitor and make certain that the indoor conditions are in line with the objectives of the Colonial Group's Wellbeing Policy.

In 2020, the Works Action Plan (WAP) was implemented for works that could affect customers and users of the buildings. The purpose of the WAP is to study the works carried out by Colonial, identifying the effects that these may cause to the users (tenants, user companies, visitors, etc.) and adopting the necessary preventive, protective and corrective measures to eliminate or at least minimise these effects. These measures are complementary to those included in the Health and Safety Plan, in order to guarantee the comfort and wellbeing of all users during the works.

Furthermore, the Colonial Group has a series of measures implemented in its buildings for customers to certify their office spaces with the WELL certificate, either because they are located in an environment that is already adapted to the requirements of this certification or one that facilitates its application.

For example, Francisca Delgado 11 and Wittywood are planning to obtain the International WELL Building certificate in 2022.

INTERNATIONAL WELL BUILDING INSTITUTE™

On the other hand, health and wellness are an integral part of a broader vision of sustainability and, as such, are also present in the requirements of the sustainable certifications held by the portfolio's buildings, such as BREEAM and LEED.

II. Good practices in environmental management

As part of these services, the User's Manual for Good Practices in Environmental Management has been developed, with specific guidelines on building to ensure tenants manage their implementation activities and maintain their offices in a manner consistent with the Colonial Group's sustainability criteria laid down its Environmental Policy.

It is a proactive, two-way and transparent document between the different clients and the Colonial Group and is accessible for consultation and dissemination.

The new client contracts signed from the beginning of 2021 include Green Clauses, in such a way that the tenant undertakes to cooperate with Colonial and the other occupants of the building, with the aim of achieving efficient environmental management of the building, energy and water savings, aligning with waste management initiatives and using materials derived from sustainable resources for the implementation or adaptation of private spaces.

In the case of SFL, all office rental contracts signed since 2016 include an environmental annex, which includes a guide for building occupants, with all the necessary information on accessibility and technical management, including energy, water and waste management. In addition, at least once a year a meeting is held with the main users to discuss issues of use, accessibility, investment or environmental impacts.

III. Sustainable mobility

As indicated above, sustainable mobility is one of the key aspects of smart cities and quality of life for urban citizens.

The Colonial Group continues to work proactively to provide services that favour the use of more environmentally friendly transport, such as electric cars, bicycles and scooters. An example in this is the two major refurbishments in France of the 83 Marceau and Biome buildings, which reduced private parking spaces by 65% and 60% respectively and expanded sustainable mobility spaces by 120 and 284 spaces respectively, thus contributing to the reduction of greenhouse gas emissions. Another example would be the design of a programme in Washington Plaza to promote sustainable mobility, including bicycle parking spaces and the installation of showers, changing rooms and repair areas. In addition, five SFL assets are already equipped with EV charging infrastructure and equipment is planned in three other buildings.

Following the Paris Workplace 2021 survey, location and accessibility by public transport remain key criteria. In addition, 71% of respondents prefer a mixed district including housing and offices.

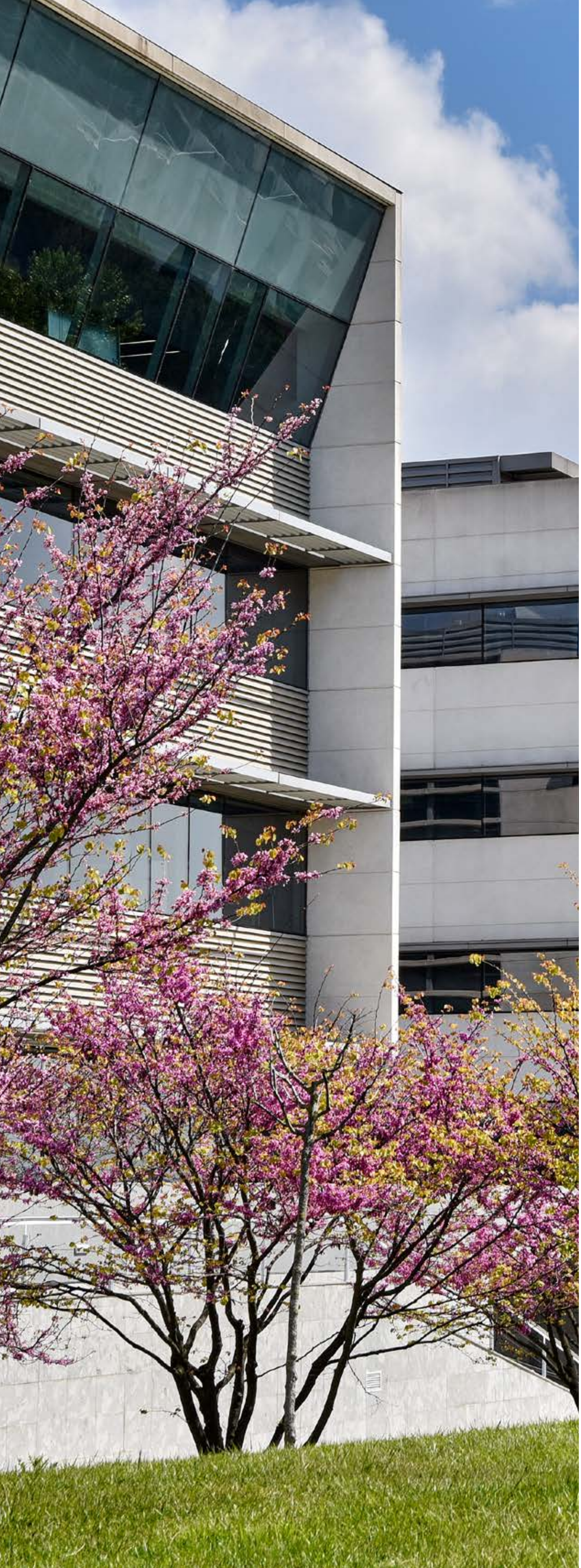
The possible deployment of a mobility survey of tenants of portfolio buildings in Spain similar to the one carried out by SFL, which have been providing useful results for years in terms of activity planning and strategy, is being studied.

With the aim of encouraging sustainable mobility for both Colonial's own employees and the users of its assets, the following initiatives were carried out in 2020, many of them linked to new trends in urban transport.

In the last five years, numerous electric charging stations for vehicles have been installed in most of the buildings in the property portfolio, as the Group has set a short-term objective for multi-user buildings to have electrical pre-installation to meet the demand for up to 20% of the parking spaces in these buildings. In 2021, there were 282 units installed in buildings in Madrid and Barcelona.

Likewise, the existing number of bicycle racks in the buildings' car parks has continued to increase, with 347 units currently installed in the buildings in Madrid and Barcelona. In 2021, 130 electric bicycle racks were also installed in various buildings, with a number of boxes for folding bicycles.

The Group plans to provide more parking spaces for conventional and folding bicycles as well as electric scooters.



IV. Sustainability as a key factor in customers' decisions

Colonial considers that it must be aware of the sustainability needs of its client portfolio and thus anticipate the demands of its clients and users.

To this end, in 2019, within the framework of the European Office Think Tank, Colonial conducted a Europe wide survey to understand how important the sustainability of the space is to the office client, which is recurringly compared to emerging trends in the market and in its client base (such as the Paris WorkPlace survey conducted by SFL).

From the results of the survey we can highlight the following points that will allow us to define and frame Colonial's sustainability strategy for client management:

> Sustainability of spaces is important to all companies surveyed and more than half expect it to become even more important.

> There has been a big shift in the importance of sustainability as a factor in deciding whether to move office.

> There is a correlation between the size of the organisation and the importance given to sustainability issues.

> Half of the respondents have a sustainability strategy for which the board of directors is responsible.

> Recycling and waste management are the main actions taken by respondents.

> For respondents the next sustainable action to consider is temperature management and electricity use.

> The majority of tenants in both France and Spain requested a high level of proactiveness with regard to sustainability.

5.9.2.4 Personalised service and satisfaction management

In recent years, the Colonial Group has opted to implement tools that enable it to communicate more directly with its clients, as well as to involve them in the management of the buildings, particularly in ESG issues.

I. Personalised service - Client Solutions Manager and Space Managers

The Colonial Group is aware that a personalised service is required in order to resolve all questions and doubts that arise in the day-to-day running of the properties. As such, it has created the position of Client Solutions Manager to manage each of the properties via the following functions:

> **Customer service** as a direct interlocutor between the customer and the Colonial Group.

> **Control of the commercial activities**, analysing the profitability and economic viability of the property.

> **Sustainability and environment**, promoting, together with the client, the environmental measures and actions that can be implemented in each circumstance. These professionals are trained in sustainability issues, specifically in relation to the requirements of the BREEAM certification.

> **Maintenance and upkeep of buildings**, keeping customers informed of any significant action or work carried out on their properties.

The coworking spaces that the Colonial Group makes available to its customers through Utopicus have a specific team assigned to them, made up of a Space Manager and a Community Front, to ensure a more personalised service.

II. Actions to engage users and customers with the spaces

The Colonial Group has a policy of regular communication with its customers and users to involve them in the management of its buildings and thus improve their experience. To this end, the following actions have been established through three channels:

> **Focus group communications**: In order to develop a closer relationship with clients, both in Spain and in France, the following are promoted:

> Tenant Operating Committees: (Paris):

A meeting with the “main users” is held at least once a year.

These address questions of use, accessibility, investment or environmental issues (certifications, energy and water consumption, waste management, etc.).

> Events: (Paris):

Events are held twice a year to bring our customers together in a different environment to forge long-term relationships. We try to hold them in our properties to show the progress of our projects and the know-how of our teams.

> Special activities: (Paris):

Events for users of our buildings in Paris, which are increasingly popular. Specific activities for each customer, and competitions between companies in sports complexes, outdoor “pétanque” competitions, ecological product tasting events, among others.

> “Un café con el Cliente” (“Coffee with a Client”, Spain):

This programme promotes meetings with clients in a relaxed atmosphere in order to obtain their suggestions, comments and/or expectations. Unfortunately, as was the case in 2020, the pandemic prevented it from being implemented in 2021 as well, given the restrictions imposed on in-person interaction.

- **Online communication**: Colonial's clients can communicate with Colonial and the Client Solutions Managers of its offices via the following tools:
  - Property intranet: Through this platform they can electronically manage different aspects related to the use of the building, its services and facilities, as well as consult a database of documents.
  - The Colonial Blog and social networks: Since 2013, its content has been showing and informing clients about trends in the real estate sector, the areas of sustainability and wellbeing and their gradual implementation in the properties.
  - Newsletter: They are intended to be an extension of the previous section, informing the client about their building in aspects such as thematic real estate tips of interest, the promotion of events or milestones achieved in sustainability.
- **Written communication**: Users and customers are provided with different publications and brochures to facilitate and update their experience and the use of the Colonial Group's spaces:
  - Biannual newspaper at Washington Plaza: this comes out twice a year with information on new features at the building.
  - Welcome brochures: addressed to the occupants of its buildings, both in Spain and in France, to help find all the information related to the building and its operation.

The Group also provides its clients with a complaints channel, through which no complaints were received in 2021. Similarly, all incidents arising from the operation of its facilities and spaces have been managed and resolved during the year through the procedures established for this purpose as part of the asset management processes.

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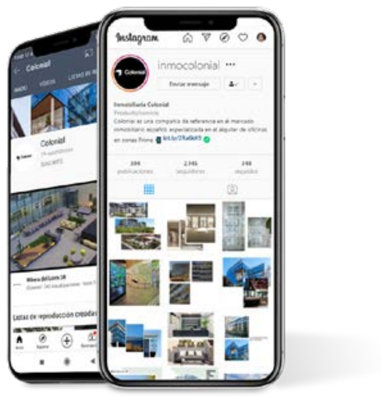
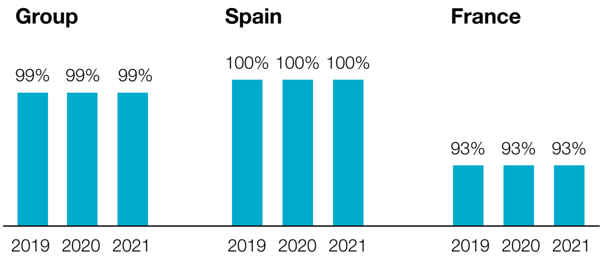


5.9.3 Client and user health and safety

In keeping with the commitment to guarantee the wellbeing of its employees, the Group takes this commitment beyond its own staff, carrying out health and safety assessments of all its assets in order to prevent any risks before they even materialise. In 2021, 99% of Group's assets underwent a health and safety assessment. This year, 100% of the assets in Spain and 93% of the assets in France underwent at least one such assessment.

% of assets that are assessed for health and safety risks



Incidents of non-compliance concerning health and safety

	2019	2020	2021
Spain	0	0	0
France	0	0	0

In this regard, with the commitment to provide the best working conditions for both workers and clients, the Colonial Group is going beyond the legal requirements, already promoting a series of initiatives to make its buildings healthier, thereby reducing its risk in relation to COVID-19, as well as the risk of contamination and impact on people. Some of the main practices are as follows:

- Implementation of guides and procedures to manage and control safety and hygiene risks.
- Global Safe Site certification by Bureau Veritas in relation to compliance with safety and health measures and assessment of the protocols established by the authorities for SARS-CoV-2. In France, SFL obtained the RESTART certification from Bureau Veritas for 9 buildings in Paris.
- Risk assessments of safety conditions in buildings.
- Manual for the coordination of economic activities, for the occupational health and safety of employees and other users of buildings.
- Self-protection plans for the buildings, on the basis of which evacuation and fire drills are carried out in all multi-user buildings.

The Bureau Veritas Global Safe Site certification, renewable every six months, ensures compliance with the new health and safety measures resulting from the COVID-19 pandemic. In 2020 and 2021, the Global Safe Site certification was obtained in all the buildings in operation in Spain managed by the Colonial Group. A total of two complete renovation cycles have been carried out, with the third certification planned for the beginning of 2022. In France, SFL obtained the RESTART certification from Bureau Veritas, which ensures health conditions and continuity of service in 2020.

- Analysis of indoor air quality, based on the UNE 171330-2:2014 and UNE 100012:2005 standards in relation to indoor air quality, physical-chemical and microbiological aspects.
- Compliance with Royal Decree 352/2004 for the prevention and control of Legionnaire's Disease, and studies for the replacement of open cooling towers to prevent any risk of Legionnaire's Disease.

- Elimination of materials and products containing asbestos.
- Establishment of lead exposure risk assessments before work is carried out.
- Elimination of PCB transformers.
- Elimination of all equipment containing HCFC coolants, especially R22.
- Elimination of fuel oil boilers.

In addition, since the beginning of the pandemic caused by COVID-19, measures have been taken to protect the safety of people, both Group employees and building users (clients and suppliers). The most stringent measures were adopted to enable the company to continue to offer a service at buildings and continue its business activity. The main measures were as follows:

1. Enhancing cleaning services.
2. Confirmation from building users as to whether they had protocols in place for COVID-19.
3. Specific protocol for action in the event of a positive result:
    a. Communication to the other users of the floor on which it occurred.
    b. Confirmation of sanitation of the area.
    c. Intensified cleaning measures in communal areas.
    d. Special air conditioning measures.
4. Limiting the capacity of lifts, common areas and toilets and promoting the use of stairs.
5. Distribution of employees in different entry and exit time slots.
6. Information and recommendations on COVID-19 (press releases, intranet, signposting, etc.).
7. Providing PPE to caretakers and building guards.
8. Installation of partitions at the janitorial and security guard post.
9. Trade agreements with clients in more affected sectors.
10. Identical protocols and request for protocols from contractors, subcontractors, project managers, health and safety coordinators, etc.

The following additional measures and protocols were adopted in the Utopicus Coworking spaces:

1. Weekend access.
2. Adaptation of spaces to ensure social distancing (mainly common spaces).
3. Elimination of face-to-face events.
4. Flexible offer of spaces and rates.
5. Sanitisation of common areas, eliminating common utensils.
6. Thermometers in various spaces.

Globally, the company has had a Business Continuity Plan in place since 2020, which was submitted to the Audit and Control Committee. The purpose of this plan is to identify the most critical processes and their maximum downtimes, identifying the different people responsible for this plan and the roles and functions of the different users. In turn, it identifies possible alternative solutions for each of these processes in order to guarantee the service.

5.9.4 Social contribution

Colonial's contribution to society takes shape through all of the projects and actions that the Group carries out in response to the sustainable development of the cities in which it manages its portfolio. The Group follows a series of general lines of action that maintain and improve the quality of life and raise the level of wellbeing of its citizens, such as: local development, education, culture and heritage.

I. Support for culture: Piramidón Centre of Contemporary Art

As a result of Colonial's interest in and sensitivity to art, in 2019 it entered into a partnership with Piramidón Centre d'Art Contemporani, which aims to unite artistic practice and business activity in order to give visibility to creativity. Colonial has kept this partnership with Piramidón stable in 2021. Every year, works of art are installed in the common areas of its buildings, bringing wellbeing and beauty to the users of the buildings. In 2020, no new works of art could be installed due to the COVID-19 context. On the other hand, despite the changing and uncertain economic situation, in 2021 it was possible to continue the collaboration with this centre, installing new works of art in the following properties in Madrid: Ortega y Gasset 100, Recoletos 37 and Paseo de la Castellana 163.

Piramidón is a space created in 1990 with the aim of providing the necessary infrastructure for the development of artists' work and research. A hybrid space between a creative factory and an art gallery, Piramidón merges the world of artistic production with the world of dissemination, exhibition and sale of works of art.

PIRAMIDÓN
CENTRE D'ART
CONTEMPORANI

II. Support for education: partnerships with universities

Colonial continues to support young talent through the collaboration with universities and business schools: University of Ramon Llull, IESE Business School University of Navarra and ESADE. These initiatives are yet another way of supporting the empowerment of young talent, in their search for challenges and new professional horizons, which also nourishes the real estate sector with new ideas and perspectives. In addition, SFL has collaborated with the Emmaüs association by providing premises at *Galerie des Champs-Elysées* free of charge to house a training centre.

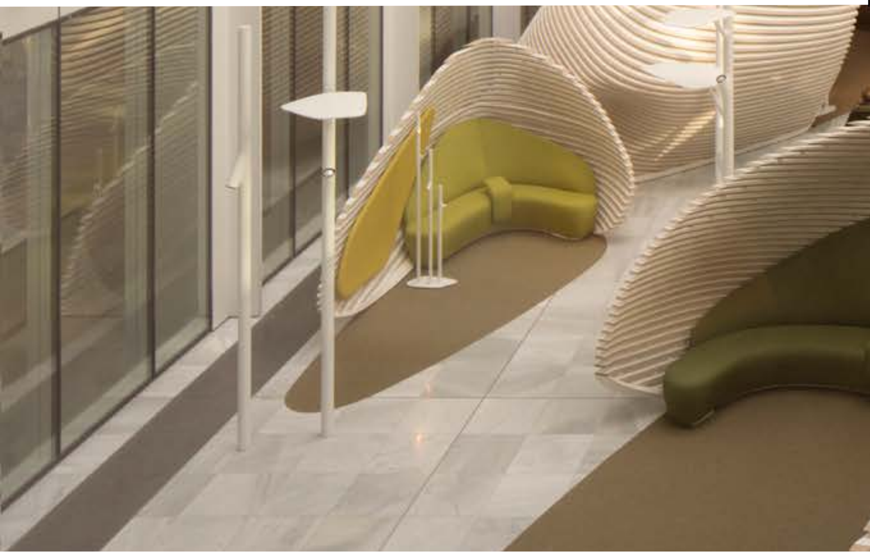
III. Support for architecture: Pavillon de l'Arsenal

SFL regularly supports Pavillon de l'Arsenal, an information, documentation and exhibition centre for architecture and urban planning. It is a not-for-profit organisation that promotes information and knowledge among specialists and the general public about the architectural heritage and urban landscape of the city of Paris and its metropolitan area. Its objectives are fully aligned with SFL's history, which has been deeply rooted in Parisian urban development since the late 19th century. SFL also organises tours of Pavillon de l'Arsenal for employees only.

IV. Support for architecture: Fondation Palladio

For eight consecutive years, SFL has been a sponsor of the Palladio Foundation, created in 2008, which brings together companies in the real estate sector to promote reflections on urban planning and the strengthening of their communities. The different initiatives of the Palladio Foundation aim to promote processes of open dialogue for the necessary complementarity and mutual enrichment through the perspectives of economic actors, politicians, managers, experts, students and professionals in these fields.

SFL supports the commitment of the Palladio Foundation: to create the conditions for each actor in the real estate sector and in the city to be even better able to respond to current and future major challenges, whether economic, environmental or social.



V. Raising awareness of climate change

Since 2019, three buildings in the Colonial portfolio have incorporated large-format LED screens showing exclusive satellite images of nature around the world. This installation is a tribute to the global effort in the fight against climate change. It is an online window into a new future that redefines our relationship with the Earth.

Due to the fact that large numbers of users cross through the lobbies of the buildings every day, the aim is to take advantage of these busy spaces and use them as platforms to raise awareness and share information about climate change.

This initiative has been in place since 2019 in the Diagonal 615 and Torre Marenostrum buildings in Barcelona and in Ribera del Loira 34 in Madrid. In addition, this year it has been possible to carry out the event in the Madrid Ortega y Gasset 100 building, thanks to the installation of the new LED screen.

VI. Cultural activities in city spaces

SFL supported the **City of Paris - White Night** event, which celebrated its 20th edition in 2021. The event aims to allow the general public free access to a multidisciplinary artistic offering. SFL reaffirms its cultural commitment to Paris, including making its buildings available for the organisation of such events, while supporting artistic creation and its dissemination to the general public.

VII. SFL partner of ADAPT

In 2021, as part of its commitment to the social integration of workers with disabilities, SFL contributed to the European Week for the Employment of People with Disabilities (SEEPH) organised by ADAPT since 1997. It is held during the week of 15-21 November, with the aim of raising awareness and facilitating access to employment for people with disabilities.

VIII. Science Based Targets initiative

The Science Based Targets initiative (SBTi) aims to encourage companies to set greenhouse gas emission reduction targets aligned with the latest scientific research to limit the increase in global warming.

The initiative, launched in June 2015, is a joint project of CDP, the UN Global Compact, the World Resources Institute (WRI) and the World Wildlife Fund (WWF).

IX. United Nations Global Compact

The United Nations Global Compact is an instrument of the United Nations to lead the world in corporate sustainability. Colonial wishes to show its continued support for the United Nations Global Compact signed in 2019, as well as the renewal of its commitment to the 10 principles concerning human rights, labour rights, the environment and the fight against corruption.

X. OID

The Observatoire de l'Immobilier Durable (OID) is an independent forum where stakeholders in the French commercial real estate industry can discuss issues of sustainable development and innovation. Created in 2012, it is committed to supporting the environmental and social performance of French real estate companies and sharing all the practices that help to move it forward. It comprises around 60 members and partners, including leaders throughout the French real estate value chain.

XI. C3D

Sustainability and CSR managers play a key role in transforming our organisations and our society.

To accelerate, facilitate and promote this transformation in the public sphere, the C3D association brings together 200 of France's leading sustainability and CSR managers from public and private sector companies and non-profit organisations in a single network.

XII. BBCA Association

Created in 2015, the Low Carbon Building Development Association (BBCA) brings together key players in the building process, including developers, investors, local authorities, urban planners, renowned architects, design firms and builders.

It is dedicated to deepening our understanding of low carbon buildings, promoting best practices with the BBCA label and encouraging low carbon construction.

The first BBCA label was introduced in 2016, followed by the BBCA Rénovation label in 2018. SFL received the BBCA Rénovation label for the Biome project, which will be delivered in 2022 in the 15th arrondissement of Paris.

XIII. "Booster du réemploi" alliance

A4MT designs and implements a variety of participation programmes for its clients, in particular to encourage the reuse of materials from construction worksites. SFL has joined the "Booster" community, affirming its commitment to the recovery and reuse of materials.

XIV. AMO

SFL is a member of AMO, an association that promotes effective and inspired cooperation between project owners and main contractors, as well as all other stakeholders in the construction process.

XV. EMMAÜS

The premises of the Galerie des Champs Elysées (8th arrondissement of Paris) were offered free of charge to the Emmaüs charity for use as a training centre.

XVI. TCFD

The Task Force on Climate-Related Financial Disclosures was created in 2015 to bring clarity and transparency to a scenario plagued by uncertainty. It is made up of a team of 31 financial and market experts led by Michael Bloomberg. A working group was set up to encourage companies to inform their investors about the risks related to climate change and how to manage it.

XVII. Commitment to local communities

Dialogue and consultation are at the core of SFL's strategy. An example of this commitment is the Biome restructuring project, where SFL involved the local community through meetings with district officials, neighbours and the Paris city council, in which the project and its developments were presented taking into account the needs of local residents. Local authorities are also systematically involved through elected district representatives.

Means of communication and information have also been established so that local residents can follow the development of the project and the progress of the work site, such as websites and the creation of a physical space to present the project in each location.

This consultation format has allowed the project to evolve, as the programme has been revised with input from the local community to create housing (700 sqm), a workspace open to the neighbourhood, a business centre equipped with an amphitheatre and meeting rooms that can be used by the main users of the neighbourhood and a landscaped botanical garden at the heart of the block. Environmental expectations have also been revised to make this operation one of the first BBCA-certified low-carbon construction and renovation operations in Paris.

SFL's projects also seek to incentivise local employment and employability through agreements with contractors for new projects, where, as part of the contract, the contractor commits to carry out an action to integrate unemployed individuals from the local community.

XVIII. Associations

The Colonial Group has collaborated with various organisations and associations in order to learn about the main developments in the real estate sector and to understand the needs of the Company's stakeholders. Examples include:

> The **European Public Real Estate Association (EPRA)** is the leading non-profit association for the promotion, development and representation of the European real estate industry, bringing together companies, investors and suppliers.

> **GRESB** is an organisation specialised in assessing the sustainability performance of real estate and infrastructure portfolios and assets worldwide.

> The **Urban Land Institute (ULI)** is the oldest and largest network of real estate and land use experts in the world.

XIX. Donations

In view of the seriousness of the social circumstances caused by COVID-19 and in keeping with the spirit of corporate social responsibility policies that the company regularly carries out, Colonial has continued to support initiatives aimed at helping to stop the pandemic and mitigate its impacts. These initiatives have been in place since the beginning of the impact of the pandemic in Spain and France and have a monitoring committee for their continued implementation.

This collaborative action is completed with the offer of spaces available for any activity related to the treatment of the pandemic in Colonial's office buildings in its Barcelona, Madrid and Paris locations. As far as possible, the buildings and car parks closest to the health centres have been provided.

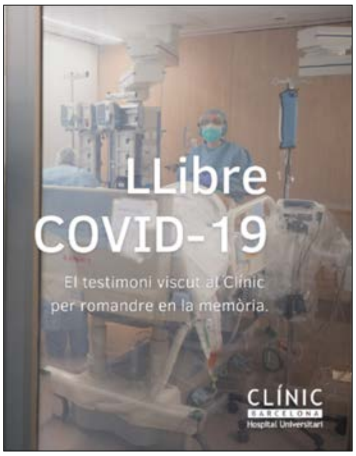
Aid for SMEs and the self-employed

Since the beginning of this pandemic, Colonial has put in place measures including the provision of permanent services in its buildings to meet the needs of each of its customers. These measures include the analysis of systems for deferring or subsidising the payment of rents to all small companies that are in financial difficulties due to and in the framework of the prohibition to carry out their activities in the commerce and leisure sectors.

Volunteer schemes and other assistance

Colonial continues to support and partner annually with the Multiple Sclerosis Foundation to help stop the impact of the disease on those living with multiple sclerosis and their environment.

During the year of the pandemic, professionals, healthcare professionals and patients have faced situations and challenges that have both tested and strengthened us as a team, as an institution and also as a society. Colonial has collaborated to help the Barcelona Clinic University Hospital in publishing a summary book where the experiences and moments collected during the pandemic are narrated. It is a way of paying tribute in the spirit of doing something to preserve the memory of what we have lived through, but also to make progress in the fight against COVID-19. 10,000 copies will be printed of the book's first edition. All profits from these sales will go to research projects carried out by researchers at the Clinic Hospital.



In parallel to this aid related to COVID-19, Colonial has also addressed other social needs that arose during the year. This is the case of storm Filomena that shook the city of Madrid at the beginning of the year. Colonial contributed with the Madrid City Council to alleviate the extensive damage caused.

Furthermore, following the natural disaster that occurred on La Palma and deepened the social crisis on the island due to the eruption of the Cumbre Vieja volcano at the end of 2021, Colonial acted in response to the latent need for food and resources for the most affected households. The Company launched a voluntary donation campaign among all employees, subsequently multiplying the amount raised by five to donate it to the Spanish Federation of Food Banks, FESBAL, which currently has 55 food banks.

Colonial's financial contributions to social initiatives (local associations and foundations) are detailed below:

Institution	Item	Amount
Associació Barcelona Global	Annual donation 2021	€10,300
Madrid City Council (Filomena)	2021 donation	€15,000
Fundació 1957	2021 donation	€300
Fundació Clínic per la Recerca	2021 donation	€25,000
Fundació ESADE	ESADE 2021 Scholarship Invoice	€20,000
Fundació Esclerosi Múltiple	Annual donation 2021 FEM	€1,000
Fundació Pere Tarres	2021 donation	€1,200
Fundació Princesa de Girona	Princesa de Girona 2021	€33,000
Fundación Foro de Foros	2021 donation	€500
IESE (University of Navarra)	2021 donation	€12,000
Ramon Llull University	2021 donation	€9,000
		€127,300

XX. Sponsorships

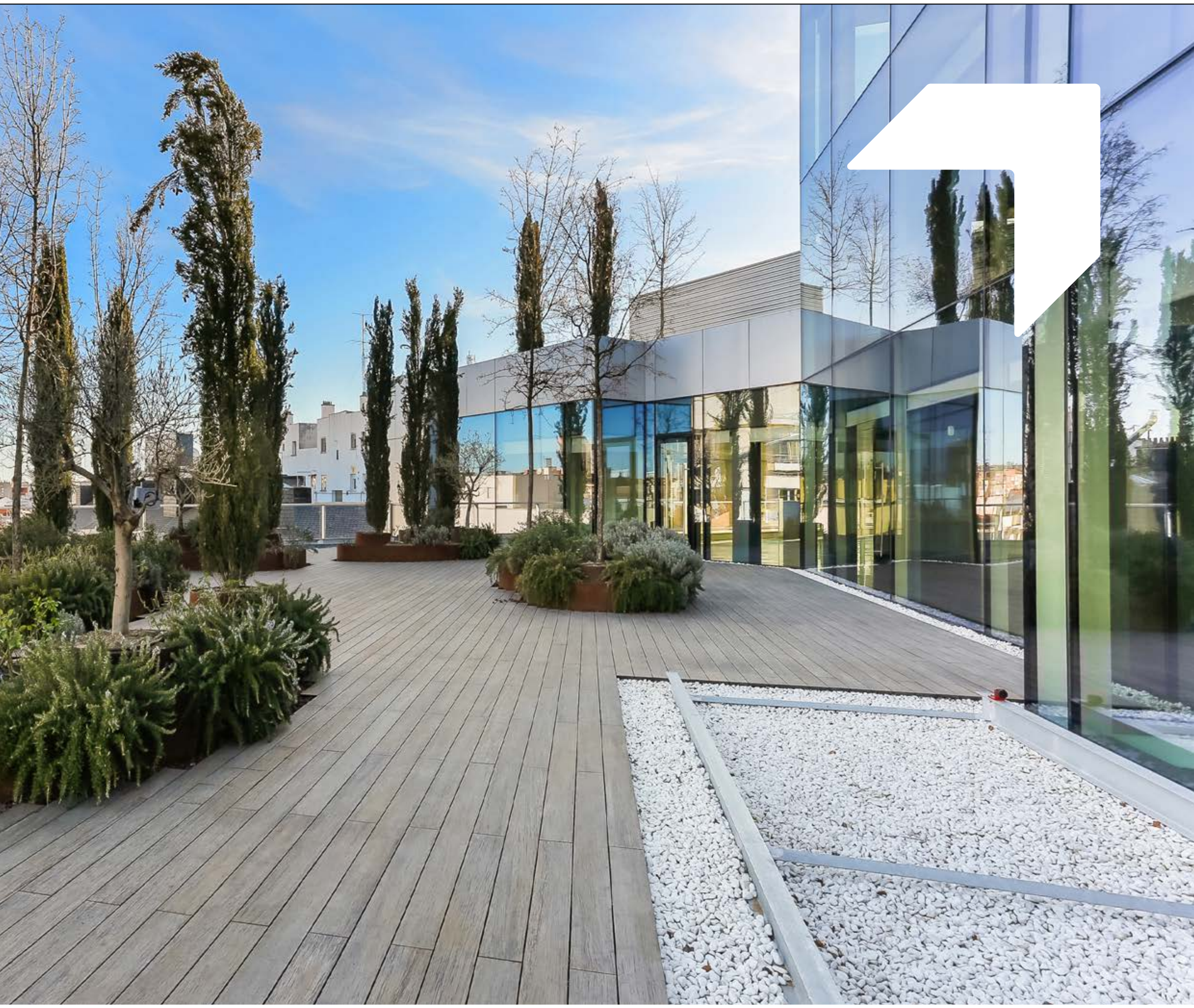
Colonial's financial contributions in terms of sponsorship are outlined below:

Institution	Item	Amount
Barcelona New Economy Week	Participation in BNEW 2021 event	€24,000
EPRA		€10,000
Capdeperavor, SL (Piramidón)		€1,983
		€35,983

CHAPTER

6

Corporate governance



Inmobiliaria Colonial's mission is to create long-term value for shareholders, investors, employees and all stakeholders. To this end, it relies upon a solid corporate governance system that continues to evolve in order to remain a benchmark in the European market. In this respect, Colonial's commitment includes both carrying out its activities with professionalism and excellence, as well as following the highest ethical and transparency standards in their management.

6.1. Main highlights of 2021

In order to consolidate its leadership in Corporate Governance best practices, the Colonial Group has implemented a series of actions in both the design and the operation of Corporate Governance.

The structure of the Board of Directors and its Committees are as follows:

1. Non-executive Chairman: On 28 February 2022, the Board of Directors resolved to terminate the executive duties of the Chairman of the Board of Directors and to appoint them as Non-Executive Chairman under the category of "Other external".

2. Increase in the number of independent members of the Audit and Control Committee: A new Independent Director has been appointed; thus, the percentage of Independent Directors in the Audit and Control Committee grew from 66% in 2020 to 75% in 2021. Along this same line, the percentage of women in the Committee increased, reaching 50% in 2021.

The role and strategy of the Board of Directors and its Committees:

1. Approval of a new Remuneration Policy for the Directors for the financial years 2021, 2022 and 2023, as well as a new long-term incentive plan consisting of the delivery of Colonial shares.

    1.1. The plan has a duration of 5 years and is divided into 3 overlapping annual cycles of 3 years each, independent of each other.

    1.2. The plan establishes a certain number of shares to be distributed among the Executive Directors.

    1.3. The fulfilment of the objectives is specifically and clearly defined, including clauses of malus and clawback.

2. Sustainability: Further development of the Company's ESG strategy is driven by the development of several actions carried out by the Sustainability Committee (established in December 2020).

3. Creation of an Equality Committee: the employee appraisal system has been improved, and the results of the Great Place to Work survey also improved.

4. Approval by the Board of Directors of a new anti-corruption policy.

5. Process of evaluating the role of Colonial's Board of Directors, its Committees and the performance of the duties of the Chairman, the Chief Executive Officer and the Secretary of the Board of Directors, with the help of an independent external expert, specialising in this matter: Spencer Stuart.

6. Development and updating of a competency matrix highlighting the comprehensive knowledge that all of the Directors bring together in the areas of Planning and Strategy, Corporate Governance, Sectoral Experience, Management and Leadership, as well as their extensive International Experience.

7. Increase in the number of training sessions that form part of the Directors' Refresher Plan, from 2 sessions in 2020 to 5 sessions in 2021.

8. Publication of the individual Directors' attendance rates for Board and Committee meetings of which they are members.

9. Development of several ethics and compliance actions.

6.2. Corporate governance structure

The Colonial Group's corporate governance structure follows the guidelines established by the Royal Legislative Decree 1/2010, of 2 July, approving the consolidated text of the Corporate Enterprises Act (LSC), as well as the provisions of the Articles of Association, the Rules of Procedure of the AGM, and the Regulations of the Board of Directors and its Committees with delegated powers.

The Company's hierarchical structure, is shown below:

Annual General Meeting

Articles of Association and Rules of Procedure of the AGM	Board Regulations

Board of Directors

Strategic plan, management objectives and setting of corporate policies

Audit and control committee	Appointments and remuneration committee	Sustainability committee
INTERNAL AUDIT / REGULATORY COMPLIANCE UNIT	CORPORATE GOVERNANCE UNIT	ESG COMMITTEE
> Overseeing, preparing and reporting of financial information. > Proposing the external auditor and liaising with them. > Monitoring ethical issues. > Providing information on related transactions.	> Overseeing the selection and diversity policy. > Proposing and monitoring the remuneration policy. > Proposing and monitoring the training plan for Board Directors. > Overseeing compliance with Corporate Governance rules and regulations.	> Assessing and reviewing the environmental and sustainable economy policies. > Assessing and monitoring the sustainability indices. > Advising the Board of Directors on environmental and sustainable development issues. > Issuing reports on environmental and sustainable development issues.

The Company's documents are available on the corporate website at the following:

https://www.inmocolonial.com/accionistas-e-inversores/gobierno-corporativo/documentacion

6.3. Share capital

At 31 December 2021, Colonial's share capital consisted of a total of 539,615,637 shares, all belonging to a single class and giving all holders the same rights, which are fully subscribed and paid up.

As regards the equal treatment of shareholders, this is embedded in the articles of association, which in turn do not set any limit on the number of votes that can be cast by the same shareholder. In addition to the above, Colonial has a policy for reporting economic, financial, non-financial and corporate information to shareholders, institutional investors and proxy advisors in accordance with the recommendations of the Good Governance Code for Listed Companies.

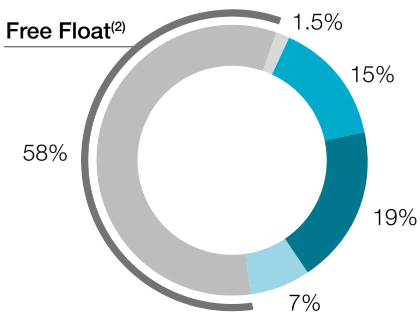
See Colonial's communications policy here:

https://www.inmocolonial.com/sites/default/files/uploaded-files/2021-10/col_politica_de_comunicacion_dic2020.pdf

Capital Structure

The shareholder structure at 31 December 2021 is as follows:

Shareholding structure as of 31/12/2021[1]



■ Finaccess Group[3] ■ Qatar Investment Authority
■ Aguila LTD (Santo Domingo) ■ Free Float ■ Treasury shares

(1) Data according to communications to the CNMV and communications received by the Company.
(2) Through Hofinac BV, Finaccess Capital, S.A. de C. V. and Finaccess Capital Inversores, S.L.
(3) Free Float: shareholders with minority holdings and no representation on the Board of Directors.

Get real-time information on Colonial's share price and share performance:

https://www.inmocolonial.com/accionistas-e-inversores/la-accion/capital-social-accionariado

In addition, up-to-date information on the share capital structure is always available both on the website of Inmobiliaria Colonial, SOCIMI, S.A. and on the website of the Spanish National Securities Market Commission (CNMV).

6.4. Annual General Meeting

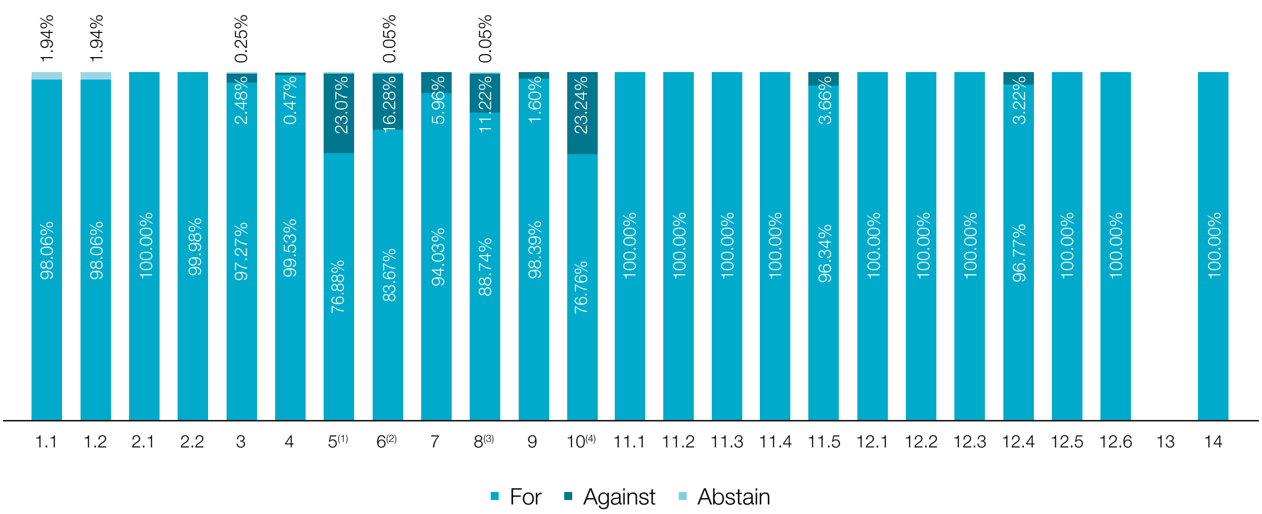
The Annual General Meeting (AGM) is a meeting of Colonial's shareholders, in compliance with the formalities and requirements established by law under the Corporate Enterprises Act, to deliberate and decide by majority vote on matters within its competence, thus expressing the company's will in the form of a resolution. For these purposes, in order to facilitate the exercise of the right to attend and participate in the Annual General Meeting under equal conditions, Colonial regularly publishes on its website the requirements and procedures for participating in the Annual General Meeting, as well as the system for adopting resolutions, which is the same as that set forth in the Corporate Enterprises Act.

Results of the AGMs held in 2021

In 2021, the Annual General Meeting met twice—once on 28 June 2021 as an extraordinary meeting, and once on 30 June as a general meeting. At both shareholders' meetings, all the resolutions that the Board of Directors agreed to submit for approval were passed. Without prejudice to the fact that all the documentation relating to the content of the proposals submitted for approval, as well as the results of the votes, are available on Colonial's website, the main indicators of both meetings are as follows:

	EGM 28 June 2021	AGM 30 June 2021
Attendance figures	101 shareholders: 75.43% of the Share Capital	193 shareholders: 81.83% of the Share Capital
Main resolutions	https://www.inmocolonial.com/sites/default/files/uploaded-files/2021-09/08_col_jge_convocatoria_2.pdf	https://www.inmocolonial.com/sites/default/files/uploaded-files/2021-10/08_convocatoria.pdf
Additional proposals made by shareholders	No	No
Shareholders' remarks	No	No
Live webcast	Yes	Yes
Average vote in favour	All 3 items were approved with a 99.99% vote in favour.	The average vote in favour was 96.02%. The details of each of the items can be seen in the chart below.

AGM 2021 voting results



(1) Authorisation to increase the share capital by means of cash contributions up to half the amount of the share capital, within a maximum period of 5 years, and the power to exclude pre-emption rights up to a maximum of 20% of the share capital.
(2) Authorisation to issue convertible debentures into new shares of the Company or other similar securities, with express power to exclude shareholders' pre-emption rights up to a maximum of 20% of the share capital.
(3) Directors' remuneration policy of Inmobiliaria Colonial, SOCIMI, S.A. for financial years 2021, 2022 and 2023.
(4) Advisory voting for the Directors' remuneration report of Inmobiliaria Colonial, SOCIMI, S.A. for financial year 2020.

6.5. Board of Directors

6.5.1 Main Highlights

Colonial has a balanced, diverse and effective Board of Directors and Committees, as well as various practices that ensure the proper functioning of the different management bodies.

Appropriate size:
11 members

Term of office:
4 years

Separation of duties
Chairman / CEO

Level of independence:
36%

Average seniority of Independent Directors
6.5 years

Gender diversity
27% women(1)

Adequate balance of diversity of knowledge and expertise in the Board

7 different nationalities

A specific Sustainability Committee

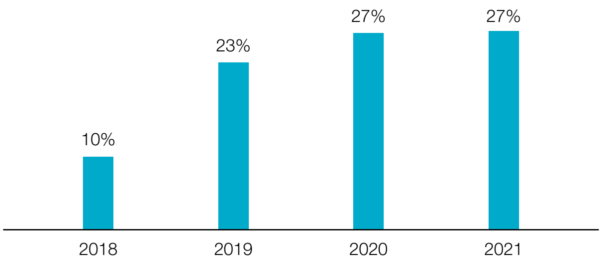
Audir, N&R and Sustainability Committees:
100% non-executive and chaired by Independent Directors

All of the **Committees** are chaired by **women**

Degree of attendance **individualised** sample high commitment of the Directors

Programs for upgrading Directors' knowledge and onboarding

Women on the board



(1) It is worth mentioning that the Company has a Diversity Policy, in accordance with which it is committed to continuing to increase the diversity in the composition of its Board of Directors, in line with the best practices in corporate governance.

It should also be noted that in recent years, the participation of women on Colonial's Board of Directors has shown an upward trend.

6.5.2 Internal Regulations

The **Board of Directors of Inmobiliaria Colonial**, in accordance with the Company's articles of association, is vested with the broadest powers for all matters related to the administration, representation and management of the Company, as well as with all the powers not attributed by law or by the articles of association to the Annual General Meeting.

By virtue of the above, the Board of Directors' Regulations lay down that the Board of Directors is responsible, without the possibility of delegation, for determining the Company's general policies and strategies, including its Corporate Social Responsibility policy; also approving the investment and financing policy, the strategic or business plan, the annual management and budget objectives and the policy relating to treasury shares, as well as determining the Company's and the Group's Corporate Governance Policy and the Dividend Policy. In addition, the Board of Directors is responsible for establishing the risk management and control policy identifying the Company's main risks (including tax risks) and implementing and overseeing the internal information and control systems in order to ensure the Company's future viability and competitiveness, while taking the most relevant decisions for its further growth.

The composition of the Board of Directors, as well as the procedure for appointing its members, assessing their performance and the proposals and measures for improvement in the management and administration of the Company, is determined by the Spanish Corporate Enterprises Act and the Articles of Association, without prejudice to the commitment to the recommendations on good corporate governance issued by the Spanish National Securities Market Commission.

In carrying out its duties, the Board acts with a unity of purpose and independence of judgement, treating equally all shareholders in the same position. It is guided by the Company's interest, understood as the achievement of a profitable and sustainable business in the long term, promoting its continuity and the maximisation of the Company's economic value. Seeking the Company's best interests, in compliance with laws and regulations and a conduct based on good faith, ethics and respect for uses and commonly accepted good practices, the Board of Directors strives to reconcile corporate interests with the legitimate interests of its employees, suppliers, customers and any other stakeholders that could be affected, and the impact of the Company's activities on the community as a whole as well as on the environment.

In relation to the above, Colonial has the following documents available on its corporate website:

> Articles of Association

> Rules of Procedure of the AGM

> Regulations of the Board of Directors

> Selection and Diversity Policy

> Criminal Compliance and Prevention Policy

> Policy on reporting economic-financial, non-financial and corporate information to shareholders, institutional investors, and proxy advisors

> Requirements and procedures for proving the ownership of shares, the right to attend the Annual General Meeting and the exercise or delegation of voting rights

> Code of Ethics

> Internal Code of Conduct

> Corporate Social Responsibility Policy

> Equality Plan

> Ethics Channel Regulations

> Compliance Policy

> Anti-Corruption Policy

> Supplier ESG Criteria Policy

6.5.3 Classification of Directors

As at 31 December 2021, Colonial's Board of Directors was composed of:

> 45% of Dominical Directors (five), two of whom are representing Qatar Investment Authority (19% of Colonial's share capital), two are representing Finaccess (15% of Colonial's share capital), and one is representing Aguila LTD (7% of Colonial's share capital).

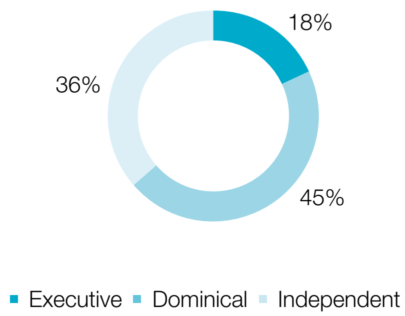
> 36% of Independent Directors (four).

> 18% of Executive Directors (two).

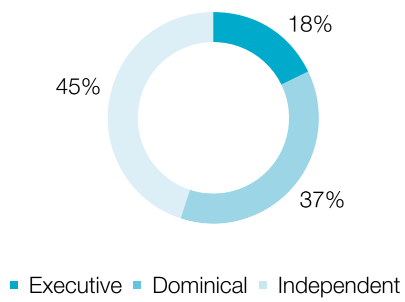
According to international standards, one of the current Dominical Directors representing a shareholder with less than 10% of the share capital (micro-dominical) could be classified as an Independent Director; thus, the number of Independent Directors in the Company would rise to 45% and would exceed the number of Dominical Directors.

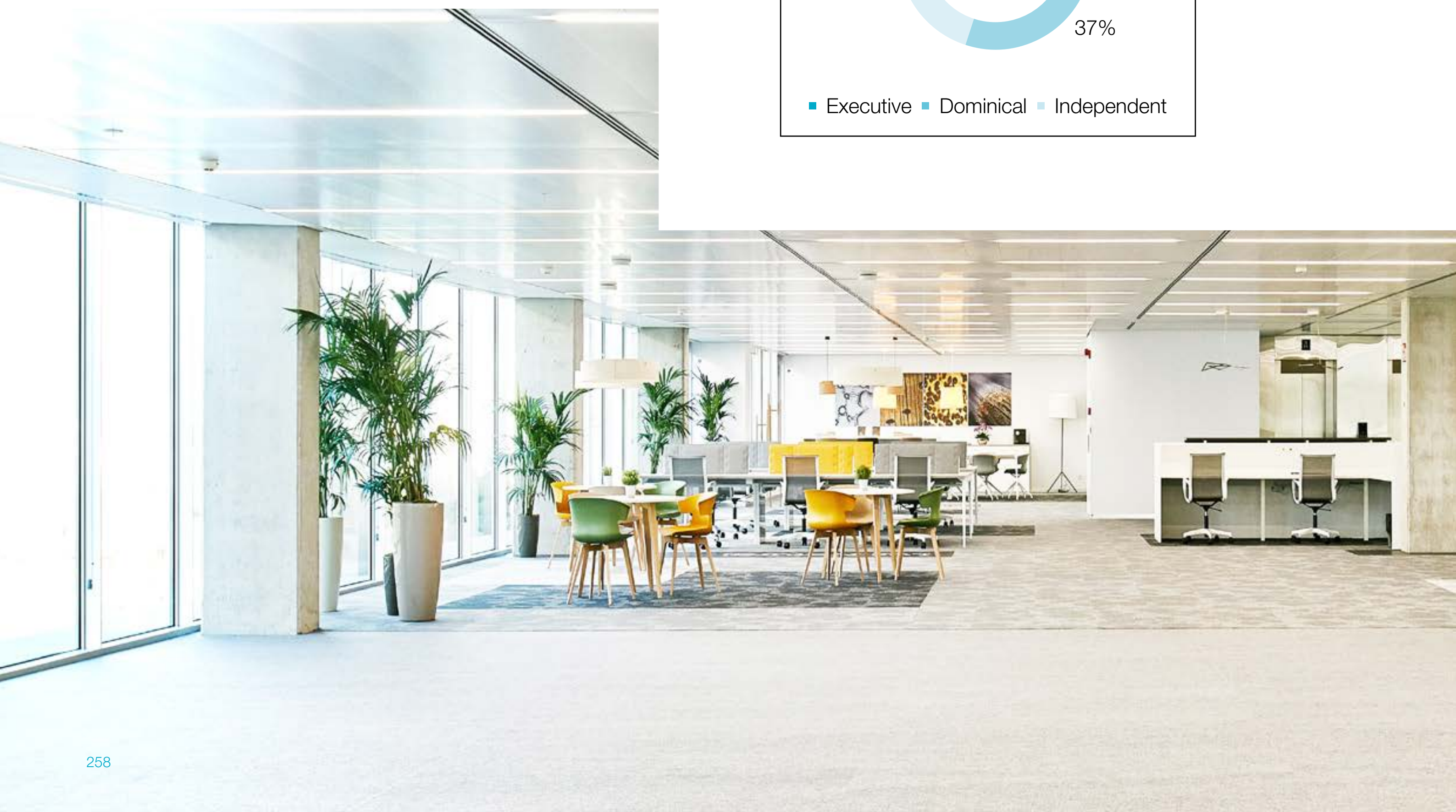
On 30 April 2022, one of the Executive Directors stopped exercising executive functions and now has the category of "Other External". Consequently, as of 30 April 2022, Colonial's Board of Directors is composed of 1 Executive Director and 10 External Directors.

Director Categories



Types of Director (including micro-dominical Director)





6.5.4 Composition of the Board of Directors

As provided for in current legislation, Directors are appointed by the Annual General Meeting, or, in the event of an early vacancy, directly by the Board of Directors in the exercise of its power of co-option, until the next General Meeting is held. In accordance with the above, the procedure and criteria to be followed in the appointment and re-election of candidates for Director is subject to the provisions of Royal Legislative Decree 1/2010, of 2 July, approving the consolidated text of the Corporate Enterprises Act (LSC), the Articles of Association and the Regulations of the Board of Directors.

At 31 December 2021, the composition of the Board of Directors of Inmobiliaria Colonial, SOCIMI, S.A. was as follows:

Name	Director Category	Position on the Board	Date of first appointment	Date of last appointment
Juan José Brugera Clavero	Executive	Chairman	19/06/2008	24/05/2018
Pedro Viñolas Serra	Executive	Chief Executive Officer and Vice-Chairman	18/07/2008	24/05/2018
Luis Maluquer Trepat	Independent	Coordinating Director	31/07/2013	24/05/2018
Ana Peralta Moreno	Independent	Director	14/06/2019	14/06/2019
Ana Bolado Valle	Independent	Director	14/06/2019	14/06/2019
Silvia Mónica Alonso-Castrillo Allain	Independent	Director	24/01/2019	14/06/2019
Sheikh Ali Jassim M. J. Al-Thani	Dominical	Director	12/11/2015	30/06/2020
Adnane Mousannif	Dominical	Director	28/06/2016	30/06/2020
Carlos Fernández González	Dominical	Director	28/06/2016	30/06/2020
Javier López Casado	Dominical	Director	24/05/2018	24/05/2018
Juan Carlos García Cañizares	Dominical	Director	30/06/2014	24/05/2018
Francisco Palá Laguna		Non-Director Secretary	13/05/2008	13/05/2008
Nuria Oferil Coll		Non-Director Vice-Secretary	12/05/2010	12/05/2010

On 28 February 2022, Colonial communicated the resolution of the Board of Directors regarding the termination of the executive functions of the Chairman of the Board of Directors and his continuation as non-executive Chairman under the category of “Other External”. Pursuant to the above, the position of Coordinating Director will no longer be necessary, and it has therefore been agreed that this position will also be discontinued with effect from 30 April 2022.

6.5.5 Diversity and Competence Matrix of the Board Members

The appointment or re-election of candidates to the Board of Directors is carried out in compliance with Colonial's Selection and Diversity Policy and is based on the principles of diversity and balance in the composition of the Board of Directors, within the overarching objective of making its operation more effective and professional and increasing the quality of corporate management.

In accordance with the Selection and Diversity Policy, the selection of Director candidates will require a prior analysis of the Company's needs, which will be carried out by the Board of Directors, following a report from the Appointments and Remuneration Committee (ARC). In this process, individuals will be sought who meet the professional and personal requirements of capacity, qualification and integrity, as set out in the Policy. Once these requirements have been met, care shall be taken to ensure that the selection processes promote the inclusion of Directors on the Board of Directors with diverse training and professional backgrounds, skills, knowledge, age and gender. Said processes shall never have any kind of implicit bias that could entail any discrimination on grounds of gender, age or different abilities, among others. This shall always be done in the Company's best interests.

In relation to diversity, one of the objectives of the Policy is that by the end of 2022 the number of female Directors should represent at least 40% of the total number of members of the Board of Directors. Also, under the Policy's goals, the appointment of Directors is expected to comply with the general criteria on the composition of the Board of Directors, especially with regard to the balance in the number of Executive, Dominical and Independent Directors, in line with the principles and recommendations set out in the CNMV's Code of Good Governance.

Below is the matrix of competencies of the members of the Board of Directors:

Areas of expertise / knowledge

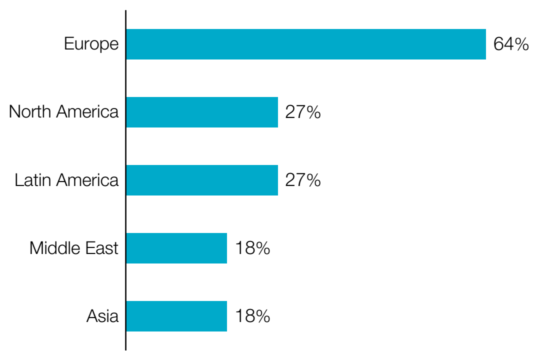
Director	Classification	Real Estate	International	Management and Administration	Finance	Audit and risk	ESG	Corporate Governance	Legal and Tax	Planning and Strategy
J. J. Brugera Chairman	Chairman	✓	✓	✓			✓	✓		✓
P. Viñolas CEO & Vice-Chairman	Chairman	✓	✓	✓	✓	✓	✓	✓		✓
Sheikh Ali Jassim	Dominical	✓	✓	✓	✓			✓		✓
A. Mousannif	Dominical	✓	✓	✓	✓		✓	✓	✓	✓
J. C. García	Dominical	✓	✓	✓	✓			✓	✓	✓
C. Fernández	Dominical	✓	✓	✓	✓	✓	✓	✓		✓
J. López	Dominical	✓	✓	✓	✓	✓	✓	✓	✓	✓
S. Alonso-Castrillo	Independent	✓	✓	✓			✓	✓	✓	✓
L. Maluquer	Independent	✓	✓			✓	✓	✓	✓	✓
A. Bolado	Independent	✓	✓	✓	✓	✓	✓	✓		✓
A. Peralta	Independent	✓	✓	✓	✓	✓	✓	✓		✓
		100%	**100%**	**91%**	**73%**	**55%**	**82%**	**100%**	**45%**	**100%**

The above matrix shows that the expertise and knowledge of Colonial's Directors is focused mostly in the areas of Planning and Strategy, Corporate Governance, Sectorial (real estate) and International experience, followed by Business Management and Administration, and Sustainability experience.

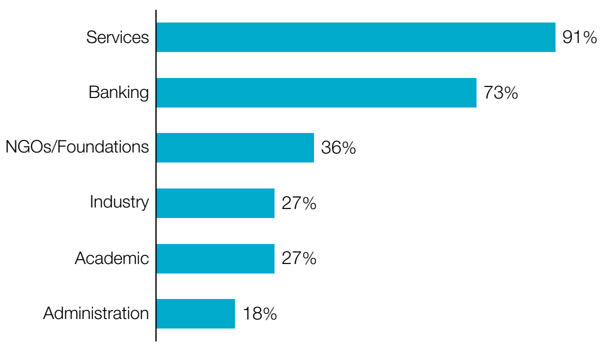
Field of expertise / knowledge

In terms of international experience, it is worth nothing that Europe, followed by America (North America and Latin America) are the continents in which the Directors have the most professional experience.

International experience



Professional experience



6.5.6 Role of the Board of Directors

At 31 December 2021, Colonial had two Executive Directors, one holding the position of Chairman of the Board of Directors, and the other one holding the positions of Chief Executive Officer and Vice-Chairman of the Board. The Chairman of the Board of Directors as at 31 December 2021 had all the powers set out by law and the Board of Directors' Regulations, as well as extensive management powers; the Chief Executive Officer has been delegated all the powers that can be delegated in accordance with the law and, in his capacity as Vice-Chairman, may perform the duties of the Chairman in his absence.

In accordance with the above, and in compliance with all applicable regulations, insofar as the Chairman of the Board of Directors holds the status of Executive Director, the Board of Directors has a Coordinating Independent Director (Mr. Luis Maluquer Trepat), who is especially empowered to, among other matters, request the calling of board meetings or the inclusion of new items on the agenda of an already-convened Board Meeting, coordinate and bring together the Non-executive Directors and conduct, where appropriate, the periodic evaluation of the Chairman of the Board of Directors.

Notwithstanding the above, on 28 February 2022, Colonial announced that as of 30 April 2022 the Chairman of the Board of Directors will cease to perform his executive duties and the figure of the Coordinating Director required by law will no longer be necessary. It has therefore been agreed to dispense with the figure of the Coordinating Director as of 30 April 2022. The aforementioned communication is available on Colonial's website (https://www.inmocolonial.com/sites/default/files/uploaded-files/2022-02/OIR%20cese%20funciones%20ejecutivas%20Presidente_%20ES.pdf) and is explained in detail in the Annual Directors' Remuneration Report, reported to the market on 28 February 2022 and available for consultation on Colonial's website at the following link https://www.inmocolonial.com/sites/default/files/uploaded-files/2022-02/IAR%202021_%20CNMV_0.pdf.

The academic and professional profiles of the Directors, as well as their shareholdings in the Company's share capital, are permanently available on the website and can be accessed by clicking on each of the names of the Directors at the following link: https://www.inmocolonial.com/accionistas-e-inversores/gobierno-corporativo/consejo-de-administracion/participaciones.

6.5.7 Directors' Right to Information

The Directors of the Colonial Group are vested with the broadest powers to enquire into any aspect of the Company, examine its books, records, documents and other background information on corporate operations and inspect all of its facilities. In this respect, they have at their disposal, among other means, applications and information tools where they can access at any time all the information relating to the Board of Directors, its committees, any update plans, news, the approved and signed minutes and legislative developments, among other content.

6.5.8 Directors' Training Plan

New Director onboarding plan

Through the Directors' portal on its website, Colonial makes available to the **new Directors** a welcome package to provide them with prompt and sufficient information about the Company and the Group, as well as of the rules of corporate governance, so that they can actively perform their duties as soon as they are appointed. In particular, the following, inter alia, are made available to the new Directors: (i) general information on the Company; (ii) presentation of the Company's governing bodies and organisational structure; (iii) Code of Ethics; (iv) Bylaws; (v) Shareholders' Meeting Regulations; and (vi) Regulations of the Board of Directors. In addition, meetings are held with the Management Team members to inform them about the functioning of the company.

Refresher plan for the Board of Directors

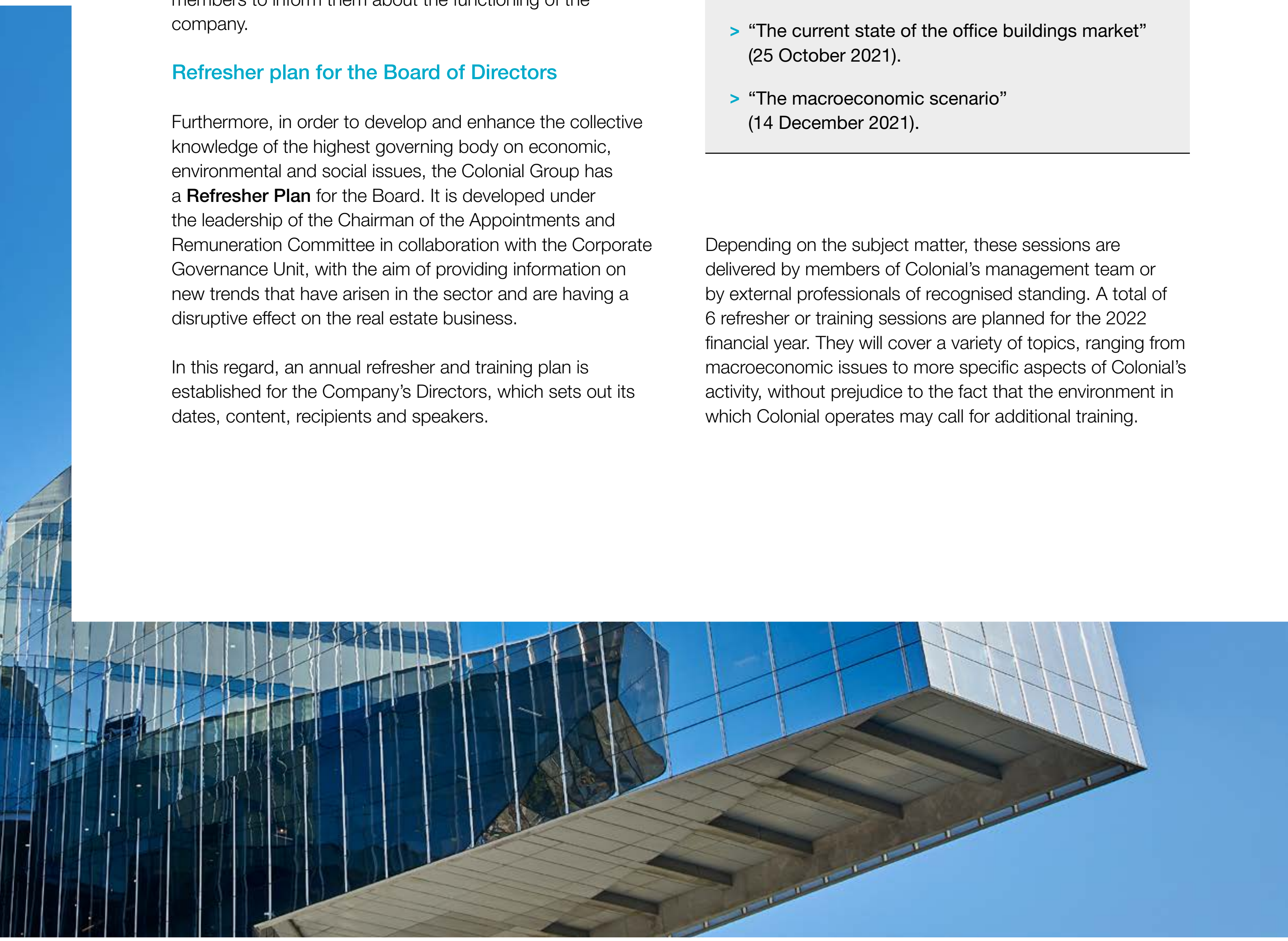
Furthermore, in order to develop and enhance the collective knowledge of the highest governing body on economic, environmental and social issues, the Colonial Group has a **Refresher Plan** for the Board. It is developed under the leadership of the Chairman of the Appointments and Remuneration Committee in collaboration with the Corporate Governance Unit, with the aim of providing information on new trends that have arisen in the sector and are having a disruptive effect on the real estate business.

In this regard, an annual refresher and training plan is established for the Company's Directors, which sets out its dates, content, recipients and speakers.

In 2021, the following five training sessions were held:

- "Innovation: the mimetic effect of doing things differently" (24 March 2021).
- "The reform introduced by Law 5/2021, of 12 April, amending the consolidated text of the Corporate Enterprises Act" (31 May 2021).
- "The new NAV calculation formulas according to EPRA" (6 October 2021).
- "The current state of the office buildings market" (25 October 2021).
- "The macroeconomic scenario" (14 December 2021).

Depending on the subject matter, these sessions are delivered by members of Colonial's management team or by external professionals of recognised standing. A total of 6 refresher or training sessions are planned for the 2022 financial year. They will cover a variety of topics, ranging from macroeconomic issues to more specific aspects of Colonial's activity, without prejudice to the fact that the environment in which Colonial operates may call for additional training.



6.5.9 Evaluation of the performance of the Board of Directors and the Delegated Committees

In keeping with the spirit of continuous improvement that Colonial pursues in the performance of its corporate governance duties, and beyond the requirements that by rule or best practices are applicable to listed companies, once a year the Board of Directors evaluates its quality and efficiency, the functioning and composition of its committees, the diversity in its composition and competencies, the performance of the Chairman of the Board of Directors, the Chief Executive Officer, the Coordinating Independent Director and the Secretary of the Board.

For the 2021 financial year, these evaluations have been carried out by means of questionnaires which, in addition to dealing with various subjects, collect general recommendations for improvement. Once the questionnaires have been received, the Appointments and Remuneration Committee prepares the corresponding evaluation reports for submission to the Board of Directors. With regard to the evaluation process, the Appointments and Remuneration Committee has sought external advice from Spencer Stuart, who has issued a report on the adequacy of the procedure and methodology applied by Colonial in the evaluation process, as well as the relevant conclusions. Following the evaluation, the Board of Directors approved the evaluation reports for the Board, its Committees, the Chairman, the Chief Executive Officer, the Coordinating Director and the Secretary with satisfactory results.

As regards the outcome of the evaluations carried out, these lead to an action plan so that any deficiencies can be corrected or improvements can be made.

In this regard, even though the 2020 financial year evaluation was satisfactory, as a result of the recommendations arising from the evaluation process, in 2021 a number of actions were carried out:

Further developing the corporate ESG strategy

Increasing the number of sessions corresponding to the Directors' Refresher Plan

Increasing the number of members of the Audit and Control Committee with the appointment of a new Independent Director

6.5.10 Conflicts of Interest

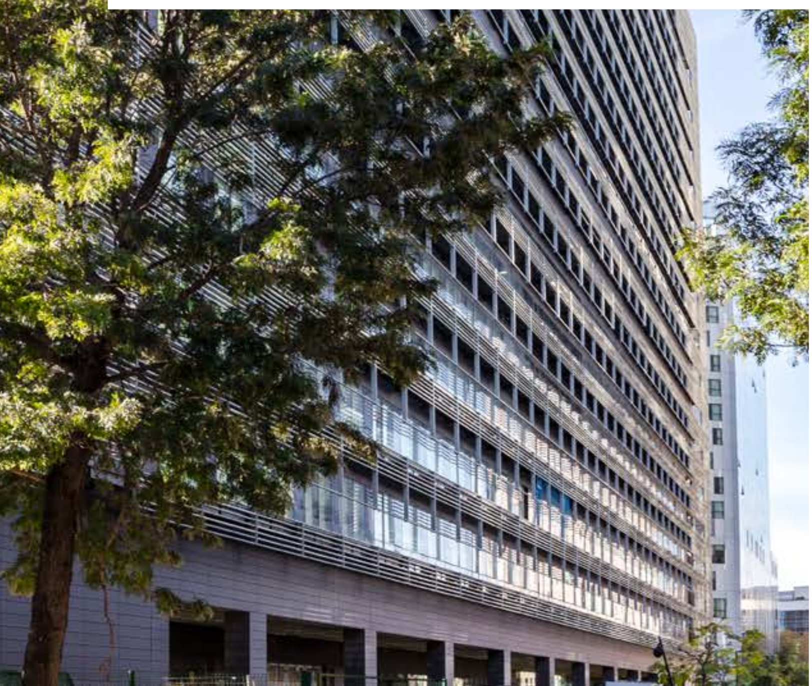
In accordance with the Articles of Association, Directors shall abstain from participating in the deliberation and voting on resolutions or decisions in which they or any other person related to them has a direct or indirect conflict of interest. Votes from Directors affected by a conflict of interest and required to excuse themselves from the meeting shall be deducted from the calculation of the majority of votes necessary. The above obligation to abstain shall not apply to resolutions or decisions that affect him/her as a Director, such as his/her appointment or revocation for positions on the administrative body or others of similar significance.

Likewise, the Board of Directors' Regulations lay down that the duty of loyalty obliges the Director to abstain from participating in the deliberation and voting on resolutions or decisions in which he/she or a related person has a direct or indirect conflict of interest. Similarly, Directors must adopt the necessary measures to avoid exposing themselves to situations in which their interests, whether for their own account or for the account of others, may conflict with the corporate interest and with their duties to the Company. In particular, the Director shall refrain from:

a) Conducting any business transactions with the Company, except in the case of ordinary transactions, made on standard terms for customers and of little significance, i.e., transactions whose information is not necessary to convey the image of the Company's assets, its financial position and its profitability.

b) Using the name of the Company or invoking their status as a Director to improperly influence private transactions.

c) Making use of corporate assets, including confidential information of the Company, for private purposes.



d) Taking advantage of the Company's business opportunities.

e) Obtaining advantages or remuneration from third parties other than the Company and its Group in connection with the performance of their duties, except in the case of mere courtesy.

f) Engaging in activities on their own accord or on account of others which entail an effective competition with the Company, whether actual or potential, or which otherwise are in permanent conflict with the Company interests. The above shall also apply if the beneficiary of the prohibited acts or activities is a person related to the Director, as defined by law.

The authorisation must be approved by the Annual General Meeting when it is intended to waive the prohibition on obtaining an advantage or remuneration from third parties or involves a transaction with a value exceeding 10% of the Company's assets. It may be granted in other cases by the Board of Directors provided that the independence of the members granting the authorisation is guaranteed with respect to the Director being exempted. In addition, it will be required to ensure the safety of the authorised operation for the Company's assets or, where appropriate, the implementation of the operation under market conditions and the transparency of the process.

The obligation to not compete with the Company may only be waived if no harm to the Company is to be expected or if the expected harm is outweighed by the expected benefits to the Company. The waiver shall be granted by an express and separate resolution of the Annual General Meeting.

In this respect, during the 2021 financial year, as part of the takeover bid for the shares of the subsidiary Société Fonciére Lyonnaise, Mr. Juan José Brugera Clavero, Mr. Pedro Viñolas Serra, Mr. Luis Maluquer Trepat, Ms. Silvia Alonso-Castrillo Allain, Mr. Carlos Fernández González, Mr. Javier López Casado and Mr. Sheikh Ali M.J. Al-Thani abstained from participating in the deliberation and voting on the agreement as they were in a situation of potential conflict of interest, being shareholders of the company Société Fonciére Lyonnaise. In this regard, the Board of Directors of Colonial, following a favourable report from the Audit and Control Committee, authorised all possible share transfers within the framework of the takeover bid by the Directors who reported the possible conflict of interest situation.

6.5.11 Main actions of the Board of Directors during the financial year 2021

In connection with the performance of its functions during 2021, the Board has carried out the following activities, among other things, taking into consideration the particular situation of the global health and economic crisis resulting from COVID-19 and the ensuing extraordinary measures adopted by the Spanish Government and the Autonomous Communities:

A) Ordinary management

> Monitoring the day-to-day management of the Company and the development of the business and projects.

> Coordinating the development of the activity in the interests of the Company and its subsidiaries.

> Evaluating and approving, in view of the report of the Appointments and Remuneration Committee, the proper functioning of the Board of Directors, its Committees and the performance of their duties by the Chairman, the Chief Executive Officer and the Secretary of the Board of Directors. Additionally, evaluating the suggestions for improvement submitted by the Appointments and Remuneration Committee.

> Overseeing the Board's committees.

> Assessing the reasonableness and consistency of the proposed dividend and proceeding with the execution of the payment.

> Appointing Ms. Ana Bolado Valle as a member of the Audit and Control Committee, following a favourable report from the Appointments and Remuneration Committee.

> Approving the succession plan for the Chairman of the Board of Directors and the Chief Executive Officer and initiating the analysis of the process of replacing the executive chairmanship of the Board of Directors by a non-executive chairmanship.

> Submitting the reports and proposed resolutions which, in accordance with the provisions of the current Corporate Enterprises Act and the Articles of Association, must be prepared by the Board of Directors for its knowledge and approval, and of the AGM if applicable. In particular, in terms of the 2021 financial year, submitting the reports and resolutions relating to the capital increases charged to non-cash contributions consisting of Société Foncière Lyonnaise ("SFL") shares held by Predica Prévoyance Dialogue du Crédit Agricole ("Predica") and SFL shareholders, respectively, within the framework of the takeover bid made by the Company on SFL.

> Approving the annual accounts, the individual and consolidated management reports and the proposed appropriation of profit for the financial year 2020, as well as the financial information relating to the first quarter of 2021, the half-yearly financial information and the annual financial report. In addition, after a favourable report from the Audit and Control Committee, approving the consolidated interim financial statements for the nine-month period ended 30 September 2021.

> Analysing and approving transactions for the acquisition and sale of real estate.

> Following up on the Company's institutional relations, meetings with analysts and investors, as well as share price developments.

> Approving a programme for the repurchase of treasury shares under the authorisation granted by the General Meeting of Shareholders of the Company held on 29 June 2017, for a maximum amount of €50m, and a maximum number of treasury shares to be acquired by the Company of 5,000,000 shares, having ended in December 2021.

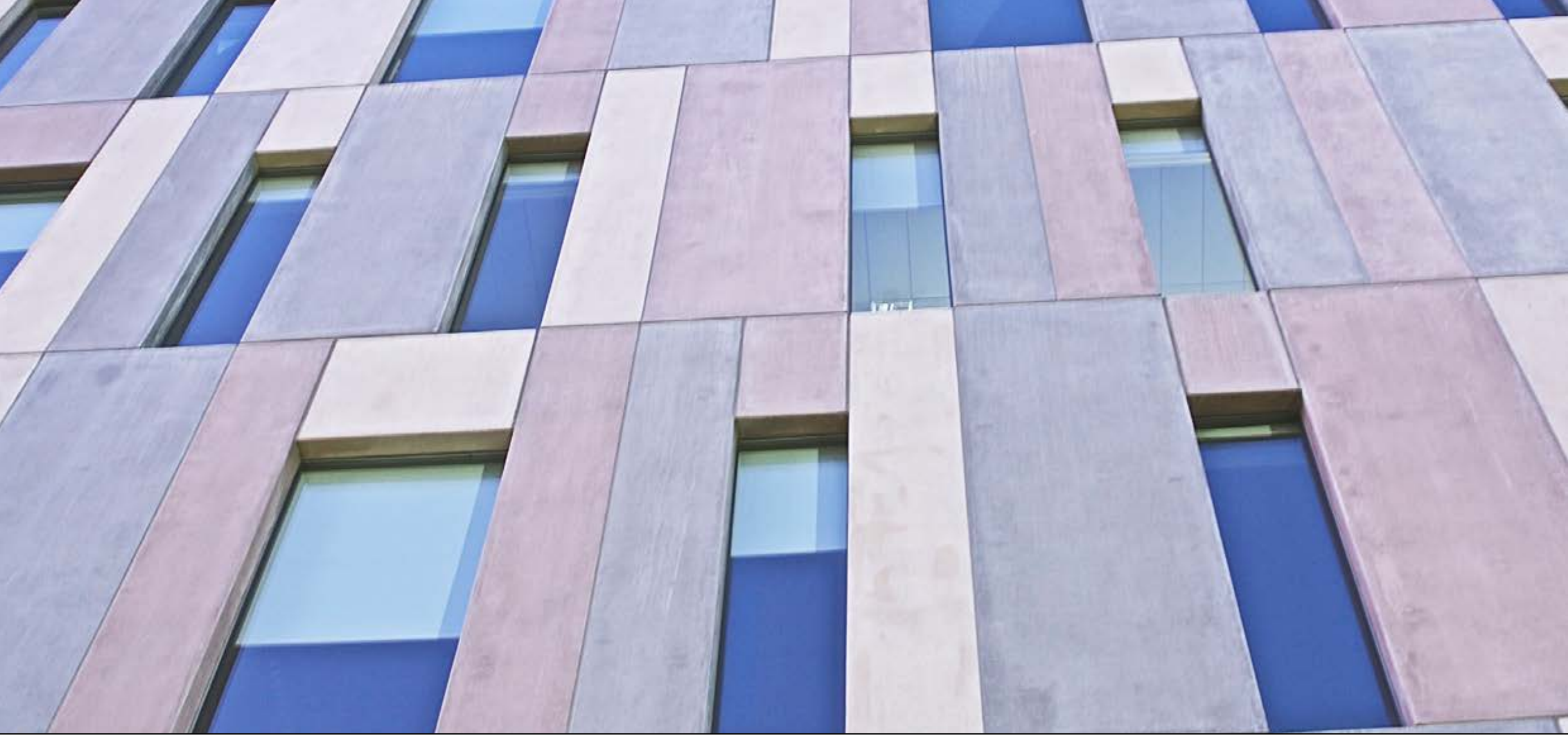
> Agreeing to the renewal of the Euro Medium Term Note programme for non-equity securities, creating or recognising debt up to a maximum aggregate nominal amount of €5,000m.

> Agreeing to repurchase, in whole or in part, and in one or more instalments, the Company's outstanding bonds as at 12 May, up to a limit of €800m.

> Agreeing to the renewal of the Company's promissory note programme for a maximum outstanding amount of €500m.

> Approving the commencement of the conversion of the Company's existing bond issues into green bonds.

> Approving the report relating to the proposed capital increase with a charge to non-monetary contributions consisting of SFL shares, within the framework of the takeover bid made by the Company on said subsidiary, as well as the execution of the aforementioned capital increase.



B) Corporate Governance

> Monitoring the recommendations of the Code of Good Governance; approving the modifications to the Company's internal policies that were necessary to adapt to the modifications that were made to these good governance recommendations in financial year 2021. In particular, the approval of the Company's Anti-Corruption Policy.

> Approving the amendments proposed by the Committees of the Board to the Regulations of the Company's Board of Directors to adapt them to the reform of the Corporate Enterprises Act and the inclusion of the Sustainability Committee.

> Reporting on the proposal and approving the variable remuneration of the Chairman and the Chief Executive Officer.

> Approving the content of the contracts of the Chairman, Chief Executive Officer and Corporate General Manager.

> Approving the variable remuneration for the Management Team.

> Approving the Executive Directors' objectives for the 2021 financial year.

> Approving, in accordance with the proposal of the Appointments and Remuneration Committee –as indicated in the report on the degree of compliance with the incentive plan prepared by the external advisor appointed for this purpose–, the number of shares corresponding to each beneficiary of the share delivery plan that was approved by the Annual General Meeting of 21 January 2014.

> Approving, in accordance with the proposal of the Appointments and Remuneration Committee, a new share delivery plan for subsequent submission for approval by the Annual General Meeting of the Company. Similarly, agreeing on the setting of the specific terms and conditions relating to the first cycle of the aforementioned share plan, following the proposal by the Appointments and Remuneration Committee.

> Approving the annual corporate governance report, following the proposal by the Audit and Control Committee.

> Approving the annual Directors' Remuneration Report, following the proposal by the Appointments and Remuneration Committee.

> Approving the Directors' Remuneration Policy for the financial years 2021, 2022 and 2023 for submission for approval by the Ordinary General Meeting, following the proposal by the Appointments and Remuneration Committee.

> Calling the Annual General Meeting for financial year 2021, as well as the Extraordinary General Meeting held in June 2021.

> Approving, in accordance with the report issued by the Audit and Control Committee, related-party transactions affecting Directors and Executives and subsidiaries of the Company.

C) Financial and non-financial information

- Approving the financial information which, as a listed company, the Company must periodically publish and, in particular, preparing the annual accounts and submitting them to the Annual General Meeting.

- Approving the integrated non-financial report.

D) Sustainability

- During the 2021 financial year, the Sustainability Committee has worked on the preparation and subsequent approval in January 2022 of a new decarbonisation plan for Colonial's portfolio with a 2018 base year aligned with and validated by the Science Base Target Initiative (SBTi).

- The plan includes accelerating the Net Zero carbon emissions target from 2050 to 2030.

- The Committee has worked on and approved an internal carbon price of €100/tCO_2e as an internal reference for sustainability decision-making.

- Promoting the ESG (Environment, Social and Governance) policy. The Company continues to maintain ESG ratings that certify the highest standards of ESG reporting.

- It has also implemented policies in its activity that promote balanced action in relation to ESG matters, which has led to Colonial's A- rating in the CDP report in relation to decarbonisation.

E) Risk management and control systems

- Approving the risk management and control policy report, the management objectives and the annual budget.

- Approving the updating of the Company's risk map, subject to a favourable report from the Audit and Control Committee.

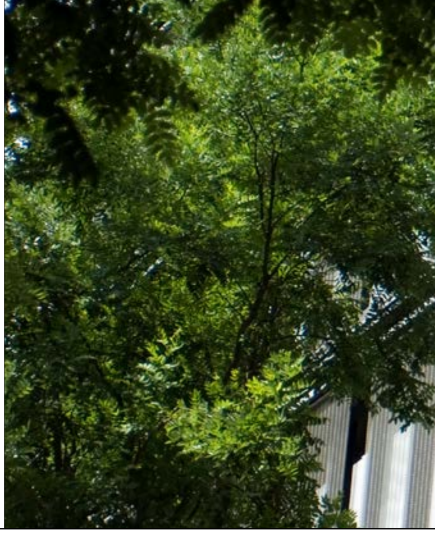
6.5.12 Directors' individual attendance

The following table shows the percentage of attendance in person or by proxy of the members of Colonial's Board of Directors at the meetings of the Board of Directors, the Executive Committee, the Appointments and Remuneration Committee, the Audit and Control Committee and the Sustainability Committee during the 2021 financial year. The results shown below highlight the strong commitment of each of the Directors. The average attendance was 98%.

	Board	Executive Committee	ARC(1)	Audit and Control Committee	Sustainability Committee
Number of meetings	12	1	9	11	4
Director					
Mr. Juan José Brugera Clavero	100%	100%	–	–	–
Mr. Pedro Viñolas Serra	100%	100%	–	–	–
Mr. Sheikh Ali Jassim M.J. Al-Thani	100%	–	–	–	–
Mr. Adnane Mousannif	100%	100%	100%	–	100%
Mr. Juan Carlos García Cañizares	83.33%	100%	88.89%	–	–
Mr. Carlos Fernández González	100%	0%(2)	–	–	–
Mr. Javier López Casado	100%	–	–	100%	–
Ms. Silvia Mónica Alonso-Castrillo Allain	100%	–	100%	–	100%
Mr. Luis Maluquer Trepat	100%	100%	100%	100%	100%
Ms. Ana Bolado Valle	100%	–	100%	100%	100%
Ms. Ana Peralta Moreno	91.67%	–	–	100%	100%

(1) ARC: Appointments and Remuneration Committee.
(2) Mr. Carlos Fernández González was unable to attend the only meeting of the Executive Committee in 2021 for personal reasons. He delegated representation and voting rights to another member of the Committee.

6.6. Committees of the Board of Directors



The Board of Directors has set up four Committees with delegated powers. These are the Executive Committee, the Audit and Control Committee (ACC), the Appointments and Remuneration Committee (ARC) and the Sustainability Committee.

6.6.1 Executive Committee

Making use of the powers conferred by the applicable regulations, Colonial's Board of Directors set up an Executive Committee to which it may permanently delegate all or part of its powers, except those that cannot be delegated. This Committee has the following composition and is governed in accordance with the provisions of the regulations of the Board of Directors.

Name	Position
Mr. Juan José Brugera Clavero	Chairman
Mr. Pedro Viñolas Serra	Vice-Chairman
Mr. Adnane Mousannif	Board Member
Mr. Juan Carlos García Cañizares	Board Member
Mr. Carlos Fernández González	Board Member
Mr. Luis Maluquer Trepat	Board Member

6.6.2 Audit and Control Committee (ACC)

The main function of the Audit and Control Committee is to support the Board of Directors in all its supervisory tasks through regular reviews of the process of preparing economic and financial information, and the effectiveness of the Company's internal control, internal audit and risk management systems. It is also tasked with discussing with the auditor any significant weaknesses in the internal control system detected in the course of the audit, all without infringing its independence.

This includes submitting to the Board of Directors a report on the Risk Management and Control Policy, identifying at least the different types of financial and non-financial risks, including operational, technological, legal, social, environmental, political and reputational risks. The monitoring of the rules of the Internal Code of Conduct and the CSR Policy also includes the assessment of non-financial risks.

As at 31 December 2021, the Audit and Control Committee (ACC) was composed of the following Directors:

Name	Position
Ms. Ana Peralta Moreno	Chairwoman
Mr. Luis Maluquer Trepat	Board Member
Mr. Javier López Casado	Board Member
Ms. Ana Bolado Valle	Board Member

In this regard, on 16 November 2021, Colonial communicated through the OIR procedure the appointment of Ms. Ana Bolado Valle, Independent Director of the Company, as a new member of the Audit and Control Committee.

As regards the preparation and development of the meetings, the Chairman of the Committee must convene them with adequate advance notice, with Directors regularly attending them. In cases where, for justified reasons, they are unable to attend, they delegate their vote to another Director, including any instructions to the proxy. In this regard, during the 2021 financial year, all members of the Committee attended 100% of the meetings in person. Prior to each meeting, Committee members are provided information on the issues to be addressed therein, so as to encourage their active participation and the well-reasoned adoption of resolutions.

In addition to the members of the Committee, all meetings were attended by the head of Internal Audit and the Director of Legal Affairs and Compliance and the Deputy Secretary of the Board of Directors. In addition, when necessary, the following individuals attended as guests, among others: (i) the advisor to the Committee; (ii) the Chief Executive Officer; (iii) the Corporate Managing Director; (iv) the Chief Financial Officer; and (v) the Chief Corporate Development Officer. In addition, the audit team of PricewaterhouseCoopers was invited to and attended certain Committee meetings.

Due to the special circumstances that arose during financial year 2021 as a result of the health crisis caused by COVID-19, the meetings were held by telephone or videoconference, with the exception of the meetings of 6 October, 4 November and 15 December, which were held with the physical attendance of the members of the Committee. At each of these meetings, the Secretary confirmed the identity of all attending Committee members.

The main activities carried out by the Audit and Control Committee during 2021 are detailed below:

A) Economic and financial information

> Prior to its presentation to the Board of Directors, the Committee discussed the process of developing: (i) the annual financial information for the financial year 2020 comprising, inter alia, the individual and consolidated annual accounts and management reports; (ii) the financial information for the first and third quarter of the financial year 2021; and (iii) the half-yearly financial report for the first half of the financial year 2021.

> In this process, the Committee was supported by the Internal Auditor, the Corporate General Manager, the Chief Financial Officer, Chief Corporate Development Officer, Controlling, Investor Relations, and the External Auditor.

> As part of the Group's commitment to providing accurate, valid, reliable, timely, relevant and complete financial information, the Committee has performed the role of overseeing the financial information through an ongoing process throughout the year, monitoring the development of key balance sheet milestones and key figures, as well as the income statement and financial reporting.

> The Committee has overseen the processes of preparing the corresponding financial information in accordance with the prescribed accounting criteria, the applicable regulations and any supplementary information that may be necessary or appropriate.

> On the other hand, the Committee has not been indifferent to the issues raised by the spread of the COVID-19 health crisis and its impact on the Company. In this regard, during the 2021 financial year, the Committee has overseen the different actions carried out by the Company in matters within its competence. Of special mention is the monitoring of the allocations of different provisions, and their subsequent reversal to cover the forecast of future defaults (although not exceeding the materiality threshold), as well as potential future risks arising from the adverse effects of COVID-19.

B) Internal control systems

> The Committee, within the framework of its duties, has overseen the correct functioning and implementation of the internal control systems established and presented by the Company's internal auditor, as well as the risk management systems, in the process of preparing the financial information, including tax risks.

> The focus of the analysis was on the control of financial reporting, as well as the control of non financial ESG reporting, the tax risk control system, and the risk control systems related to the security of information systems, inter alia. In this respect, the Committee has considered the conclusions received to be favourable and in accordance with the requirements established by the applicable regulations, thus helping to ensure that the financial and non-financial information has been drawn up correctly, with the necessary procedures and controls in place for this purpose. The Committee has submitted a report to the Board of Directors with its favourable opinion.

> In particular, the Committee has been duly informed about the internal control system for financial reporting (SCIIF). In this respect, after the corresponding controls had been carried out and no incidences or weaknesses were detected, the internal control system for financial reporting was considered to have functioned correctly.

> In addition, throughout 2021, the Committee has been duly informed by the internal auditor of the most relevant facts, updates and recommendations revealed in the work carried out. It has also drawn up the report on the risk control and management policy proposed for approval by the Board of Directors.

> Moreover, throughout the 2021 financial year, the Committee supervised the updating of the corporate risk map presented by the internal auditor, as well as the evolution of the different risks and the controls adopted to mitigate these risks, which were subsequently presented to the Board of Directors.

C) Relations with the external auditor

> In order to ensure the quality and integrity of the financial information, the Committee has established the necessary relationship with the Company's external auditor, PricewaterhouseCoopers (PwC). To this end, representatives of the external auditor have attended five Committee meetings. In the exercise of its duties, the Committee has served as a communication channel between the Board of Directors and the Company's external auditor, evaluating the results of each audit.

> Similarly, the external auditor has provided non-audit services of which the Committee was duly informed. These included, for example, different services under bond issuance agreements and financing contracts, or with respect to the independent review of the ESG indicators contained in the Integrated Annual Report. The amounts accrued were included in the non-external audit services and authorised by the Committee.

> The heads of the external auditor have had the opportunity to attend various meetings held by the Committee. The Committee has had direct access to information on its strategy and work plan, the degree of progress in the development of its activity and its significant findings at all times.

> In addition, the Committee has issued a favourable report on the independence of the external auditor.

> The Committee also approved the proposal for the re-election of the external auditor for the 2022 financial year, taking charge of the selection process and employment terms and conditions, in accordance with current regulations.

> Finally, the Committee has been regularly informed by the external auditor on the Company's performance in relation to the most significant risks to the Company. These focus, inter alia, on integrated risk management and on the ESG indicators review service.

D) Internal audit

- The Committee approved the “Annual Internal Audit Plan” foreseen for the year 2021.

- In addition, the Committee has overseen the evolution and degree of compliance with the aforementioned “Annual Internal Audit Plan” for the year 2021, being regularly updated on the adjustments being made to said plan. In the reports received by the Committee, emphasis was placed on the structure of the area and its role, as well as an analysis of the main activities carried out during the financial year 2021 and the priorities for the financial year 2022. Finally, the Committee gave its approval to the planning presented by the internal auditor.

- In this regard, the Committee has had the opportunity to analyse the results of the most significant tasks performed by the internal auditor, including the monitoring of the financial information control system, the ESG indicator control system, the analysis of the concentration of the Company’s suppliers of different types, as well as specific audits on the contracting of significant suppliers, audits related to customer rental contracts, coworking activity contracts, or the review of processes linked to payroll, among others. In addition, the Committee analysed the outcome of specific work carried out in the field of cybersecurity.

- The Committee has also been informed and has followed up on the degree of compliance with the recommendations made by the internal auditor in its work.

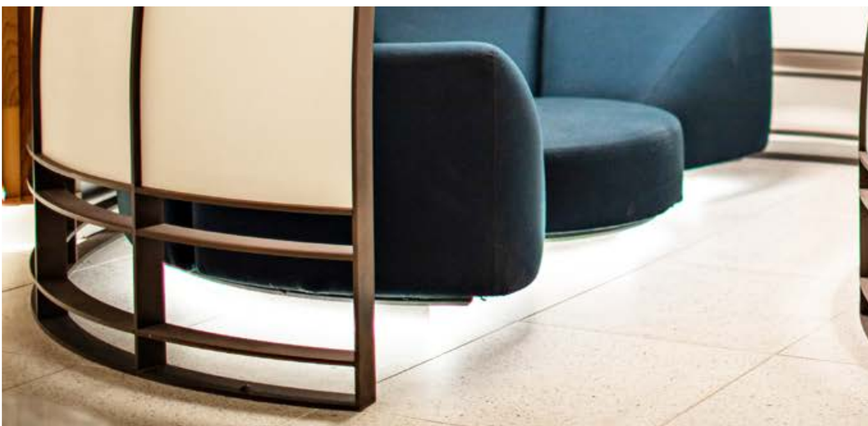
- Finally, the internal auditor has provided the Committee with several reports on the independence of the external auditor in relation to the audit and non-audit services provided by PwC to the Colonial Group in 2021.

E) Fiscal risks

- In 2021, the Committee continuously monitored the main issues related to fiscal risks, overseeing at all times the tax management carried out by the different areas in charge. Among other issues, its analysis focused on the potential impact of a regulatory change in the tax regime applicable to listed corporations for investment in the real estate market (SOCIMIs) and on the analysis of the potential impact of the main transactions carried out by the Company in 2021. For the purpose of this analysis, the Company’s financial management presented the fiscal report for the year 2020 to the Committee members.

- The Committee also analysed the recommendations by the Fundación Compromiso y Transparencia, which encourages joint initiatives to promote the transparency, good governance and social commitment of companies and, in particular, the fiscal transparency of IBEX 35 companies.

- In addition, on the basis of the report submitted by the Company’s financial management, the Committee analysed the map of the main tax risks and the controls in place in this area.



F) Corporate operations

- The Committee has been informed in a timely manner of the most relevant corporate transactions planned by the Company, as well as of potential structural modifications to be made. In order to carry out its analysis, the Committee has had at its disposal the information and corresponding analyses provided by the relevant departments of the Company.
- To this end, the Committee has issued the mandatory report to the Board of Directors on the economic conditions and the accounting impact and, in particular, on the proposed exchange ratio, following the analysis of the takeover bid for the entire share capital of SFL (a subsidiary of the Company) which was carried out in financial year 2021.

G) Related party transactions

- Throughout the 2021 financial year, the Committee has been duly informed about potential related party transactions and those involving Directors and Executives of the Company in the context of the takeover bid launched by the Company for SFL (a subsidiary of the Company). To this end, the Committee has reported favourably on these potentially related transactions.

H) Corporate governance

- The Committee approved the Annual Corporate Governance Report for the financial year 2020 as a preliminary step prior to the approval by the Board of Directors.
- The Committee has also monitored compliance with the rules of the internal codes of conduct. It has also promoted and fostered a culture of compliance with the Company's corporate rules and texts throughout the organisation. In addition, it has supervised the application of the general policy regarding the reporting of economic, financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisors and other stakeholders.

I) Regulatory compliance

- The Committee has maintained regular contact with the Regulatory Compliance Unit, the unit in charge of monitoring regulatory updates and legislative developments, overseeing the money laundering and security reports drawn up by an independent expert, as well as analysing those issues that should be subject to its analysis in the area of data protection. In this regard, one of the priorities for the financial year 2021 was to make technical improvements in this area to ensure the protection of personal data.
- In addition, during the year, the Committee monitored the development of the Company's anti corruption policy, which incorporates the recommendations made by the Committee at its various meetings. In this regard, it was agreed to report favourably on the text of the anti corruption policy to the Board of Directors for its approval.

J) Sustainability

- The Committee has carried out the role of overseeing the non-financial information contained in the integrated annual report, with a particular focus on ESG indicators.
- The Committee also analysed the report issued by the external auditor on the review of the ESG indicators of the 2020 integrated annual report, which included, among others, the main points for improvement highlighted during the process.

K) Treasury shares activity

- The Committee has been duly informed throughout the year about the treasury share transactions carried out by the Company, including the corresponding purchases under the treasury share repurchase programme approved by the Board of Directors during the financial year 2021.

6.6.3 Appointments and Remuneration Committee (ARC)

The Appointments and Remuneration Committee (ARC) is responsible for reporting to the Board of Directors on proposals for the appointment of Dominical and Executive Directors, and for proposing the appointment of Independent Directors, following the relevant assessment of the skills, knowledge and experience required, always taking into account the principles of diversity and balance in its composition. The Committee is also responsible for proposing to the Board the Remuneration Policy for Directors, managers and persons performing senior management functions.

With regard to its functioning, the ARC meets whenever requested by at least 2 of its members or upon agreement by its Chairman, who is responsible for convening the meeting. The call notice shall be valid provided it is sent by any means that allow acknowledgement of its receipt. The Appointments and Remuneration Committee is validly constituted when the majority of its members are present or represented. Its resolutions are adopted by a majority of those present or represented, with the Chairman having the casting vote in the event of a tie.

As at **31 December 2021**, the Appointments and Remuneration Committee was composed of the following Directors:

Name	Position
Ms. Ana Bolado Valle	Chairwoman
Mr. Luis Maluquer Trepat	Board Member
Ms. Silvia Mónica Alonso-Castrillo Allain	Board Member
Mr. Adnane Mousannif	Board Member
Mr. Juan Carlos García Cañizares	Board Member

There were no changes in the composition of the Appointments and Remuneration Committee during the financial year 2021.

As regards the preparation and development of the meetings, the Chairman of the Committee must convene them with adequate advance notice, with Directors regularly attending them. In cases where, for justified reasons, they are unable to attend, they delegate their vote to another Director, including any instructions to the proxy. In this regard, during the 2021 financial year, all members of the Committee attended 100% of the meetings, either in person or by proxy. Prior to each meeting, Committee members are provided with information on the issues to be addressed therein, so as to encourage their active participation and the informed adoption of resolutions.

In addition to the Committee members, the following attended as guests, among others: (i) the Chairman of the Board of Directors; (ii) the Chief Executive Officer; and (iii) the Human Resources Director.

In view of the special circumstances that arose during the 2021 financial year as a result of the health crisis caused by COVID-19, the ARC meetings were held by telephone or videoconference, in accordance with the measures adopted by Royal Decree-Law 8/2020, of 17 March, on extraordinary urgent measures to deal with the economic and social impact of COVID-19. At each of these meetings, the Secretary confirmed the identity of all attending Committee members.

In the exercise of its duties, which are set out in the articles of association and the regulations of the Board of Directors, the Appointments and Remuneration Committee carried out the following activities in 2021, among others:

A) Ordinary management

> It coordinated and submitted to the Board the reports on the evaluation of the Board of Directors, the Appointments Committee and the performance of its duties by the Chairman of the Board, the Chief Executive Officer and the Secretary of the Board, with the advice of Spencer Stuart, as well as the recommendations and suggestions for improvement from all Directors contained in the evaluation questionnaires.

> It has led the Directors' Refresher Plan.

> It has analysed the qualification of the members of the Board of Directors in accordance with the provisions of their corporate texts, the Corporate Enterprises Act and the corporate governance recommendations.

> It has proposed to the Board of Directors the appointment of Ms. Ana Bolado Valle as member of the Audit and Control Committee.

B) Corporate governance

> It has analysed the degree of compliance with the corporate governance recommendations, as set out in the *Annual Corporate Governance Report*.

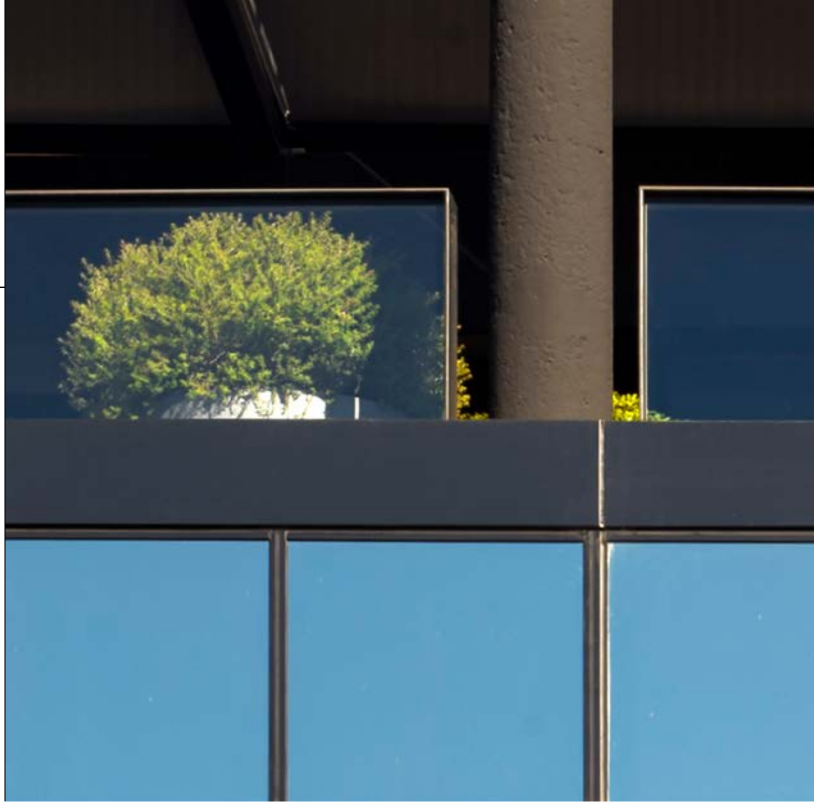
> It has reviewed the succession plan for the Chairman of the Board of Directors and the Chief Executive Officer. It has also initiated the analysis of the process of replacing the executive chairmanship of the Board of Directors by a non-executive chairmanship.

> It has analysed and developed a matrix of competencies of the members of the Board of Directors, which is included in this report.

> It has approved the amendments proposed by the Audit and Control Committee to amend the Articles of Association and the Regulations of the Board of Directors of the Company in order to adapt the corresponding articles to the new wording of the Corporate Enterprises Act.

C) Remuneration

- It has reported favourably and proposed to the Board of Directors the approval of the Annual Report on Directors' Remuneration.
- After carrying out an analysis, it has proposed to the Board of Directors a new Remuneration Policy for Directors for the years 2021-2023.
- It has analysed and modified the variable remuneration objectives for the financial year 2021 in order to assess the performance of the Executive Committee.
- Based on compliance with the indicators and the achievement of certain milestones, it has proposed the number of shares to be received by the beneficiaries of the Share Delivery Plan approved by the Annual General Meeting held on 21 January 2014.
- It has ensured compliance with the remuneration policy established by the Company and has proposed to the Board of Directors the variable remuneration of the Chairman and the Chief Executive Officer.
- It has reported favourably on the fixed and variable remuneration of the Company's management team proposed by the Chief Executive Officer.
- It has proposed to the Board of Directors a new long-term incentive plan, which has replaced the existing long-term incentive plan approved by the Annual General Meeting on 21 January 2014, for subsequent submission for approval by the Company's AGM (which was subsequently approved by the AGM held in June 2021). It has also reported favourably on the regulations of the Company's Long-Term Incentive Plan for approval by the Board of Directors.
- It has reported favourably on the contracts of the Chairman, the Chief Executive Officer, the Corporate General Manager and the Management Team.



6.6.4 Sustainability Committee

The Sustainability Committee was established by resolution of the Board of Directors on 17 December 2020, and has the following functions, among others:

(i) Evaluating and periodically reviewing the environmental and sustainable development policies approved by the company's Board of Directors, as well as ensuring that the company's environmental and sustainable development practices are in line with these policies.

(ii) Evaluating and monitoring any proposals for the Company's inclusion in the most widely recognised international sustainability indices.

(iii) Advising the Board of Directors on environmental and sustainable development issues in accordance with internationally accepted best practices.

(iv) Analysing draft legislation, voluntary initiatives and recommendations on environmental and sustainable development matters and their possible effects on the Company's activities, as well as reporting on the possible impact on the Company of European regulations and national, regional and local legislation on environmental and sustainable development matters, all with a view to taking the appropriate decisions.

(v) Analysing the indices and measurement tools commonly accepted in international practice to assess and measure the Company's environmental and sustainable development positioning and to provide recommendations for improving the Company's positioning.

(vi) Issuing reports and carrying out the corresponding actions in environmental and sustainable development matters.

In the exercise of its functions, during the 2021 financial year, the Sustainability Committee carried out the following activities, among others:

Sustainability

> It has analysed, evaluated and promoted the Company's policies and practices in the field of sustainable and environmental development. In particular, it has analysed the appropriateness and, where necessary, considered adapting the indices with which the Company works in ESG matters.

> It has analysed and validated the content and approach of the annual integrated non-financial ESG report, setting the quantitative and qualitative objectives.

> It has strengthened and refreshed the Directors' knowledge on sustainability issues, establishing a training programme for this purpose.

> It has analysed the possibility of adhering to new ESG initiatives, such as those related to the Company's commitment to the use of renewable energy, assessing the possibility of meeting certain decarbonisation targets and drafting a decarbonisation plan for the Company (e.g., that all the Company's buildings in operation have energy certification, and the implementation of a system for measuring energy KPIs for all of these buildings).

> During the 2021 financial year, the Sustainability Committee worked on the preparation and subsequent approval in January 2022 of a new decarbonisation plan for Colonial's portfolio with a 2018 base year aligned with and validated by the Science Base Target Initiative (SBTi).

> The plan includes accelerating the Net Zero carbon emissions target from 2050 to 2030.

- The Committee has worked on and approved an internal carbon price of €100/tCO_2e as an internal reference for sustainability decision-making.

- It has reported favourably on the degree of compliance with the decarbonisation objectives of the Company's assets.

- It has conducted an analysis of trends in sustainable financing, such as green bonds, climate bonds and ESG bonds, proposing the conversion of all of the Company's debt into green bonds and monitoring the Company's ESG compliance with the necessary requirements.

- In the social area, it has monitored the implementation and development of the Company's equality plan through the creation of an equality committee, as well as the improvement of the employee evaluation system and the achievement of good results in the Great Place to Work survey.

The composition of the Sustainability Committee is as follows, with no changes during 2021.

Name	Position
Ms. Silvia Mónica Alonso-Castrillo Allain	Chairwoman
Ms. Ana Peralta Moreno	Board Member
Ms. Ana Bolado Valle	Board Member
Mr. Luis Maluquer Trepat	Board Member
Mr. Adnane Mousannif	Board Member

During the 2021 financial year, the Sustainability Committee met four times and all its meetings were attended by all its members. In addition, in view of the special circumstances that arose during this financial year 2021 as a result of the health crisis caused by COVID-19, the meetings were held by telephone or videoconference in accordance with the Company's internal rules and the measures adopted by Royal Decree-Law 34/2020, of 17 November, on urgent measures to support business solvency and the energy sector, and on tax matters. At each of these meetings, the Secretary confirmed the identity of all attending Committee members.

With regard to the preparation and development of the meetings, the Chairman of the Committee calls the meetings with adequate advance notice and, prior to each meeting, the Committee members are provided with information on the matters to be discussed at the meetings, thus encouraging their active participation and the informed adoption of agreements.

In addition to the Committee members, the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Corporate Development Officer and the Corporate General Manager, among others, attended its meetings as guests. The Committee was also attended by a number of the Company's sustainability advisors.

6.7. Corporate units with an impact on corporate governance reporting to a delegated committee

6.7.1 Corporate Governance Unit

In the specific area of corporate governance, on 27 July 2016, Colonial's Board of Directors agreed to amend the Regulations of the Board of Directors so that the Appointments and Remuneration Committee would be responsible for overseeing compliance with the rules of corporate governance and other related matters.

In addition, in order to advise and propose to the Appointments and Remuneration Committee the necessary actions to keep Colonial's corporate governance in line with the best national and international practices and recommendations, the Appointments and Remuneration Committee agreed to create the Corporate Governance Unit. This unit is headed by the Deputy Secretary of the Board together with the Chairman of the Appointments and Remuneration Committee and has the financial independence to seek external advice as it deems necessary.

In the exercise of its duties, the Corporate Governance Unit leads the Board of Directors' Refresher Plan.

6.7.2 Regulatory Compliance Unit (RCU)

On 28 July 2011, the Board of Directors approved the creation of the Regulatory Compliance Unit (RCU), which reports directly to the Audit and Control Committee and is composed of the Company's Legal Services Director and the Head of Internal Audit.

The functions entrusted by the Board of Directors to the Regulatory Compliance Unit include the following:

> Keeping the regulations applicable to Colonial up to date and available to the Audit and Control Committee.

> Regularly assessing compliance with applicable regulations, as well as the adequacy and effectiveness of internal regulations.

> Establishing, implementing and maintaining appropriate procedures to detect and correct non-compliance with applicable standards.

> Exercising the functions assigned by the Internal Code of Conduct in the Securities Market, the Code of Ethics, as well as any other rules that make up the Company's Corporate Governance.

The RCU met formally on 17 occasions in 2021. As regards the preparation and holding of meetings, they are convened either by the Head of Legal Services or the Head of Internal Audit, with sufficient advance notice and regular attendance by all members. In addition, those people who have been considered as appropriate by the RCU have also participated in the meetings.

In 2021, the RCU was assisted and advised by different multidisciplinary teams depending on the actions to be developed, staff belonging to the Company itself.

With regard to the participation of RCU members in the Audit and Control Committee, RCU members have attended all meetings of the Audit and Control Committee as guests. In this regard, the RCU reported specifically at six of the eleven meetings of the Audit and Control Committee held during the 2021 financial year (18 February, 18 March, 4 May, 22 July, 6 October and 15 December), two of which were monographic meetings on non-financial issues, namely those held on 18 March and 6 October.

Likewise, regular contact has been maintained throughout 2021 with the Chairman of the Audit and Control Committee in order to convey any issues that were to be analysed.

In addition, RCU members have participated in all Colonial's Executive Committee meetings held during 2021.

The main actions carried out by the RCU during 2021 were the following:

C) Internal Standards of Conduct (ISC) for the securities markets

> The functions attributed to the RCU by the ISC have continued to be carried out, including the communication by the ISC to new Colonial employees who are considered to be Affected Persons. The list of Affected Persons by the ISC and of people related to persons with management responsibilities have been updated. The Management Team has also been reminded of the Blackout Periods.

D) Ethics

> The Ethics Channel: In compliance with the recommendations of the Unified Code of Good Governance, the Company's Ethics Channel has been extended to Colonial's website to facilitate the reporting of possible irregularities by Directors, employees, shareholders, suppliers, contractors and subcontractors. Likewise, a space for ethics and compliance has also been set up on the corporate website. In relation to the RCU's handling of complaints, no complaints were received through the Ethics Channel in 2021.

> The Code of Ethics has been provided to Colonial's new employees and they have been informed of their obligation to comply with the code of ethics and other internal regulations. The updated version of these regulations has been made available to new employees and is also available to all employees on the corporate website.

> The RCU participated in the Due Diligence Questionnaire conducted in 2021 for the issuance of bonds under Colonial's Euro Medium Term Notes (EMTN) and Euro Commercial Paper (ECP) programmes.

> Conflicts of interest / Related-party transactions: Three transactions have been analysed during the financial year 2021; however, these transactions were not considered to be related-party transactions.

A) Regulatory update on COVID-19

> Within the framework of the pandemic that persisted during the 2021 financial year, the Regulatory Compliance Unit has continued to monitor the new legal developments that have been adopted and their effects on Colonial. In this regard, the Head of Legal Services has reported on 16 occasions at Colonial's Management Team meetings. Specifically, in collaboration with the rest of the members of the legal advice department, they have monitored regulatory updates, new legislation, the appearances of the heads of each administration. They have answered a total of 54 queries from the different areas. These activities have been carried out both at the national level and in the autonomous communities of Madrid and Catalonia.

B) Criminal risks prevention

> Colonial's anti-corruption policy has been formalised. It was approved by the Board of Directors at its meeting on 7 October 2021. This policy includes a section on donations and grants. It was communicated to all Colonial and Utopicus employees on 15 October 2021 and it is also available on the corporate website.

> The criminal risk prevention model has been reviewed with an external consultant.

> The participation of the Regulatory Compliance Unit in the Audit and Control Committee has been further formally strengthened, in compliance with the external advisor's recommendations for improvement.

E) Money Laundering Prevention

> The Money Laundering and Terrorist Financing Prevention Handbook has been updated to adapt it to the amendment introduced by Royal Decree-Law 7/2021 of 27 April. These adjustments have been purely formal as SOCIMIs have not been included as regulated entities.

> An external report was issued on the procedures and the established internal control and communication bodies to prevent money laundering for the financial year 2021. In accordance with the applicable regulations, this report is submitted to the Audit and Control Committee within three months of its issuance.

> Identification tasks have been carried out with regard to the prevention of money laundering in divestment operations, with the advice and validation of external personnel.

> Support has been given at the meetings of the Internal Control and Communication Body (OCIC).

F) Data protection

> Colonial's Data Protection Officer has carried out the duties inherent to the position during the 2021 financial year and has reported at two of the meetings of the Audit and Control Committee (18 March 2021 and 6 October 2021).

> Privacy training has been provided to all Colonial and Utopicus staff in e-learning format.

> Work has been carried out to review corporate websites in terms of privacy and cookie policies.

> Regular support has been given in response to the queries received from the different areas, both from a legal and a technical perspective.

> Different deliverables on GDPR have been prepared (27 deliverables).

> Work has continued on the management of the Record of Processing Activities and PIAs.

> Weekly follow-up meetings on Personal Data Protection have been held with the external privacy advisor (41 meetings).

> The degree of compliance of each corporate area with the GDPR was analysed on a monthly basis.

G) Corporate Social Responsibility

> The RCU has contributed to the ethics and compliance section of the Integrated Annual Report published during the 2021 financial year.

> The RCU has participated in the evaluations carried out by the different indices that have analysed the Company's ESG in terms of ethics and compliance.

6.8. Remuneration of the Board of Directors

The Ordinary Annual General Meeting of the Company, held on 30 June 2021, approved, with 88.74% of votes in favour, the Directors' remuneration policy for the financial years 2021, 2022 and 2023 (the "Remuneration Policy"), which had been prepared by the Board of Directors of the Company, at the proposal of the Nomination and Remuneration Committee.

6.8.1 Remuneration Policy applicable to 2021

The main changes in the new Remuneration Policy in respect of Executive Directors are as follows:

Fixed elements

- > **Simplification** of the structure of the fixed elements.
- > **Elimination** of **automatic updates** of fixed elements by the CPI published by the National Institute of Statistics corresponding to the calendar year immediately prior to the date of the review.
- > **Clarification** of the definition of the **contribution** to the **social welfare plan**.

Annual variable remuneration

- > Greater **objectification** of **variable** annual remuneration, with an increase in the weight of metrics linked to the creation of shareholder value.
- > Consideration of non-financial objectives in variable remuneration, which may be linked to **ESG** priorities.
- > Introduction of the possibility to pay part of the **variable** compensation annually **deferred** and in **shares**.

Long-term variable remuneration

- > Definition of a **long-term incentive plan** linked to a **multiannual period** of **measurement** of objectives of 3 years.
- > Increasing the weight of the **metrics** linked to the **creation of shareholder value**.
- > Consideration of non-financial objectives in variable remuneration, which may be linked to **ESG** priorities.

Other elements of remuneration

- > Clarification of the definition of the **malus and clawback clauses**.
- > Inclusion of a **minimum permanent shareholding requirement**, in addition to the holding period for net shares, if any, delivered under the long-term incentive plan.
- > **Simplification** of the definition of the **compensation** for termination of the relationship.
- > Introduction of a **compensation for post-contractual non-competition** in the **case of voluntary** termination without cause (in the case of termination with cause by the Company, it would not apply).
- > **Reduction** of the **extraordinary** remuneration (from 200% to 100% of the annual fixed remuneration of the Executive Directors) and clarification of the exceptional cases where it could be applied, if applicable.

For these purposes, the remuneration policy is available on Colonial's website at the following link: https://www.inmocolonial.com/sites/default/files/uploaded-files/2021-10/19_politica_de_remuneraciones.pdf. On 28 February 2022, the Annual Directors' Remuneration Report for the financial year 2021 was published, providing detailed information on how the remuneration policy is expected to be applied in the financial year 2022 (Section A of the report) and on how the remuneration policy was applied during the financial year 2021 (Section B of the report). The report is available for consultation on Colonial's website, as well as on the website of the National Securities Market Commission (Comisión Nacional del Mercado de Valores-CNMV), which can be accessed via Colonial's website through the following link: https://www.inmocolonial.com/sites/default/files/uploaded-files/2022-02/IAR%202021_%20CNMV_0.pdf

Notwithstanding the above, the main aspects of how the remuneration policy has been applied during 2021 are as follows:

1. There have been no deviations from the established procedure for the application of the Remuneration Policy during the financial year 2021.

2. The Remuneration Policy does not provide for temporary exceptions to the Remuneration Policy.

3. **Remuneration of Directors in their capacity as such**: As regards the remuneration of all Directors in their capacity as such, the Remuneration Policy established, for the financial year 2021, the maximum annual amount of remuneration for all Directors in their capacity as such at €2.2m. The Policy also provides that in the event of an increase in the number of members of the Board of Directors, the maximum amount shall be increased by 10% for each new member of the Board of Directors resulting in an increase in the number of members of the Board of Directors. In accordance with the above, the maximum amount of annual remuneration for all Directors in their capacity as such for 2021 was set at €2.2m.

   In this regard, in the 2021 financial year, the total amount of the remuneration of Colonial's Directors in their capacity as such was €1,649,325, an amount €550,675 lower than the limit established by the Remuneration Policy in force for the 2021 financial year. In particular, the individual remuneration of each Director in their capacity as such consisted of: (i) a fixed annual amount; and (ii) attendance fees for meetings of the Board of Directors and its Committees. The Executive Directors did not receive any remuneration for their membership of the Board of Directors or its Committees. In this respect, the Executive Directors received remuneration in the amounts to which they were entitled under their respective contracts with the Company, in accordance with the Remuneration Policy.

   The determination of the fixed components accrued by Colonial's Directors in their capacity as such for the 2021 financial year has not undergone any changes with respect to those applicable to the 2020 financial year, the breakdown of which is as follows:

   (i) Directors are entitled to a fixed annual amount of €50,000.

   (ii) The Coordinating Director is entitled to receive an additional fixed annual amount of €75,000.

   (iii) Directors are entitled to an attendance fee of €5,000 for each Board meeting they attend.

   (iv) The members of the Executive Committee are entitled to an attendance fee of €3,000 for each meeting of the Executive Committee they attend.

   (v) The Chairman of the Audit and Control Committee and the Chairman of the Appointments and Remuneration Committee are entitled to an additional annual fixed amount of €50,000 each.

   (vi) The remaining members of the Audit and Control Committee and the Appointments and Remuneration Committee are entitled to an additional annual fixed amount of €25,000 each.

   (vii) The Chairman of the Audit and Control Committee and the Chairman of the Appointments and Remuneration Committee are entitled to an attendance fee of €4,800 for each meeting of the Audit and Control Committee and the Appointments and Remuneration Committee attended, respectively.

   (viii) The remaining members of the Audit and Control Committee and the Appointments and Remuneration Committee are entitled to an attendance fee of €3,000 for each meeting of the Audit and Control Committee and the Appointments and Remuneration Committee attended, respectively.

   (ix) In addition, and as a new concept with respect to the previous year, in view of the recent constitution of the Sustainability Committee, the Chairman of said Committee is entitled to an amount of €4,800 as attendance fees for each meeting of the Sustainability Committee attended, and for the other members of the Committee, the amount of €3,000 euros for the same concept.

4. **Fixed and variable remuneration of Executive Directors**: With regard to the fixed remuneration accrued in the financial year 2021 in favour of the Executive Directors, the Remuneration Policy in force in 2021 establishes a fixed annual remuneration of €750,000 for the Chairman of the Board of Directors and for the Chief Executive Officer. This amount remunerates all the functions that they perform at Colonial, both those of an executive nature and their membership of the Company's Board of Directors and attendance at its meetings.

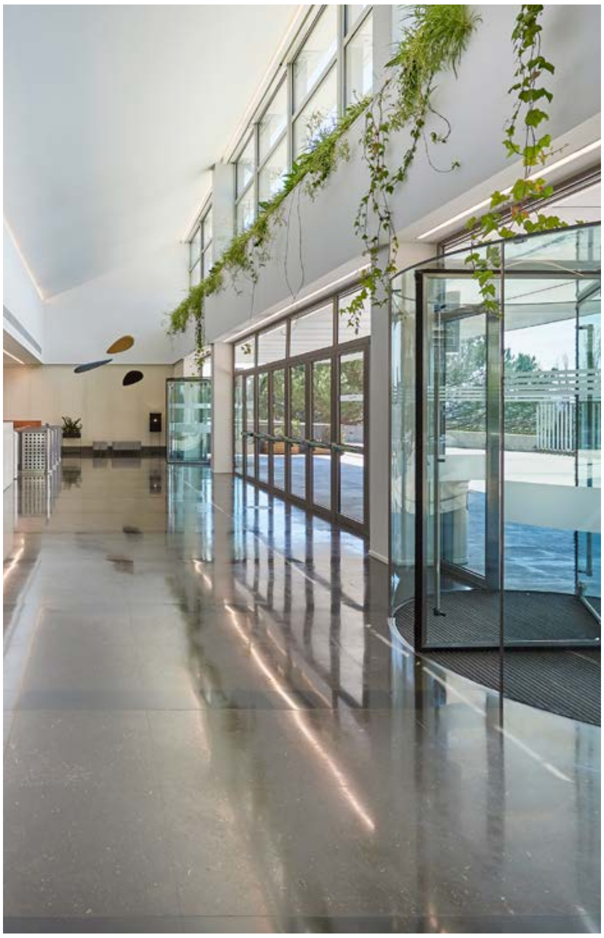
   The Executive Directors may receive an annual variable remuneration. To this end, the Company establishes criteria to maintain an appropriate balance between these components, with a remuneration scheme that presents a balanced and efficient relationship between fixed and variable components.

   Thus, the variable remuneration (incentive annual target) has been established as 100% of the total amount of the fixed remuneration if the targets are achieved, with the possibility of reaching an annual maximum of 132.5% of the fixed remuneration in the financial year 2021, with no guaranteed variable remuneration.

   Annual variable remuneration is normally linked to financial and value creation objectives, with the possibility of including non-financial objectives, the weight of which shall not exceed 30% of the annual incentive target. In particular, for the 2021 financial year, the Board of Directors determined the following metrics to be taken into account for the determination of the variable remuneration of Executive Directors.

6.8.2 Annual Variable Remuneration: 2021

Types of objectives	Weight	Metrics
80% Economic-financial and creation of shareholder value	35%	> Net rental income and adjusted earnings per share. > Depending on the 2021 budget.
	30%	> Net Asset Value (NAV). > Based on the 2021 business plan.
	15%	> Loan to Value (LTV). > Based on the 2021 business plan.
20% Non-financial	10%	> Boost in ESG, with emphasis on the environment vector. > Based on the 2021 business plan.
	10%	> Performance assessment with a focus on issues such as innovation, organisation, risk management and corporate reputation.



In addition, and in accordance with the provisions of the Remuneration Policy, the contracts of the Executive Directors include so-called “malus” and “clawback” clauses that allow Colonial to cancel or claim, in certain cases, the total or partial refund of the amounts received as variable remuneration.

During the 2021 financial year, with regards to the total target remuneration (fixed remuneration, annual target variable remuneration and annualised long-term incentive target at initial grant price), the variable element in shares has had a weighting of 1/3 for the Chairman and 50% for the CEO.

In accordance with the above, Colonial’s Board of Directors of, at the proposal of the Appointments and Remuneration Committee, determined at its meeting on 28 February 2022 the amounts of the annual variable remuneration accrued by the Executive Directors in the 2021 financial year. For their determination, the metrics indicated in section B.2. of the Annual Remuneration Report and the results achieved in the year were taken into account. In relation to financial metrics, the following were considered:

- That the degree of achievement of the earnings per share target was higher than the target set at the beginning of the year.

- That commercialisation of assets has reached a total in excess of the planned commercial effort budget and also exceeds the 2019 result. Also, a very significant percentage of the commercial effort has been new contracts, which has improved the portfolio's occupancy levels. This resulted in net rental income of €290.3m, slightly exceeding the target set at the beginning of the year.

- That the NTA per share (former NAV) at the end of 2020 was €11.27/share. At the end of 2021, the non-dividend adjusted NTA reached €11.72/share. Dividend-adjusted value creation relative to the previous year's dividend-adjusted NTA would be 4.1%. This result exceeds the target set at the beginning of the financial year 2021.

- In relation to financial policy, that during the financial year 2021 an active debt management of the entire Group has been carried out. As a result of all the activities carried out, Moody's rating was upgraded from Baa2 – stable to Baa2 – positive and the S&P rating was maintained at BBB+. The LTV also shows a very favourable development. Of note in 2021 was the launch of the project to convert all the Group's bonds into Green Bonds. As a result, the degree of compliance with the financial policy target is slightly above the level set at the beginning of the year.

In relation to the non-financial objectives, the Board of Directors, following the proposal of the Appointments and Remuneration Committee, considered the achievements in the year:

- The development of a new Decarbonisation Plan and Economic Value & Return Model.

- Obtaining a Level A CPD Rating, which is an improvement on the previous A- rating. Only one European office company has this level.

- Improvement in GRESB Standing Investments Rating, VIGEO, Sustainalytics, MSCI.

- Maintaining the EPRA Gold sBPR rating for the sixth consecutive year.

- The launch of the project to convert all of the Group's bonds into Green Bonds.

Finally, the Board of Directors considered the measures the Management Team took to strengthen the Group's position at the beginning of the complex scenario the global COVID-19 pandemic crisis caused.

Therefore, the Board of Directors has determined an ordinary variable remuneration **of 122.57% of the target level and of their annual fixed remuneration** for each of the Executive Directors, i.e., €919,275. Such variable remuneration has been agreed to be paid to each of the Executive Directors as follows: (€750,000 in cash, to be paid to the Executive Directors in the financial year 2022; and 21,912 shares, to be delivered to the Executive Directors in the financial year 2023, with the Board of Directors being able to apply the malus (cancellation) clause in certain circumstances. This number of shares has been calculated on the basis of the weighted average share price in the 30 trading sessions prior to the date of the Board of Directors' approval of the ordinary variable remuneration for the financial year 2021 (€7.725). The beneficiaries will be entitled to receive an amount equivalent in cash to the dividends accruing on the deferred shares during the deferral period on the same date of delivery of the deferred shares.

In addition to the above, Colonial's Remuneration Policy provides that the Board of Directors, at the proposal of the Appointments and Remuneration Committee, shall have the power to agree the granting of extraordinary remuneration to Executive Directors for their participation in the performance of extraordinary corporate transactions, acquisitions, investments, restructuring or any other transaction, based mainly on the relevance, complexity and uniqueness of the corporate transaction that generates significant added value for the shareholders and/or generates an economic benefit or a significant increase in equity that reinforces Colonial's sustainability.

In this regard, Colonial's public offer for SFL shares owned by minority shareholders was launched in 2021. This extraordinary, relevant, complex and unique operation has been a definitive step forward in the strategy of simplifying the Group's structure, in improving its strategic positioning, and in its capacity to generate savings and increase profits. Accordingly, based on the size of the operation, and in comparison with the Group's previous operations, as well as considering the assessment of the tangible business benefits in relation to the factors indicated in the Remuneration Policy, **an extraordinary variable remuneration of 50% of the annual fixed remuneration** (50% of the maximum limit established in the Policy) was proposed.

6.8.3 New Share Delivery Plan 2021

The Executive Directors and Senior Management of Inmobiliaria Colonial, SOCIMI, S.A. are beneficiaries of a long-term incentive plan consisting of the delivery of shares in the Company which was approved by the Annual General Meeting held on 30 June 2021. The approval of the Plan rendered ineffective the share delivery plan approved by the Annual General Meeting of the Company held on 21 January 2014, extended for a period of 2 years by resolution of the General Meeting of Shareholders held on 29 June 2017 and extended for the last time for a period of 2 additional years by resolution of the Annual General Meeting held on 30 June 2020. The key aspects of the Plan are detailed below:

Features of the Plan

Description

The Plan consists of the delivery of ordinary shares of the Company to the beneficiaries of the Plan, as long-term variable remuneration, conditional upon the fulfilment of certain multi-year objectives.

Beneficiaries

The Company's Executive Directors and such other Colonial Group executives and employees as may be determined by the Company's Board of Directors. The delivery of the shares is in any case subject to the beneficiaries of the Plan being Executive Directors of the Company or having employment or a commercial relationship with any Colonial Group company on the dates the delivery takes place, without prejudice to special cases.

As a consequence of the cessation of the Chairman's executive duties on 30 April 2022, he will only be a beneficiary of the first cycle of the Plan during the first 4 months of the 2022 financial year and will not participate in the second cycle of the Plan.

Duration and Delivery

The Plan will have a duration of 5 years and will be divided into 3 overlapping annual cycles of 3 years each, independent of each other. In particular:

> First cycle: will correspond to the 3-year period between 2021 and 2023 (both inclusive), the target measurement period of this first cycle being the period from 1 January 2021 to 31 December 2023.

> Second cycle: shall correspond to the 3-year period between 2022 and 2024 (both inclusive), the target measurement period of this second cycle being the period from 1 January 2022 to 31 December 2024.

> Third cycle: will correspond to the 3-year period between 2023 and 2025 (both inclusive), the target measurement period of this third cycle being the period from 1 January 2023 to 31 December 2025.

The delivery of the Company's shares corresponding to each cycle will take place after the end of each corresponding cycle, i.e., in 2024 for the first cycle, in 2025 for the second cycle and in 2026 for the third cycle, once the audited annual accounts for the financial years 2023, 2024 and 2025, respectively, have been prepared. The specific date of delivery shall be determined by the Board of Directors (or by the person to whom the Board of Directors has delegated the relevant powers to do so).

However, in the event that a takeover bid is made for Colonial, the successful outcome of which implies a change of control of the Company and, in addition, the termination for any reason of the relationship of any of the beneficiaries of the Plan with Colonial within 6 months of the settlement of the takeover bid, the Plan will be settled early for all the beneficiaries of the Plan who have terminated their relationship with Colonial within the stipulated period, and the maximum number of shares assigned to them in each of the Plan's life cycles will be delivered.

Determination of the number of shares

The maximum number of shares that may be allotted under the Plan is 4,055,205 ordinary shares of the Company, representing 0.80% of the share capital, of which a maximum of 510,588 shares are allotted to the Executive Chairman of the Board of Directors of the Company and a maximum of 1,021,175 shares are allotted to the Chief Executive Officer of Colonial. In accordance with the Remuneration Policy approved by the General Shareholders' Meeting in 2021, the maximum amount, if any, to which each Executive Director will be entitled to in each of its cycles, depending on the metrics and parameters established, will consist of: i) for the Executive Chairman, an amount equivalent to 150% of their annual fixed remuneration (€750,000); ii) for the Chief Executive Officer, an amount equivalent to 300% of their fixed remuneration (€1.5m).

The number of shares corresponding to each beneficiary of the Plan in each of its cycles in accordance with the above will be increased by a number of shares equivalent to the amount of dividends per share distributed by the Company to its shareholders during each cycle based on the number of shares allocated to the beneficiary in the cycle.

Requirements and conditions for the settlement of each cycle

The specific number of Colonial's shares that, within the established maximum, will be delivered to the beneficiaries of the Plan at the end of each cycle will be conditional on the fulfilment of financial and shareholder value creation objectives. In addition, the Board of Directors may include as a metric the achievement of non-financial targets which, in no case, may exceed 30% for the determination of the maximum incentive.

Specifically, the determination of the long-term incentive for the first cycle (2021 2023) of the Plan will be based on the following metrics that are primarily associated with the creation of shareholder value:

Weight	Metrics
50%	Relative total shareholder return relative to a comparison group, and adjusted (upwards or downwards) for the absolute Total Shareholder Return.
30%	NAV/share at 31 December 2023
10%	Management of the pipeline: change in the appraised value of the assets included in the pipeline from the beginning to the end of the cycle, taking into account the CAPEX incurred during the period 2021-2023.
10%	Adjusted earnings per share

The Board of Directors, following the proposal of the Nomination and Remuneration Committee, shall determine the payout levels after the close of the target measurement period of each cycle, based on its degree of compliance, and may adjust the level of payout to ensure that the outcome is fair and balanced, in light of the overall performance of the Company, taking into account any associated risks.

In addition, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, shall have the power to propose the cancellation (malus) or recovery (clawback) of all or part of the shares to be delivered to the beneficiaries of the Plan if certain conditions are met.

6.8.4 Long-term savings schemes

Colonial's Executive Directors are beneficiaries of a defined-contribution pension plan that covers retirement, disability and death, for an amount corresponding to 15% of their fixed remuneration. This employee welfare system for the Executive Directors recognises the consolidation of the economic rights in the event of the termination or extinction of the professional relationship prior to the occurrence of the covered contingencies, unless such terminations or extinction is due to just cause. Furthermore, such long-term savings schemes are compatible with any compensation that may be due.

6.8.5 Compensation or other payments resulting from early termination

In 2021, no severance or other payments were accrued or received as a result of the early termination of Colonial's Directors.

6.8.6 Significant changes to the Executive Directors' contracts

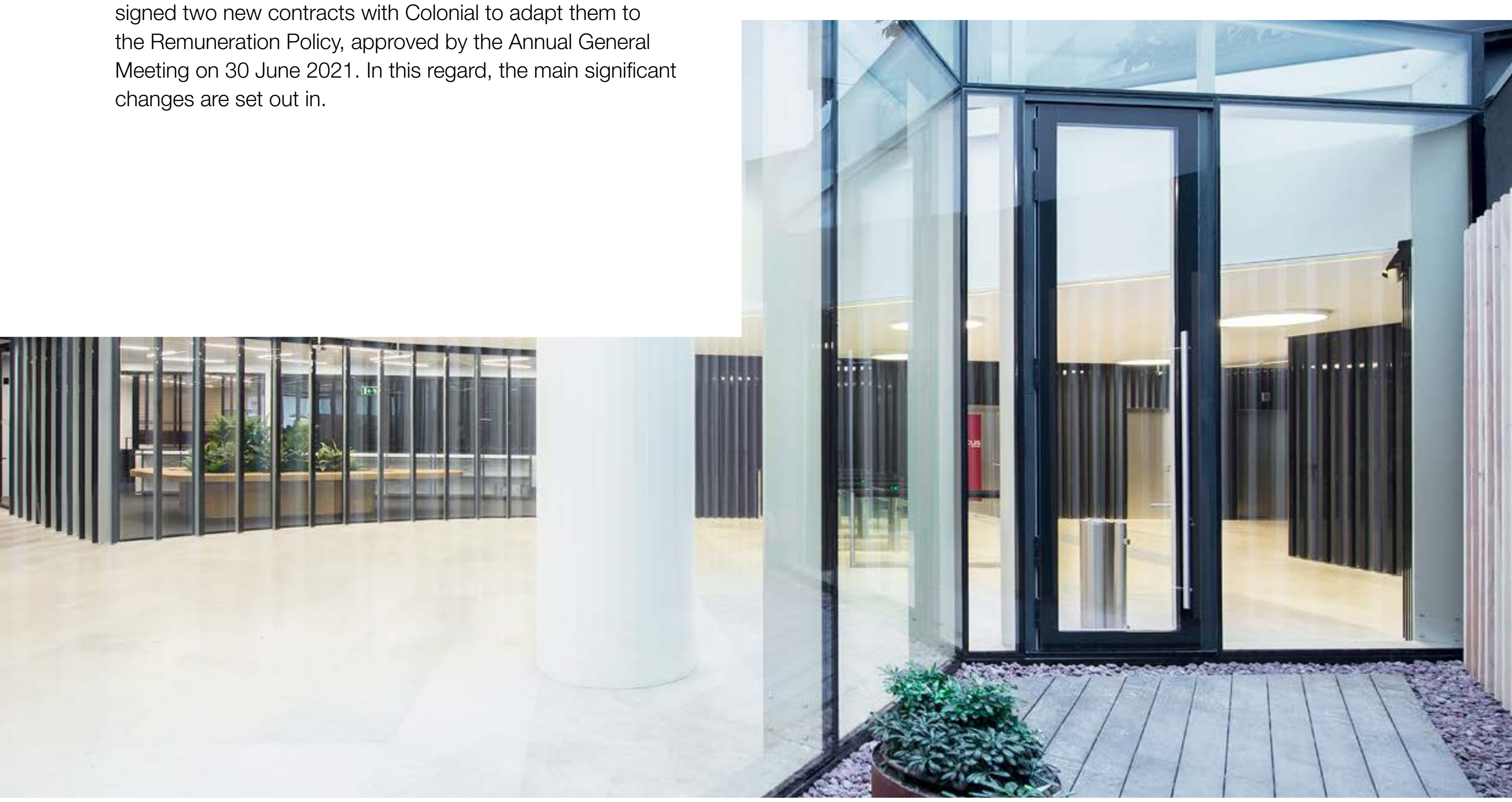
In the 2021 financial year, Colonial's Executive Directors signed two new contracts with Colonial to adapt them to the Remuneration Policy, approved by the Annual General Meeting on 30 June 2021. In this regard, the main significant changes are set out in.

6.8.7 Remuneration in kind

Colonial has taken out a civil liability insurance policy for the Group, which covers liability for the acts and conduct of the members of the Board of Directors (executive and non-executive) and Company executives as a result of the performance of the activities inherent to their duties, as well as claims arising from cybersecurity attacks or failures. The cost of this insurance policy is not included in the maximum amount of annual remuneration for all Directors in their capacity as such. In 2021, the civil liability insurance policy for the Group amounted to €468,606.54.

In addition, the Company pays its Executive Directors other remuneration in kind, mainly social welfare and assistance systems, customary in the sector, such as the use of a Company vehicle, life insurance, family health insurance, disability and accident insurance. In 2021, the amount of this remuneration in kind amounted to €60,700.

Below is a summary table of the remuneration received by Colonial's Directors during the 2021 financial year.



Thousand of Euros

	Accrued remuneration at the Company					Accrued remuneration at Group companies				
Name	Total cash remuneration	Gross profit from consolidated shares or financial instruments	Remuneration by savings schemes	Remuneration for other items	Total 2021 from the company	Total cash remuneration	Gross profit from consolidated shares or financial instruments	Remuneration by savings schemes	Remuneration for other items	Total financial year 2021 company + group
Juan José Brugera Clavero	1,730	302	112	8	**2,152**	145	372	–	–	**2,669**
Pedro Viñolas Serra	1,811	786	112	53	**2,762**	64	–	–	–	**2,826**
Sheikh Ali Jassim M. J. Al-Thani	110	–	–	–	**110**	41	–	–	–	**151**
Juan Carlos García Cañizares	152	–	–	–	**152**	–	–	–	–	**152**
Adnane Mousannif	177	–	–	–	**177**	–	–	–	–	**177**
Carlos Fernández González	110	–	–	–	**110**	–	–	–	–	**110**
Javier López Casado	168	–	–	–	**168**	–	–	–	–	**168**
Luis Maluquer Trepat	310	–	–	–	**310**	44	–	–	–	**354**
Silvia Mónica Alonso-Castrillo Allain	181	–	–	–	**181**	–	–	–	–	**181**
Ana Peralta Moreno	220	–	–	–	**220**	–	–	–	–	**220**
Ana Bolado Valle	221	–	–	–	**221**	–	–	–	–	**221**
Total	**5,190**	**1,088**	**224**	**61**	**6,563**	**294**	**372**	**–**	**–**	**7,229**

6.9. Ethics and compliance

Milestones 2021

- Formalisation of Colonial's anti-corruption policy
- Expansion of the Ethical Channel
- New "Ethics and Compliance" section on the corporate website
- Update of the Money Laundering and Terrorist Financing Prevention Handbook
- Review of the criminal risk prevention model: Archer tool
- Privacy training for the entire staff of Colonial and Utopicus

6.9.1 Code of Ethics

In 2011, in accordance with the good governance recommendations generally recognised in international markets and the principles of social responsibility accepted by the Company, Colonial approved the company's **Code of Ethics**. This document embodies Colonial's commitment to the principles of business ethics and transparency, and establishes the basic values that should guide the activities of Colonial's professionals. The Code of Ethics is available to all Colonial's stakeholders on its website.

The main actions carried out by UCN during 2021 include the following:

a) The company's ethics channel has been expanded on Colonial's website to facilitate the reporting of possible irregularities by directors, employees, shareholders, suppliers, contractors and subcontractors.

b) A space for ethics and compliance has been set up on the corporate website and the management of communications received through the channel has continued, with none having been received.

c) At the time of each new recruitment, the Code of Ethics is handed out and the obligation to comply with the Code of Ethics and other internal regulations has been communicated. The updated version of these regulations has been made available to new employees and is also available to all employees on the corporate website.

During the 2021 financial year, a total of 29 contracts have been signed in Spain and in all of them the code of ethics has been delivered and the corresponding acceptance of its content and commitment to comply with it has been included.

d) Privacy training has been carried out for all Colonial and Utopicus staff in e-learning format.

e) In 2021, 22 interviews were held with the Directors of each area (investments, business, human resources, corporate development and management control, legal and financial operations and Utopicus), as well as with the middle management of these areas, in order to update them on the prevention of criminal risks. In this respect, the interviews have included training and awareness-raising issues and have been developed together with an external consultant.

Likewise, in 2020, training was provided on the prevention of criminal risks and the prevention of money laundering and the financing of terrorism, which included aspects relating to Colonial's code of ethics and its Ethics Channel, as a means of reporting irregularities confidentially and anonymously.

Finally, at the beginning of 2022, a proposal for a multi-year training plan for 2022, 2023 and 2024 was submitted to the Audit and Control Committee, containing annual training courses on ethics, market abuse, prevention of money laundering, crime prevention (including corruption and bribery) and privacy for all Colonial employees.

Action lines

- Respect for the law
- Professional integrity
- Respect for the environment

Relations with and between the Group's professionals

- Non-discrimination and mutual respect and equal treatment
- Equal opportunities
- Reconciliation of family and work life
- Right to privacy
- Health and safety at work

Commitments to third parties and the market

- Free competition
- Integrity in management
- Customer relations
- Relations with contractors and suppliers
- Shareholder relations
- Restricted and confidential information
- Protection of corporate assets
- Conflicts of interest
- Neutrality
- Company commitment
- External activities

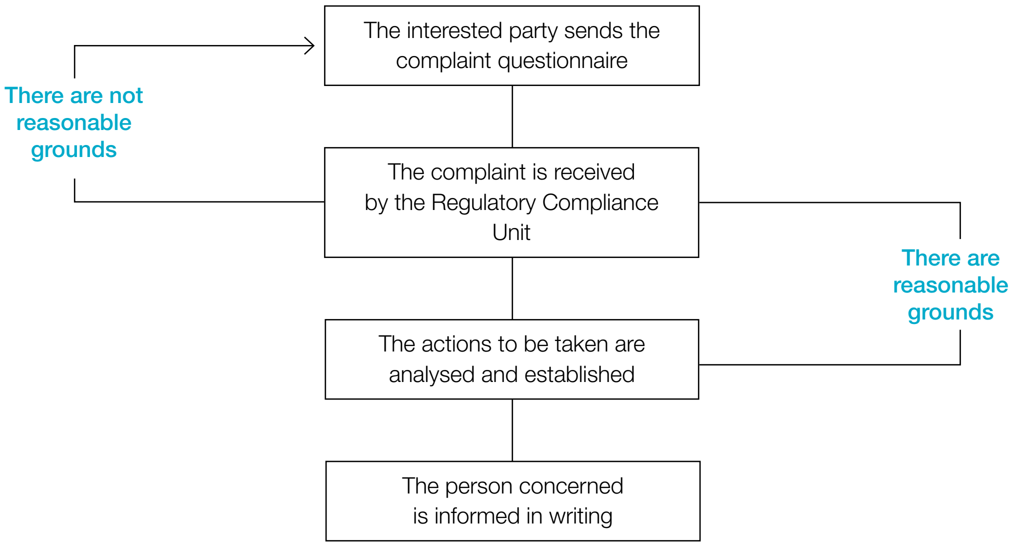
In relation to the principle of neutrality, Colonial develops its business model without interfering or participating in the political processes of the countries and communities in which it operates. Any relationship between Colonial and governments, authorities, institutions and political parties is based on the principles of legality and political neutrality. In this regard, donations to political parties and their related foundations are prohibited. This is included in the Anti-Corruption Policy under point 4.3 "Relations with political and official institutions".

With regard to free competition, the Colonial Group undertakes in accordance with the Code of Ethics to compete fairly in the markets in compliance with the antitrust laws applicable in the countries where it carries out its activities. Furthermore, the Group shall not engage in advertising that is misleading or denigrates its competitors or third parties.

On the other hand, and as explained above, Colonial provides its employees, directors, shareholders, suppliers, contractors and subcontractors with an Ethics Channel by means of which these groups can confidentially report any queries or irregularities of which they are aware and which fall within the objective scope of the Code of Ethics. The Ethics Channel is available 24/7 in Spanish, Catalan and English on the corporate website. In the specific case of Colonial's employees and board members, complaints may also be submitted by name or anonymously.

The Regulatory Compliance Unit is the body in charge of receiving and processing queries and complaints through the platform itself and in accordance with the Ethics Channel Regulations, which are available on the corporate website. In addition, the Regulatory Compliance Unit is the body responsible for processing and managing any other facts of which it becomes aware by any other means, with legal advice and assistance from external counsel if necessary. Data subjects who make any kind of query or complaint, provided they do so in good faith, are protected against any form of retaliation, threat, extortion, discrimination or criminalisation on the basis of the communications made. Likewise, as established in the Regulation, the Ethics Channel is set up fully in accordance with the different legally established data protection requirements, in order to duly protect the privacy and intimacy of the persons involved and, in particular, to guarantee the confidentiality of the person making a complaint. In this regard, the Data Protection Officer is responsible for its continuous compliance and may rely on specialised external advice.

In 2021, no complaints were received through the internal Whistleblowing Channel, although queries were received through other channels, none of which resulted in corrective actions.



6.9.2 Regulatory risk prevention

In addition to the Code of Ethics, Colonial has a regulatory risk prevention system which is managed through the Regulatory Compliance Unit. In the area of prevention of the different regulatory risks, the company has a Criminal Risk Prevention Manual, a Manual for the Prevention of Money Laundering and Financing of Terrorism and an Internal Code of Conduct in the Securities Market. Likewise, on a recurring basis, Colonial reviews the internal and external regulations applicable to it, through the Regulatory Compliance Unit, as well as external advisors and lawyers, in order to ensure full and correct compliance.

In this regard, a compliance policy was approved by the Audit and Control Committee in 2020 and is available on the corporate website at the following link https://www.inmocolonial.com/sites/default/files/uploaded-files/2021-10/politica_de_cumplimiento_y_prevencion_penal.pdf. The purpose of this policy is to formally ratify Colonial's commitment to promote a culture of regulatory compliance that allows for the development of honest, upright and transparent professional conduct, as well as to show its commitment to "zero tolerance" and firm condemnation of the commission of any kind of illegal act, particularly in the criminal sphere, without, under any circumstances, its commission being justified on the basis of a benefit for the Company. This policy defines the control mechanisms established by the company.

During the 2021 financial year, the criminal risk prevention model was reviewed in order to analyse its future certification together with the Deloitte Legal team. In this sense, the compliance model is being updated and developed in order to prepare the company to obtain certification in the future. For example, by extending the scope of interviews with the management committee to include middle management and by monitoring criminal risk controls through the "Archer" tool. The work began on 20 September 2021 and is scheduled to be completed in the first quarter of 2022.

Within the framework of the pandemic situation that has continued during the 2021 financial year, work has continued on monitoring the specific legal developments that have been adopted and their effects on Colonial. In addition, the different areas have been notified of new regulations that may affect their activities.

With regard to the prevention of money laundering and the financing of terrorism, the Manual for the Prevention of Money Laundering and the Financing of Terrorism has been updated to adapt it to the amendment made by Royal Decree-Law 7/2021 of 27 April. These adjustments have been purely formal as SOCIMIs have not been included as regulated entities. These amendments have been reported to the Audit and Control Committee by the Regulatory Compliance Unit.

The company has also set up an internal control and communication body (OCIC) to monitor the follow-up of aspects relating to the prevention of money laundering and the financing of terrorism. Within the framework of its activity, identification tasks have been carried out in the prevention of money laundering in the three divestment operations carried out by the company in this financial year, with the collaboration of an external advisor.

In addition, a report has been obtained from an independent expert on all the procedures established and activities carried out by the company and by the internal control and communication body for the financial year 2021 to prevent money laundering. In accordance with the applicable regulations, this report was submitted in 2022 to the Audit and Control Committee and the Board of Directors of the Company within three months of its issuance.

6.9.3 Fight against corruption and bribery - Anti-Corruption Policy

The Colonial Group, in line with the Sustainable Development Goals (SDGs) and more specifically SDG 16, aims to "Promote just, peaceful and inclusive societies", as well as to radically reduce corruption and bribery in all its forms by 2030.

Colonial's anti-corruption policy has also been drawn up, and was approved by the Board of Directors at its meeting of 7 October 2021. This policy includes a section on donations and grants, was communicated to all Colonial and Utopicus employees on 15 October 2021 and is also available on the corporate website.

Specifically, the Colonial Group's Code of Ethics, the application of which is binding for all its employees, clearly states that any form of corruption is totally contrary to the Group's principles and values and prohibits any type of behaviour related to any form of bribery.

In this regard, Article 6 of the Code of Ethics establishes that Colonial and its professionals base their relations with customers, suppliers, competitors and partners, as well as with its shareholders, investors and other market agents, on the principles of integrity, professionalism and transparency. In accordance with the above, Colonial's Code of Ethics expressly rejects bribes to authorities and public officials and prohibits its employees from giving to third parties or receiving from third parties undue payments of any kind, or gifts, handouts or favours that are outside market usage or which, due to their value, characteristics or circumstances, may reasonably alter the development of commercial, administrative or professional relations involving the Group's companies.

Thus, in addition to the aforementioned precepts for the fight against corruption, the company has a model of segregation of duties and a purchasing authorisation system, to increase controls in this area which are applied throughout the Group. No significant corruption-related risks have been identified during 2021 through the mechanisms described above.

6.9.4 Principles on grants, sponsorships and donations

Colonial's anti-corruption policy, approved by the Board of Directors at its meeting of 7 October 2021, includes a section on donations, sponsorships and grants.

In this regard, donations to political parties and their related foundations are prohibited. Any relationship of Colonial with governments, authorities, institutions and political parties will be based on the principles of legality and political neutrality.

The term donation shall be understood as any voluntary contribution (monetary or otherwise) made by the Colonial Group to an entity or legal person, with no intention of receiving anything in return and for the sole purpose of participating in and contributing to the activities of the donee, i.e., without expecting to obtain any return in return. Donations must be justified by the Colonial Group's activity and be in line with the lines of action set by the Company and/or its ESG commitments. The Chairman of the Board of Directors and the Chief Executive Officer shall be responsible for deciding on donations and the amounts to be donated. The Board of Directors shall also be informed annually of all donations made, if any, during the financial year.

The term sponsorship refers to any agreement whereby the Colonial Group provides financial (or other) support to an entity or legal person or a specific initiative, in exchange for promoting, directly or indirectly, the name of the Colonial Group as a sponsor in its activities. Strategic alignment of sponsorships will be ensured and appropriate procedures will be put in place. The Chairman of the Board of Directors and the Chief Executive Officer shall decide on the amounts and activities to be sponsored. The Board of Directors shall also be informed annually of all sponsorships made during the financial year.

As a listed company in the real estate sector, Colonial actively engages with multiple sectors of society in its daily operations. In this respect, Colonial strives to promote the creation of value for society through close and collaborative relationships with all its stakeholders and, due to the economic or financial nature of some of these relationships, Colonial has defined guidelines that help the organisation to strengthen them, while ensuring that all interactions and exchanges are carried out in an ethical manner.

In this regard, within the framework of the Colonial Group's ESG Strategy, the company plans to increase its involvement in specific actions that promote social integration, philanthropic activities and greater participation of society in Colonial's activities. These initiatives are consistent with Colonial's commitment to promote and achieve the Sustainable Development Goals (SDGs), more specifically SDG 17: "Revitalising the global partnership for sustainable development", indispensable for the success of the UN 2030 Agenda for Sustainable Development.

6.9.5 Engagement in lobbying activities

Colonial has a corporate social responsibility policy that must be complied with by all employees of the Colonial Group (hereinafter, the Group), as well as by the Group's Directors and representatives. One of the commitments set out in the policy is that Colonial's activities are carried out ethically, transparently and in line with regulatory requirements.

For all these reasons, Colonial has developed a regulatory compliance system with instruments such as the Code of Ethics, the Regulatory Compliance Unit and a series of Policies that develop Colonial's commitment to ethics and compliance. Under this system, Colonial develops its business model without interfering or participating in the political processes of the countries and communities where it operates. Any relationship with governments, authorities, institutions and political parties is always based on the principles of legality and political neutrality.

Colonial is therefore committed to transparency and integrity in its possible lobbying activities, which involves actions such as the following:

> Follow-up of international conventions and treaties on the subject.

> The rejection of any form of corruption in the development of its business activity, whether in the public or private sector.

> Prohibition of committing illegal acts or acts that violate existing regulations under the justification that the person is acting in the best interests of the company.

> Information disclosed by the company to shareholders, investors, analysts and the market shall be truthful and complete and shall accurately describe the company and the group, its business activities and its business strategies.

> Prohibition of donations to political parties and their related foundations.

Finally, and as a sign of our commitment, it should be noted that Colonial has never invested any sum of money in this type of activity.

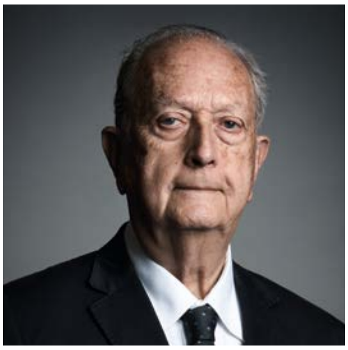
6.10. Organisation of the Group

Colonial

GAV 12/21: €12.436m
GAV incl. transfer costs 12/21: €13,091m

- 50% **Inmocol Torre Europa, S.A.**
- 50% **WittyWood**
- 100% **Assets Spain**
- 98.3% SFL (Société Foncière Lyonnaise)
  - 100% **Washington Plaza**
  - 100% **Parholding**
  - 51% **New Joint Ventures** — 49% PREDICA

6.11. Management Team



Mr. Juan José Brugera Clavero
Chairman

Mr. Pere Viñolas Serra
CEO

Ms. Carmina Canyet i Cirera
Corporate Managing Director

Ms. Nuria Oferil Coll
Chief Legal Officer

Mr. Albert Alcober Teixidó
Chief Operating Officer

Ms. Begoña Muñoz López
Chief Human Resources

Ms. Àngels Arderiu Ibars
Chief Financial Officer

Mr. Juan Manuel Ortega Moreno
Chief Investment Officer

Mr. Carlos Krohmer
Chief Corporate Development Officer

CHAPTER

7

Colonial portfolio

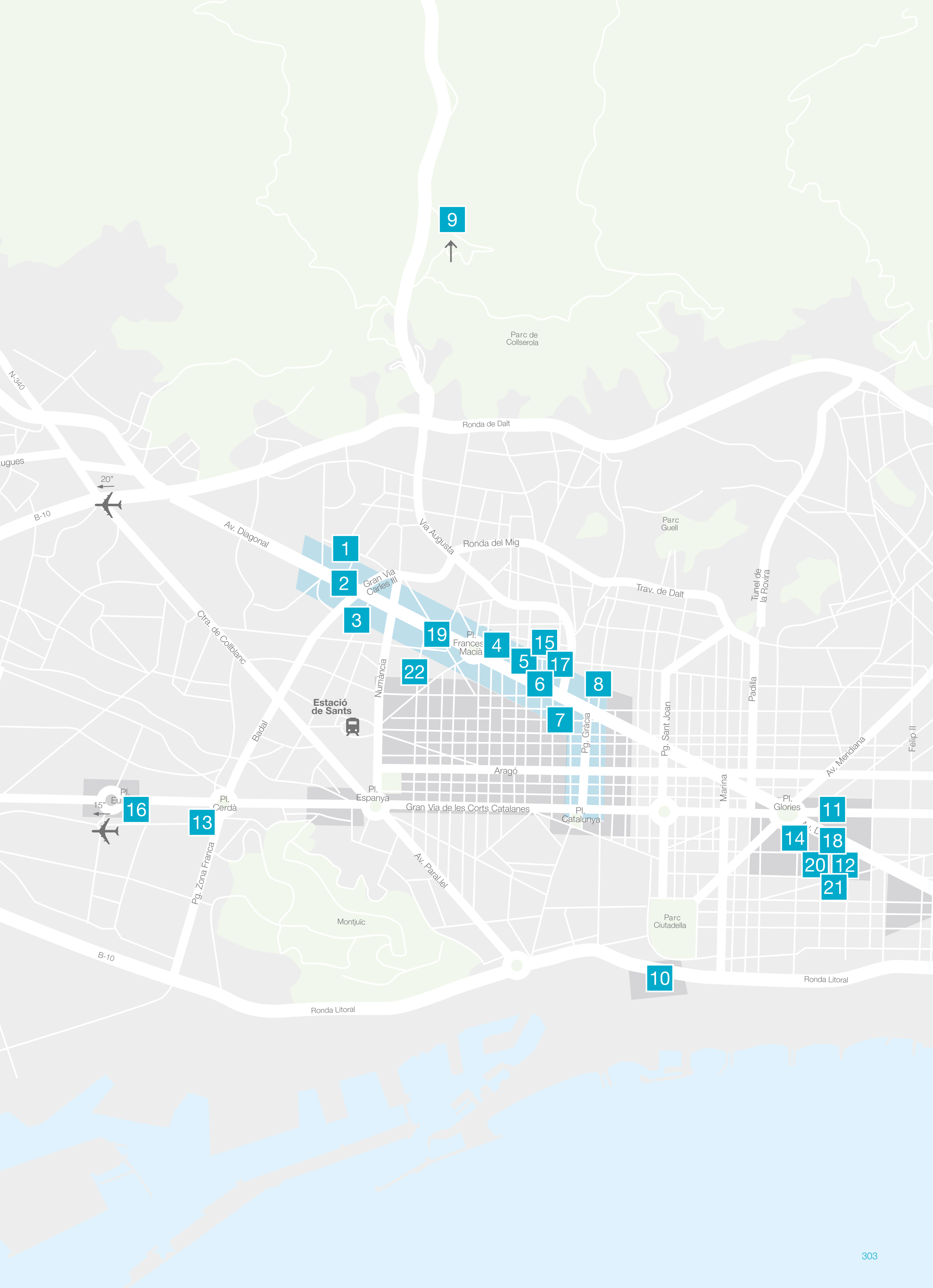
7.1. Location of assets

Barcelona

1. Paseo de los Tilos, 2-6
2. Av. Diagonal, 682
3. Av. Diagonal, 609-615
4. Travessera de Gràcia, 11
5. Amigó, 11-17
6. Av. Diagonal, 530-532
7. Av. Diagonal, 409
8. Vía Augusta, 21-23
9. Complejo de oficinas San Cugat Nord
10. Torre Marenostrum
11. Diagonal Glòries
12. Complejo de oficinas Illacuna
13. Torre BCN
14. Parc Glòries (Ciutat de Granada, 150)
15. Travessera de Gràcia, 47-49
16. Plaza Europa, 34
17. Gal·la Placídia
18. Av. Diagonal, 197
19. Av. Diagonal, 523-525
20. Sancho Ávila, 110-130
21. WittyWood (Llacuna, 42)
22. Buenos Aires, 21

Prime Central Business District

Business District


9
Parc de
Collserola
Ronda de Dalt
N-340
...ugues
20"
B-10
Av. Diagonal
Via Augusta
Ronda del Mig
Parc
Guell
Trav. de Dalt
Tunel de
la Rovira
1
2
Gran Via
Carles III
3
19
Pl.
Francesc
Macià
4
15
5
17
6
8
22
Ctra. de Collblanc
Numància
Estació
de Sants
Badal
7
Pg. Gràcia
Pg. Sant Joan
Padilla
Marina
Av. Meridiana
Felip II
Aragó
Pl.
Eu...
15"
16
13
Pl.
Cerdà
Pl.
Espanya
Gran Via de les Corts Catalanes
Pl.
Catalunya
Pl.
Glories
11
14
18
20
12
21
Av. Paral.lel
Pg. Zona Franca
Montjuïc
Parc
Ciutadella
B-10
10
Ronda Litoral
Ronda Litoral

Madrid

MADRID – Centro & CBD

1 Paseo de Recoletos, 37-41
2 Génova, 17
3 Paseo de la Castellana, 52
4 Paseo de la Castellana, 43
5 Miguel Ángel, 11
6 José Abascal, 56
7 Santa Engracia
8 Poeta Joan Maragall, 53
9 Discovery Building
10 López de Hoyos, 35
11 The Window
12 Francisco Silvela, 42
13 Ortega y Gasset, 100
14 Ramírez de Arellano, 37
15 MV49 Business Park
16 Alfonso XII, 62
17 José Abascal, 45
18 Serrano, 73
19 Santa Hortensia, 26-28
20 Paseo de la Castellana, 163
21 Arturo Soria, 336
22 Campus Méndez Álvaro
23 Ramírez de Arellano, 15
24 Manuel de Falla, 7
25 Sagasta, 27
26 Sagasta, 31-33
27 Almagro, 9
28 Miguel Ángel, 23
29 Velázquez-Padilla, 17
30 Don Ramón de la Cruz, 82
31 Paseo de Recoletos, 27

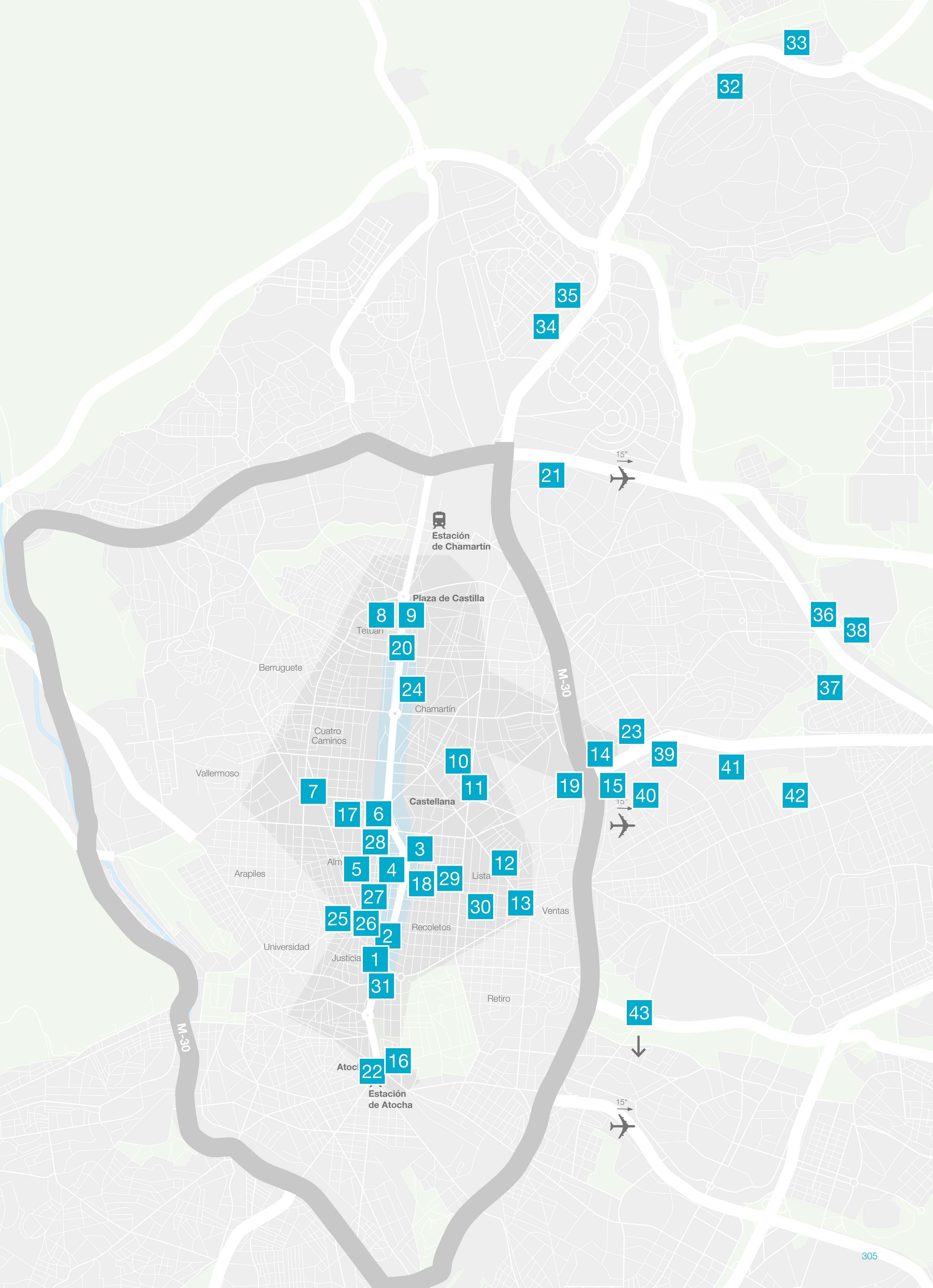
NORTH MADRID
Arroyo de la Vega & Las Tablas

32 Cedro - Anabel Segura, 14
33 Francisca Delgado, 11
34 Puerto de Somport, 8
35 Puerto de Somport, 10-18

EAST MADRID
Campo de las Naciones & A2

36 Ribera del Loira, 28
37 Tucumán
38 EGEO - Campo de las Naciones
39 Josefa Valcárcel, 40
40 Josefa Valcárcel, 24
41 Luca de Tena, 7
42 Alcalá, 506
43 Viapark

Prime Central Business District
Business District


33
32
35
34
21
15"
Estación
de Chamartín
Plaza de Castilla
8
9
Tetuán
20
Berruguete
24
Chamartín
M-30
Cuatro
Caminos
23
14
39
41
10
Vallermoso
7
11
19
15
40
42
15"
Castellana
17
6
28
3
Alm
5
4
Arapiles
18
29
Lista
12
27
30
13
Ventas
25
26
2
Recoletos
Universidad
Justicia
1
31
Retiro
43
M-30
16
22
Estación
de Atocha
15"
36
38
37

Paris

1. Louvre Saint-Honoré
2. Washington Plaza
3. Galerie des Champs-Élysées
4. 90 Champs-Élysées
5. 92 Champs-Élysées Ozone
6. Cézanne Saint-Honoré
7. Édouard VII
8. 176 Charles de Gaulle
9. Rives de Seine
10. Marceau
11. 131 Wagram
12. 103 Grenelle
13. 104-110 Haussmann Saint-Augustin
14. 6 Hanovre
15. #Cloud
16. Le Vaisseau
17. 4-8 Rue Condorcet
18. Biome

Prime Central Business District

Business District


SAINT-DENIS
20”
A86
N14
D13
COLOMBES
N315
N1
ASNIÈRES-SUR-SEINE
SAINT-OUEN
AUBERVILLIERS
N2
CLICHY
COURBEVOIE
Périphérique
Porte de
la Chapelle
D20
LEVALLOIS-PERRET
Porte de
Clichy
Av. de Flandre
25”
8
Av. Jean Jaurès
Seine
11
Bd. des Batignolles
Bd. de
Clichy
Gare
du Nord
Porte
Maillot
Gare de
St.-Lazare
17
Gare
de l’Est
2
R. La Fayette
6
Av. Foch
13
14
R. Belleville
Bd. des
Italiens
5
Av. des
Champs-Elysées
4
Périphérique
Av. Victor Hugo
10
15
Bd. Sébastopol
3
7
R. Rivoli
Av. la Republique
1
Bois de
Bologne
Quai d’Orsay
Bd. Voltaire
Porte de
la Muette
12
Champ
de Mars
Bd. Saint Germain
Av. Mozart
Quai de
Grenelle
18
R. du Faubourg
Saint Antoine
Pl. de
la Nation
Av. de
Breteuil
Jardin du
Luxembourg
Gare
de Lyon
Bd. Saint Michel
Bd. Exelmans
Bd. Montparnasse
Lecourbe
Gare
d’Austerlitz
9
Av. du Maine
Gare
Montparnasse
Seine
Porte de
St. Cloud
Pl.
d’Italie
Porte de
Sevres
Av. Général
Leclerc
Porte
de Bercy
Périphérique
16
Porte
d’Orleans
IVRY-SUR-SEINE
D906
CLAMART
D5
D920
D7

Barcelona

1 Paseo de los Tilos, 2-6

A fully refurbished office building located in one of Barcelona's most exclusive residential neighborhoods. Due to its proximity and easy access to the Ronda de Dalt and the Diagonal business district it is has excellent transport links, it is close to Av. Diagonal and just 20 minutes from the airport. The building has five open-plan floors and a total leasable area of 5,143 sqm, in addition to two underground floors with its own parking garage. Floors with high-quality interiors and finishes, offering an average per-floor area above 1,000 sqm.

2 Av. Diagonal, 682

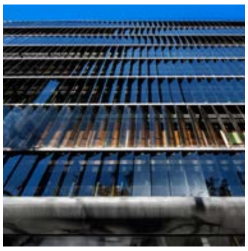
Diagonal 682 is a fully refurbished building which offers a modern and functional work environment. It has an open structure, completely street-facing and with well-lit areas and spectacular views of Barcelona. The building is located in one of the city's major business districts, making it an ideal base for company offices. The standard layout offers a leasable area of 644 sqm, divisible into two independent modules of 322 sqm each. The building has its own parking area and two commercial premises on the ground floor with direct street access.

3 Av. Diagonal, 609-615

The Diagonal 609-615 office building is in one of the most cosmopolitan parts of Avenida Diagonal, in an area that combines financial and commercial activity. Very good transport links both with the center of Barcelona and the train station and airport. Of particular note in this complex is the building popularly known as "El Dau", along with the "Prisma" building. Known as "El Dau" due to its straight architectural lines, it has nine completely street-facing floors, divided into eight modules with leasable areas of 217 sqm and up. The "Prisma" building has nine completely street-facing floors, divided into four modules with leasable areas of 124 sqm and up. These buildings are constructed and decorated with the highest quality materials. They have access control from the lobby with security services and their own parking area.

4 5 Travessera de Gràcia, 11 / Amigó

Located at the intersection of Travessera de Gràcia and Amigó, this building is in a busy commercial area, with excellent transport connections, being just a few meters away from Av. Diagonal and Plaza Francesc Macià. It holds a LEED GOLD environmental certification and consists of 2 buildings accessible from Travesera de Gràcia and Amigó. The two buildings share four underground floors of parking. The building's facade stands out for the special Geoda glass which changes color tone depending on the exterior light. The interior is characterized by spacious areas with steel-encased raised floors, metallic false ceilings and quality curtains installed in the facade. State-of-the-art elevators are in operation, which aim to reduce waiting time. The building is lit by LED lighting adjustable in relation to the amount of external light.



6 Av. Diagonal, 530-532

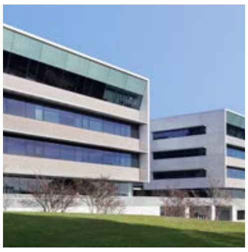
The Diagonal 532 office block is located on Avenida Diagonal between Aribau and Tuset. It comprises nine completely street-facing and open-plan floors of up to 1,370 sqm, divisible into modules of 268 sqm and up; it also offers elegant and stylish communal areas. It is currently undergoing a profound transformation, with a total remodeling of facilities, facades, and incorporation of innovations in the field of technology and sustainability. On the 2nd floor of the building are the flexible spaces of Utopicus, which offer a 5-star experience to users. The building is BREEAM certified and has hi-tech installations, including a modular climate-control system and a vertical access core of three elevators and a freight elevator. The building also has its own parking area.

7 Av. Diagonal, 409

Architecturally-unique building with seven open-plan floors, which are completely street-facing, thanks to its design, providing office space from 500 sqm upwards. Recently renovated building, which has plenty of light and is conveniently located at the intersection of Av. Diagonal and Balmes. It has been awarded the LEED GOLD certificate and is an ideal option for companies wishing to combine classic elegance with the functionality of the most modern office building.

8 Vía Augusta, 21-23

Located a few meters from the intersection of Vía Augusta and Av. Diagonal, in a busy commercial area, with excellent transport connections. High-quality facilities and finishes, with raised access floors. Open-plan floors with 215 sqm to 670 sqm of leasable space, easily adaptable to the client's needs. Highly emblematic commercial premises with direct access from Vía Augusta. Concierge service. Parking in building annex.



9 Complejo de oficinas Sant Cugat Nord

The Sant Cugat Nord office complex is located within the Barcelona metropolitan area and comprises 3 modern buildings offering leasable office space, all with a BREEAM rating of Very Good. This complex, surrounded by an extensive garden area, stands out for its high-quality provision: over 27,000 sqm, with paddle tennis courts, fitness rooms, restaurant service and parking. Every floor has 3,000 sqm modulable according to the needs of each client and containing the latest technology. A simple and elegant design has been chosen for the communal areas, making it the perfect place to set up a corporate headquarters or office.

10 Torre Marenostrum

Torre Marenostrum is one of the most unique and significant buildings erected in the city. What makes this building so spectacular is its location, on the city's waterfront, along with its sinuous, modern architecture, and its rocky, crystal shape, inspired by the wind and water of the Mediterranean shore. All of these features make it a landmark of the Barcelona skyline. In building B of Torre Marenostrum, you will find Utopicus, flexible spaces to work with sea views, a 3.856 sqm space with flexible offices. This centre represents the integration between the city and the sea.

11 Diagonal Glòries

Located in Avenida Diagonal, just a few meters from Plaza de las Glorias and right in the middle of the 22@ district. It consists of three separate buildings and has a total of 11,672 sqm of leasable office space. Distributed over four floors, the office spaces range from 324 sqm to 2,918 sqm per floor. The area is easily accessible, and in the immediate vicinity major urban projects are being carried out, further raising the area's profile within the city. The building has a large number of amenities, as it is located above the Glòries shopping mall. Parking area within the building.

12 Compejo de oficinas Illacuna

The Illacuna office complex is located in the heart of the 22@ district, in the Eix Llacuna neighborhood. With an area of 20,500 sqm, it comprises three buildings offering different standard layouts that house offices with an avant-garde design. The combination of different sizes in the split-level building gives a sensation of lightness and visual dynamism to this spacious building, which stands out for its originality and grandeur. The complex also has a special storage area for documents, which helps free up work space in the offices. The high ceilings give a sense of spaciousness and the decoration was done using quality, durable and elegant materials. The complex has its own parking area and a 24-hour concierge service.

13 Torre BCN

Torre BCN is an office building situated in the Plaça Ildefons Cerdà immediately on the point of entry to Barcelona. Its spectacular four-sided facade, with a completely glass curtain wall, stands out on the urban skyline. It consists of twelve open-plan floors, which are spacious and light, and offer a total modulable area of 800 sqm along with its own parking area. Spaces upwards of 155 sqm can be leased. The refurbishment process enabled this emblematic building to be updated with the latest installations and to be redecorated in a simple and functional style.

14 Parc Glòries (Ciutat de Granada, 150)

Emblematic office building in the most sought-after location of the 22@ district, with highly sustainable and top grade finishes and technical specifications. Ciutat de Granada 150 will become an important landmark in the city, designed by Batlle and Roig It offer 24,000 square metres distributed over 17 floors. The building, stand out for open floors each measuring 1,800 square metres. Located at the heart of Barcelona's newest and most modern business district, next to Plaza Glòries and adjacent to Avenida Diagonal.

15 Travessera de Gràcia, 47-49

An 8-story building above ground, located in the neighborhood of the Eixample in Barcelona, a few metres away from Avenida Diagonal and Vía Augusta, two of the main arteries of the city. It is a corner-shaped building with an interior patio, with great visibility and a privileged location. With an impressive façade to Travessera de Gràcia, the entire perimeter of the office area is external, guaranteeing natural light on all of the floors. Due to its privileged location, it benefits from proximity to all the basic services, public transportation, connections and infrastructures and commercial urban life.

16 Plaza Europa, 34

Singular project of a new office building, located in the dynamic area of Plaça Europa, in L'Hospitalet del Llobregat. It has been designed by the architecture studio GCA Architects, to become a new reference in its environment for its visual identity and versatility, it will have a total of approximately 15,000 sqm, distributed in 20 floors plus a low level, and 171 parking spaces. Plaça Europa area has excellent communications to the center of Barcelona and El Prat Airport, and it's 2 minutes away from the access to the new Metro Line, nº 9 (direct to El Prat Airport).

17 Gal·la Placídia

The Gal·la Placídia Building is located a few meters from the confluence of Vía Augusta and Avda. Diagonal, on a corner with very good visibility, in an area of intense commercial activity and excellent communication. It is an emblematic building of more than 4,000 sqm and a ground floor of 277 sqm, it also has an original 854 sqm terrace and its own parking. This property fully houses the complete Utopicus coworking space, designed by Proyecto Singular, and includes meeting and training rooms, private offices, event spaces and flexible work areas.

18 Av. Diagonal, 197

Singular office tower located on Avenida Diagonal, the main artery of Barcelona. Located in the 22@ district, very close to the strategic Plaça de les Glòries and the Glòries commercial hub, it enjoys excellent transport connections and impressive views of the city of Barcelona and the Mediterranean Sea. This impressive 17-storey building was designed by David Chipperfield and has a 15,531 sqm GLA and 222 parking spaces distributed over three underground floors, as well as 29 motorcycle parking spaces.

19 Av. Diagonal, 523-525

Office building located in Barcelona's prime CBD at Avenida Diagonal 525, at the Avenida Sarriá intersection. It's 5,800 sqm above ground and 1,200 sqm below ground are arranged over a ground floor and nine upper floors. Its recent comprehensive refurbishment, designed by the Sanzpont architectural studio, has been widely recognised internationally with various awards, and has led it to become one of the most emblematic office buildings in Barcelona's central business district, standing out for its high performance in terms of sustainability. Located in a point of intense business and commercial activity, it has numerous services in the same area and public transport connections to all areas of the city.

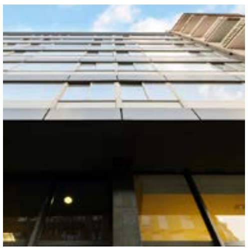
20 Sancho de Ávila, 110-130

The office building sits in one of Barcelona's most bustling and well-known centres of activity, the 22@ District. This area offers the ideal balance between its facet as a hub of innovation and its quality as a place with its own unique personality, featuring public spaces, green zones and matchless connections with both public and private transport. A building that currently houses the headquarters of the company T-Systems, with large terraces on the uppermost floors, and where innovation, technology and sustainability are the pillars of a new conception of space to the service of the people.

21 WittyWood (Llacuna, 42)

Wittywood is the first office building built in wood in the city of Barcelona. A new project with a signature design that gives rise to the future of new workspaces, with prime finishes, the latest innovations in sustainability and technology, totally efficient in terms of surfaces, and with great luminosity in all its spaces. A 4,100 sqm building equipped with the latest technologies in one of the most dynamic and forward-looking areas of Barcelona, which will be built exclusively in wood, creating a natural working environment focused on the user's wellbeing. These aspects allow the building to obtain LEED Platinum and WELL Platinum ratings.

LEED



22 Buenos Aires, 21

The asset has a surface area of 8,784 sqm above ground and is located in the prime area next to Diagonal in Barcelona. The asset is the headquarters of the food multinational Danone with a mandatory contract until 2029. The acquisition of the asset includes a renovation project for the façade and the common spaces of the building that will enable an improvement in energy efficiency of the asset and obtain the LEED Gold certification.

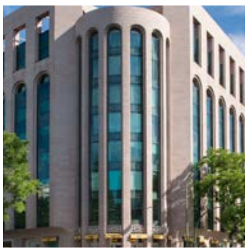
Madrid

1 Paseo de Recoletos, 37-41

This office building with more than 17,000 sqm distributed among the floors with spaces of up to 1,910 sqm, is located in one of the central points of Madrid. A unique setting characterised by its thriving economic activity and for the abundance of unique office buildings representing multinational companies, four and five star hotels and luxury residential buildings. The exquisite complete renovation of this building has converted it into an architectural benchmark along the Recoletos-Prado thoroughfare, as well as a privileged site to house offices of the highest quality.

2 Génova, 17

The office building at Génova 17 is located on one of the most central streets of Madrid, with excellent links, parking for cars and an area specifically for bicycles. It is an avant-garde building, recently fully renovated with the best quality materials and an internal design and functioning, bringing it more in line with what a latest generation office building would be. Génova 17 has utilities that can be monitored and accessible by the users, efficient and flexible spaces, an entrance with a height of over five metres and open plan offices, with no columns to make maximum use of the work spaces. The maple drop-ceiling comes with built-in low energy consumption light fittings, high efficiency and low-glare lighting. The flooring is raised to facilitate the laying of cables for workstations. The air conditioning system is of the latest generation VRV variety, which makes if possible to have different temperatures in different areas of the office.



3 Paseo de la Castellana, 52

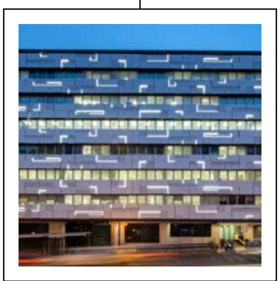
Unique building at Paseo de la Castellana 52, one of Madrid's main financial and commercial thoroughfares. Its corner façade stands out for is large vertical windows, crowned by semi-circular arches, and are suggestive of an architectural line inspired by a combination of art deco and futurism. The spaces, wide, open and bright, can be divided into modules to adapt to the needs of each customer, with spaces to let ranging from 407 to 928 sqm.

4 Paseo de la Castellana, 43

Renovated office building, with LEED GOLD certification, located on the main business thoroughfare of the city, boasting excellent public and private transport links. Its excellent location on the chamfered corner of Paseo de la Castellana and General Martínez Campos, and its wide and elegant façade combining granite and glass, make this building a mandatory visual point of reference on the Glorieta de Emilio Castelar. The floors are open plan with spaces to let of up to 765 sqm, both flexible and functional, which, as a result of the high level of brightness, allow for a very efficient distribution on the spaces. It also has its own car park.

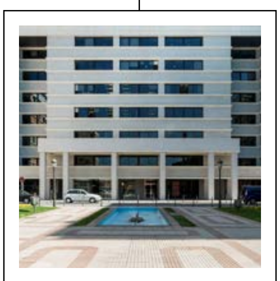
5 Miguel Ángel, 11

Located in the Madrid business district, at the junction of calle Miguel Ángel with Paseo del General Martínez Campos, a few metres from Paseo de la Castellana. With a magnificent double glazed façade, this corner property with seven floors is guaranteed natural light throughout the day. The offices are structured around a central core with three elevators, in a space to let of up to 800 sqm. A line of modern finishes was chosen for the lobby, stylishly and elegantly combining blacks and whites. The ground floor is divided into three commercial premises with direct street access and the car park is located in the below grade floors.



6 José Abascal, 56

Office building located in the Madrid business district, a short distance from Paseo de la Castellana. The exterior image is marked by a façade formed of horizontal strips of granite alternating with the glass of its large windows, which allow a large amount of light to enter the interior. The open and versatile floors with spaces to let from 640 sqm to 937 sqm, make this building an ideal place to locate offices as it is characterised by intelligent and functional architecture. It has commercial premises of 1,450 sqm on the ground floor with independent access to the street and its own car park.



7 Santa Engracia

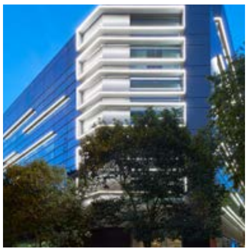
Office building right in the heart of the Madrid business district, with an above grade surface area of more than 13,430 sqm and 180 parking spaces. The floors of the building vary between 1,500 sqm and 2,000 sqm and its uniqueness and location make it a highly visible property in the Madrid business centre. Colonial has made a significant investment in the refurbishment of the building. It now commands a strong market positioning, with maximum energy efficiency and sustainability.

8 Poeta Joan Maragall, 53

Exceptional office building located in the Madrid business district, next to Paseo de la Castellana. Rectangular building with breathtaking façades. Fully exterior open plan floors with spaces to let of 1,315 sqm. Attractive and quality facilities and finishes. Offers excellent infrastructures and communications, as well as parking spaces in the same building. There is also an independent annex building accessible from the main entrance hall. There are also two ground floor commercial premises with street access.

9 Discovery Building (Estébanez Calderón, 3-5)

New office building with characteristics of prime quality, created by the prestigious Estudio de Arquitectura Lamela. A unique space of more than 10,000 sqm, with open plan and flexible floors, located on the Castellana Norte thoroughfare, in the established heart of the Madrid business district. Estébanez Calderón, 3-5 is a building aimed at housing companies looking for the best location, maximum comfort for their employees and the best energy efficiency for their corporate headquarters. It boasts optimum brightness with 22 meters between its north and south façade, maximum flexibility in the creation of modules and an original roof top terrace with a garden area for common use. By perfectly balancing aesthetics and efficiency, it offers a floor of 1,000 sqm as well as completely open plan floors with a single line of central pillars. This new, exceptional property has also two ground floor commercial premises with direct access to the street as well as 101 parking spaces.



10 López de Hoyos, 35

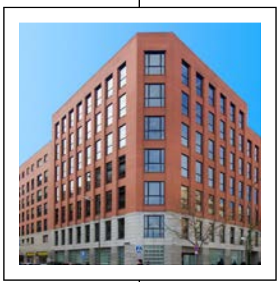
The offices to let at López de Hoyos 35 are located in an area combining residential properties and offices of the most important companies. The building, with its six floors and surface area of 7,000 sqm, stands out for its impressive artificial stone façade and curtain walling profile. The building has a modern reception and an interior patio designed to offer flexible spaces and comfort to the users of the property. With no adjacent buildings, all the floors enjoy bright, natural light. There are large gardens next to the building. Equipped with the latest technology, the interior lines of the López de Hoyos, 35 building are simple, elegant and modern. The floors can be divided into modules ranging from 575 sqm to 1,383 sqm.

11 The Window (Príncipe de Vergara, 112-114)

New office building under construction in Madrid's Zona Este business district, with prime quality characteristics, designed by the prestigious Estudio de Arquitectura Ortiz y León. This is a new property with a GLA of 11.300 sqm and 115 parking spaces. The project is due to be completed by the summer of 2018. Leed Gold certification in process. It will consist of completely open plan floors with a single line of central columns, with optimum brightness and façades facing all four directions. It will be a detached building, ideal for a single corporate headquarters, with large terraces for private use.

12 **Francisco Silvela, 42**

Office building that stands out for its impressive glass curtain walling. The seven floors at Francisco Silvela, 42 have up to 981 sqm of floor space to let, distributed in open plan format with top of the range installations and finishes. Its façade on three streets results in an extraordinarily bright interior. The building also has its own parking lot and an innovative Utopicus coworking center, measuring more than 3,000 sqm, with private offices, meeting and training rooms, and all the services for the development of organizations of all sizes, in an inspiring environment with its own personality.

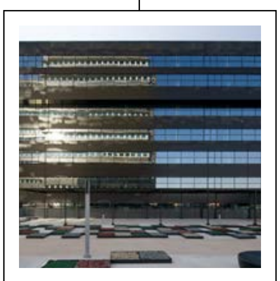


13 **Ortega y Gasset, 100**

Completely refurbished office building, located in the business district of Madrid, in the heart of the Salamanca district, in the area with the highest commercial prestige in the city. Its unique facade and its seven floors, measuring a total area of 7,800 sqm, makes this building ideal for office space. Perfectly connected by bus and metro and with an exit close to the M-30, it has its own parking.

14 **Ramírez de Arellano, 37**

A perfectly located building at the junction of the M-30 with Avenida de América, a well established area just minutes away from the airport and city centre. Its configuration, architectural design and strategic location are, without a doubt, a point of reference of Madrid’s urban landscape. It offers fully open plan spaces, which are functional and totally exterior, as well as its own car park, which makes it ideal as a corporate headquarters.



15 **MV49 Business Park**

At calle Martínez Villergas, 49, next to the junction of the M-30 with Avenida América, stands this property complex comprising two independent buildings, M and V, separated by an open air square. The breathtaking façades of this Business Park, exposed to the four winds, exalt the privileged position of this office complex in Ciudad Lineal. With gardens, world class sports facilities, its own parking spaces and a strategic location a few minutes from the airport. Furthermore, the offices to let at the Business Park at calle Martínez Villergas 49 have been constructed using material compliant with current regulations, with first class functionalities and open plan spaces that stand out from other architectural groups in the zone. As a result of the complete retrofit of building M and the construction of building V, a complex equipped with finishes and technical characteristics of the highest quality has been achieved.

16 Alfonso XII, 62

This unique office building is located in the very heart of Madrid, opposite the Retiro park and scarcely a few metres from the Castellana thoroughfare. Its large windows, in addition to offering breathtaking views of Madrid, guarantee natural light in an open and versatile space, designed to create an optimum working environment. The eight floors at Alfonso XII 62 offer multiple and excellent possibilities: the first four can be subdivided into two modules, thus creating two independent office zones. It's structure allows the space to be distributed according to the current and future needs of each company. The common areas, crowned by a magnificent glass atrium, are attractively designed using materials of the highest quality. These offices to let also have a car park in the same building.

17 José Abascal, 45

Located in the Chamberí district between calle Modesto Lafuente and calle Fernández de la Hoz, scarcely 350 metres from the Paseo de la Castellana and just 11 minutes from the airport by car, this office building has a surface area of 5,300 sqm divided up between eight floors above ground and two below. The classic, stately building has been fully refurbished. The original façade and stained glass windows have been maintained, providing the José Abascal 45 with a unique personality. There is an inside, 2-storey car park with 54 spaces with changing rooms and showers.

18 Serrano, 73

The Serrano 73 building, located on one of the Spanish capital's most emblematic streets and in the heart of the Salamanca district, is renowned for its avant-garde design, with lights on three façades. Its strategic location affords panoramic views of the calle Serrano and the Paseo de la Castellana. Refurbished in 2004, the building is noted for its elegant and balanced designed, top-quality materials involving wood and natural stone. It has 4,242 sqm of surface area on six above-ground floors of offices and a ground-floor for commercial use. The building has a private underground car park with 89 spaces for cars and 11 for motorcycles.

19 Santa Hortensia, 26-28

Located in downtown Madrid in an area adjacent to Avenida de América, Santa Hortensia is one of Madrid's seven largest buildings. It is currently home to IBM's headquarters in Spain. Built in 1989, it has a surface area of 46,928 sqm divided up between 10 above-ground floors and nearly 950 parking spaces in three below-ground floors. The Santa Hortensia building is ideally located, just five minutes by car from the Paseo de la Castellana, Madrid's main artery, 10 minutes by car from the airport and 5km from the Atocha railway station. The building has 13 lifts, four of which are central lifts.

20 Paseo de la Castellana, 163

Building recently refurbished, in the CBD area of Madrid, with an H-shaped floor plan with two entrances, one with a facade to Castellana and the other to Poeta Joan Maragall. It has a surface area above ground of 11,552 sqm distributed between 12 completely open-plan office floors, a terrace, and a ground floor with two retail units. Located in the business hub of Castellana, with excellent communications by public transport and the main accesses to the city. Currently, the property houses an interesting combination of traditional and flexible workspaces, since there is a Utopicus flexible space.

21 Arturo Soria, 336

Arturo Soria 336 has an excellent location in an iconic Street in Madrid, near transport links to the city centre and the main arteries in Madrid. It is surrounded by extensive green areas and a wide variety of services. The white exterior gives it visibility and representativeness. In addition, the spacious interior patio as well as the four glass facades bring great luminosity into the interior areas. The size and design of the floors, with a surface area of 1,045 sqm, enables the optimization of space.

22 Campus Méndez Álvaro

The Méndez Álvaro Campus is a Colonial project that incorporates all of the latest real estate trends in terms of energy efficiency, layout, mix of uses and PropTech initiatives. Located in the south of Madrid's CBD and just a stone's throw from Atocha train station, the project comprises an above-ground area of 90,000 sqm. The area benefits from excellent public and private transport links – it is within walking distance of Madrid city centre, is served by several train lines and bus routes, and also boasts easy access to the M-30.

23 Ramírez de Arellano, 15

Independent office building completely renovated in 2016, with high standards, and which has been awarded the LEED Gold certification. The building, located on Madrid's A-2 motorway, has 6,832 sqm of office space, distributed over a ground floor and six upper floors. The surface area of each floor is approximately 1,025 sqm, and can be divided into two modules. The building also has an underground car park with 112 parking space

24 Manuel de Falla, 7

This independent office building, located in the Madrid central business district, very close to Paseo de la Castellana, has floor-ceiling windows that provide excellent natural light. The building was recently completely renovated. It has a GLA of 6,252 sqm distributed over four floors, as well as an underground area with 41 parking spaces. This singular building with 91 metres of facade, has been designed with the highest standards by architect Gabriel Allende and has obtained the LEED Gold certificate. It offers spacious, flexible and rectangular floors with an average surface area of 1,600 sqm.

25 Sagasta, 27

Prime office building, located in one of the most exclusive areas of the CBD of Madrid, consists of three floors above ground with a GLA of 4,481 sqm. Excellent level of natural light thanks to its numerous windows and its location in the corner as well as its two large interior courtyards.

26 Sagasta, 31-33

Prime office building, located in one of the most exclusive areas of Madrid's CBD, just 8 minutes from Plaza de Colón. It consists of two adjoining buildings, with independent accesses from the street and a total of five floors per building. It has a GLA of 7,054 sqm and two floors of underground parking with 93 parking spaces. It has plenty of natural light thanks to its corner location, its large number of windows and its three interior courtyards.

27 Almagro, 9

Prestigious office building located in Calle Almagro, in the heart of Madrid's CBD. It has been completely refurbished by the architect Antonio Ruíz Barbarín. With a GLA of 15,094 sqm distributed over eight floors and 201 underground parking spaces, excellent natural light and interesting open waiting areas as well as an auditorium for 140 people. The building has an outstanding architectural design and is bathed in natural light thanks to its three glazed façades and private interior courtyard.

28 Miguel Ángel, 23

Prime office building, under refurbishment, with a GLA of 8,328 sqm distributed over seven open floors and a standard surface area of 1,117 sqm. It has 109 underground parking spaces and a commercial premises of more than 800 sqm. It is located in the Madrid central business district, and its corner location gives it excellent visibility from Paseo de la Castellana.

29 Velázquez-Padilla, 17

Prime office building located on a prominent corner in the heart of the exclusive Salamanca district of Madrid's CBD. Particularly strong points are its floors with more than 2,000 sqm, unusual in the area, as well as an underground car park with 155 spaces. Its interesting corner location gives the building an excellent level of natural light, very good visibility and great potential for corporate headquarters.

30 Don Ramón de la Cruz, 82

A large corner office building with high visibility, it has a GLA of 9,339 sqm, as well as an underground car park with 91 parking spaces. Large areas per floor of 2,100 sqm and 3.4 m free height per floor. Exceptional building in central Madrid, close to Serrano, Velázquez and Paseo de la Castellana. The building was completely restored in the first half of 2017 and is LEED Platinum environmentally certified. Its characteristic curtain wall façade provides floor-to-ceiling windows that provide abundant natural light.

31 Paseo de Recoletos, 27

2,000 sqm of offices have been acquired in Recoletos 27, a prime area of the CBD in Madrid. This acquisition corresponds to three floors of 700 sqm with great luminosity in a corner building close to Plaza Colón.

32 Cedro - Anabel Segura, 14

Singular office building, located in the Madrid office area of Arroyo de la Vega on the A1 motorway. The building has undergone a major refurbishment, providing it with the most innovative services and technology, as well as the latest improvements in the field of sustainability. Cedro has five floors and it has wide and open spaces with an average surface area per floor of 2,310 sqm, and 381 parking spaces distributed in two levels.

33 Francisca Delgado, 11

Complex built in 2001 consisting of three interconnected buildings. It has five floors and provides flexible office space with modules from 300 to 3,000 sqm. The car park is distributed in two underground floors and has 334 parking spaces, with another 77 outside. The building has great visibility and is located in the Madrid office area of Arroyo de la Vega on the A1 motorway.

34 Puerto de Somport, 8

A singular, independent building built in 2011. The offices are located on the first, second and third floors, while the ground floor hosts a car dealership. Located in the area of Las Tablas in Madrid, with an excellent location and surroundings with residential properties and business areas.

35 Puerto de Somport, 10-18

New project under construction for a complete business campus located in the office area of Las Tablas in Madrid, very close to the A1 motorway. On a plot of 17,300 sqm, it has a surface area of over 23,200 sqm on four floors above ground level with an additional 22,200 sqm on two basement floors for two car parks with a total of 529 parking spaces. The outdoor areas have meeting spaces, outdoor work areas, resting or exercise areas and has exterior terraces that look on to the office areas. The campus has premises for the common use of the two buildings and value-added services for users such as a gymnasium with changing rooms and a cafeteria. Each building has common areas such as meeting rooms, courtyard areas, co-working areas and a breastfeeding room on the ground floor of each building. In terms of both habitability and functionality, the building has passed the requirements for the WELL Gold and LEED Platinum certification.

36 Ribera del Loira, 28

Modern office building built in 2002 and located in a prominent area off the M40 ring road in Madrid's Campo de las Naciones office area. The six-storey building has 12,822 sqm of U-shaped space distributed around a central atrium. It is equipped with 370 parking spaces distributed in two underground floors.

37 Tucumán

Independent office building built in 2006, located in the Campo de las Naciones area. It has five floors of offices of approximately 1,000 sqm each, as well as a large commercial area of 1,241 sqm and an underground car park with 170 parking spaces. The building enjoys excellent visibility and a good level of natural light due to its outstanding corner position.

38 EGEO - Campo de las Naciones

The Egeo building has been recently refurbished and is located at 4-6 Partenón Avenue, an excellent location in the periphery of Madrid. It is also well-connected by public transport. It is distributed in two independent wings connected by an attractive central hall, which provides a lot of light to all of the common areas and the interior of the entire building, thanks to a large glass dome. In this luminous central hall where both wings come together, the elevator and escalator halls are located, which provide access to all the floors in the building. The fully glazed facade enables natural light to reach the interior of the offices, and the spaciousness and flexibility of the floors, divisible into up to 8 modules, make it possible to accommodate various users.

39 Josefa Valcárcel, 40

New seven-floor independent office building, with 8,824.70 sqm of total surface area above ground level. Located between the M-30 and M-40 ring roads, with a facade on the A-2 and access from Josefa Valcárcel and Telémaco streets. It is a consolidated strategic office environment, which stands out due to its visibility from the A-2 motorway. The building has a classical façade composition, and has floors which are stepped upwards. The plot has landscaped areas on both sides of the building, and a parking lot for visitors on the south side of the plot. It has prime finishes and LEED Platinum sustainability certification.

40 Josefa Valcárcel, 24

A seven-storey, independent office building with an average floor area of 700 sqm and an access level of almost 1,500 sqm. Located in the consolidated office area of the A2 motorway-M30 ring road, a strategic location thanks to its proximity to the central business district and the airport. With 90 parking spaces, it is highly visible from the A2 and is currently Honeywell's headquarters in Spain.

41 Luca de Tena, 7

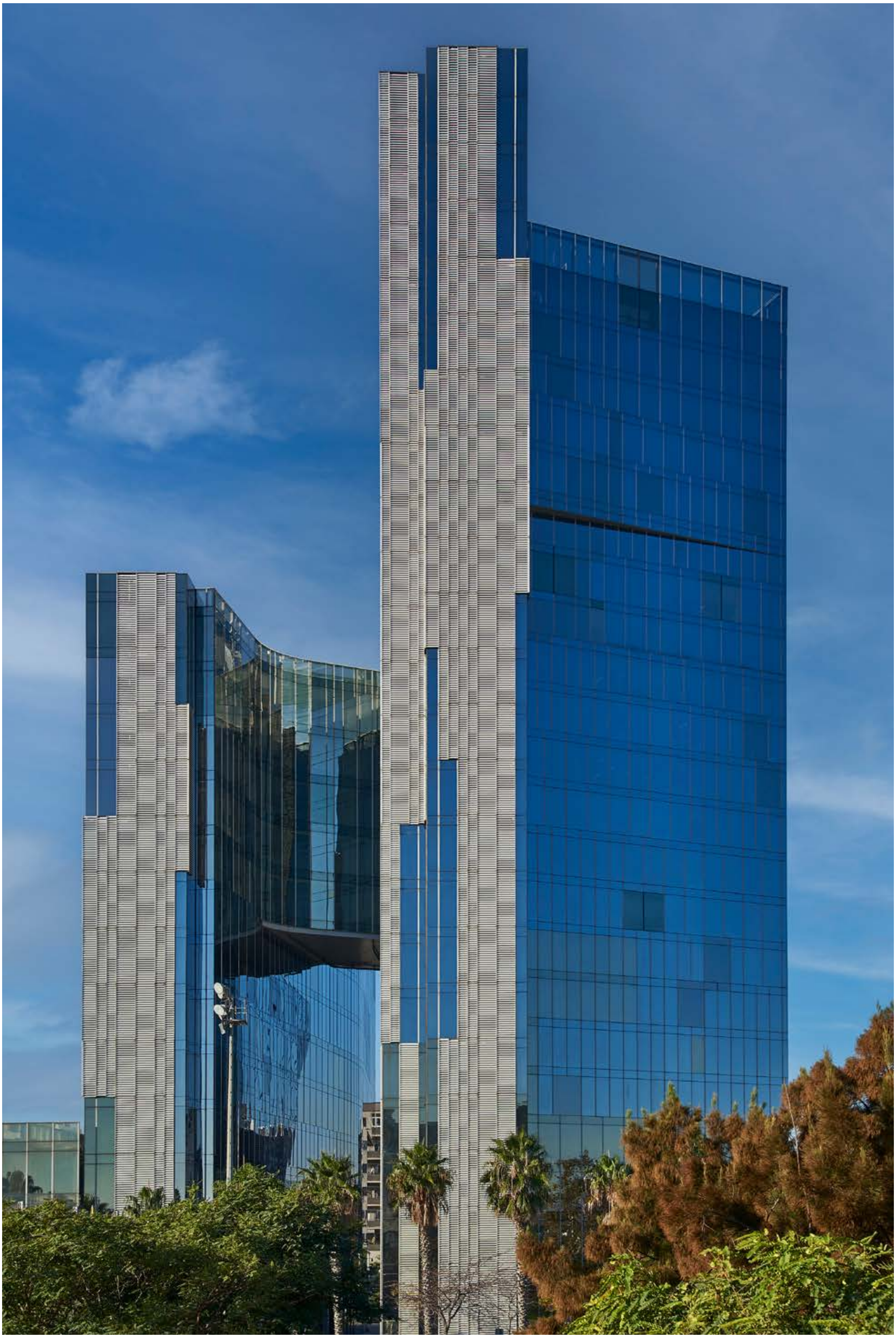
This exceptional building, which hosts the headquarters of Vocento, the Spanish communications group, has a GLA of 10,147 sqm. It is made up of three sections joined together; two of them with three floors and a basement and another one with a mezzanine floor (library), the connecting section between them is the main communication hub with the central staircase and the lifts. The building offers excellent visibility from the A2 motorway and a strategic location due to its proximity to the city centre and the airport.

42 Alcalá, 506

Independent office building located on Calle Alcalá, one of the main arteries of Madrid. The building has a large area per floor of approximately 1,400 sqm, a commercial area on the ground floor and an underground car park with 185 parking spaces.

43 Viapark

Retail park, located in a high-traffic area between Almeria and Roquetas de Mar. The complex has a very solid construction and specifications and includes four units with large windows and a considerable height. It has 1,500 parking spaces and its main operators are Decathlon, Carrefour and Bricomart. The park includes a range of high quality services, including a BP service station and a Burger King restaurant.



Paris

1 Louvre Saint-Honoré

"A prime location". This building offers large, 5,400 sqm functional units in a prime location near the Louvre museum. Since extensive renovations were completed in late 2010, the property delivers a technical performance in line with the highest international standards along with premium amenities including a staff restaurant and round-the-clock security. SFL is part of the initiative of the process "The new Louvre des Antiquaires", presented to antique dealers to reinvent the Louvre des Antiquaires in a more focused and prestigious way to make it an attractive place for life and trade.

2 Washington Plaza

"In the heart of the Central Business District". Located just off the Champs-Elysées on an 8,000 sqm plot, Washington Plaza is one of the capital's finest office complexes, standing out for the quality of its amenities and the functionality of its units. Inside the complex, the Monceau and Artois buildings can be divided into open floor plates of 1,100 sqm, allowing a variety of possible layouts. Particular attention was paid to the services and amenities. In line with the current requirements of the Paris rental market, these include a staff restaurant, a cafeteria, reception and concierge services, an onsite property manager, a large parking garage and a building management system (BMS).

3 Galerie des Champs-Élysées

"A symbol for renovated space in Paris". The Galerie des Champs-Elysées shopping arcade enjoys one of the most prestigious locations in Paris, on the sunny side of the Champs-Elysées in the most well-patronized section of the avenue. Redesigned by Jean Nouvel, the fully renovated property has been given a sleek new look based on a stripped back Haussmann style brought right up to date with modern black light fittings and escalators. It has been chosen by H&M for their 2,800 sqm international flagship store.

4 90 Champs-Élysées

“Strong value creation potential”. Located above the Galerie des Champs-Élysées shopping arcade, this contemporary building features a freestone façade over its original skin of the type used for the most stunning Haussmann-style buildings recently transformed by Jean Nouvel. Each floor offers 1,200 sqm of bright, spacious offices. Soon to be redeveloped, the finished building will feature an exterior lighting system designed by Yann Kersalé.

5 92 Champs-Élysées (Ozone)

“An emblematic building”. Home to Thomas Jefferson during his 1785-1789 stay in Paris, this is one of the best-situated buildings on the Champs-Elysées, on the corner of rue de Berri. It comprises retail units on the ground floor and offices on the upper floors. Extensive renovation work began in May 2010 to restore the building to its former glory and create HQE®-certified.

6 Cézanne Saint-Honoré

“A private street a stone’s throw from Place de l’Etoile”. This exceptional office, retail and residential complex is comprised of two separate buildings located across from one another on either side of a 100-metre long, 15-metre wide private street in the heart of the capital’s historic business district. Delivered in March 2005 after exemplary restoration work, the 1930s building has the advantage of longer load bearing spans that obviate the need for internal structural walls and allow for large, functional units. The Cézanne Saint-Honoré complex was honoured by two awards in 2004 and 2005 and is one of SFL’s finest assets.

7 Édouard VII

“One of the capital’s business landmarks”. Built on a 1.5-hectare plot, the Haussmann-style Édouard VII complex is located between Opéra Garnier and La Madeleine, just off the boulevard des Capucines. Its location in the heart of one of Paris’s liveliest neighbourhoods and its impressive architectural style – the result of extensive remodelling – make this property a fabulous showcase. The complex features several independent buildings with a private reception area, staff restaurant and upscale restaurant and lounge bar.

8 176 Charles de Gaulle

“An outstanding site”. Located on the thoroughfare linking the Étoile to La Défense, this building has a courtyard-facing facade looking out over landscaped gardens. The building comprises office space and a large retail space on the ground floor.

9 Rives de Seine

“Effortless access”. Located on the banks of the Seine close to the Gare de Lyon train station and public transport hub, this property is emblematic of the revival of the Eastern Paris commercial property market. Built in 1974, it features 16 floors rising above a vast lobby that overlooks the river. The building was extensively renovated in 2000 to create modern, well-lit and highly modular 1,200 sqm office units. The extension of the lease with Natixis in 2009 has secured future revenues from the investment.

10 83 Marceau

“An unparalleled view of the Arc de Triomphe”. This six-storey property in a prime location just off the Place de l’Etoile boasts an interior courtyard and terraces offering exceptional views of the Arc de Triomphe. The site’s uniqueness is augmented by three street-facing façades, affording it a rare degree of visibility. With its highly-functional, flexible units of around 1,200 sqm, the Iéna building has it all. The lease with Générale de Santé on 3,567 was renewed in 2009. Main tenants: Générale de Santé.

11 131 Wagram

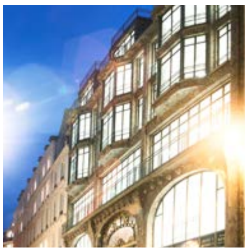
“A media centre”. The 131 Wagram building is located halfway between Parc Monceau and Place de l’Etoile on the corner of rue de Prony. Completely renovated in 1992, this property, which has a terrace and an interior garden, has 9 levels of offices on 5 basements. The office floors consist of bright 800 sqm units with modular fixtures, and the building also comprises an auditorium and a staff restaurant. The whole of the building’s interior was fully renovated in 2004-2005.

12 103 Grenelle

“A new business centre on the Left Bank”. Located in the Left Bank district that is home to many government offices, this historical complex is dominated by a tower that housed the first Chappe telegraph system in the 19th century and, until recently, the headquarters of the French Telephone and Telegraph Administration. Delivered in mid-2009 following its extensive two-year renovation, the building represents nearly 20,000 sqm of prime rental office space with HQE® certification. It offers a choice between more traditional partitioned areas and larger units of more than 1,500 sqm in the tower, suitable for an open plan or mixed layout. The complex also offers high-level amenities.

13 104-110 Haussmann Saint-Augustin

“A very high quality office complex”. Through a two-year redevelopment project completed in 2007, SFL transformed four separate buildings on boulevard Haussmann into a luxury office complex offering optimum working conditions. With a total surface area of around 13,000 sqm on seven floors, the complex is designed around a vast central entrance hall flooded with natural light from a glass roof. It also features an 82-metre long freestone façade. The use of natural, noble materials creates warmth and architectural beauty, while the elegant interior decoration scheme blends classic and contemporary design.



14 6 Hanovre

“In the centre of the financial district”. This very fine 1908 building by the architect Adolphe Bocage is registered in the Supplementary List of Historical Monuments. The vast lobby leads to a majestic horseshoe staircase, while the Art Deco facade features rectangular bays on the third floor and bow windows above. Alexandre Bigot did the sandstone veneer over concrete in the facade, in the lobby and the stairwell. The building is located in the financial district, near to Palais Garnier and Palais Brongniart, and is being painstakingly renovated to offer bright, well laid-out office space.

15 #Cloud

“Refurbishment project underway”. “A unique three-building complex”. #cloud. paris is a three-building complex within short walking distance of the Palais Brongniart and Palais Garnier in Paris’s financial district. When the building’s occupant, a major French bank, moved out in mid-2012, work began on a major redevelopment project to create a unique working environment based on modern, flexible office space and prestigious services and amenities such as a business centre, concierge, a restaurant and fitness rooms.

16 Le Vaisseau

“An imaginative design concept”. Located on Île Saint-Germain, Le Vaisseau owes its name (the Vessel) to its unusual shape. The façade was inspired by naval architecture, with a moveable roof that can open upwards along its entire length. Designed by the architect Jean Nouvel and completed in 1992, the 6,000 plus sqm structure features an imaginative design concept that evokes “A vessel moored to the island”. Purchased in 2006, the entire site was recently renovated to seamlessly reintegrate the building into its surroundings by reinterpreting the original concept.

17 4-8 Rue Condorcet

Located within the 9th district, the property is situated in Paris Centre West in close proximity to the Central Business District of Paris and important transport hubs. The property was constructed at the end of the XIXth century and comprises 7 buildings. It benefits from a visible location bordered by 4 streets: rue de Maubeuge, rue Condorcet, rue Pétrelle, and rue du Faubourg Poissonnière. The overall character of the property is still heavily influenced by these historical features. The interior of the buildings includes a large number of neoclassical features, such as sculpted columns, painted ceilings, marble coated walls and wood paneling. The quality of the buildings is enhanced by the historic staircase of central building and the large accessible inner courtyard. Constructed in 1863 under the architect Léon-Armand Darru, the building benefits from a rich architectural heritage and is the historical site of the GDF Group which has occupied it since its construction.

18 Biome

At the beginning of 2017, The Colonial Group completed a transaction for €165m, though its French subsidiary, to acquire the historical headquarters of the SMA Group. This building stands at a prime location at 112-122 Avenue Emile Zola, in the centre of district 15 in Paris. The building has a surface area of approximately 21,000 sqm. In BIOME, an iconic building is planned of more than 24,500 sqm in the Central-Western area of Paris with natural light, efficient floors of 1,400 sqm to 3,500 sqm and a green area surrounding the building. After receiving the work permit in May 2018, the work began in June 2018 and remains on course.

7.2. Surface area of assets - details

Rental portfolio Barcelona - sqm

	Acquisition year	Floor space above ground: Offices	Retail	Resid.	Hotel & others	Floor space above ground	Floor space below ground	Total surface	Parking units
Diagonal, 409	2001	3,680	851			4,531	0	4,531	
Diagonal, 530	1992	3,884				3,884	4,708	8,592	99
Diagonal, 609-615 - Dau/Prisma	1997	19,304				19,304	18,839	38,143	438
Av. Diagonal, 682	1997	8,372	250			8,622	1,795	10,417	50
Pedralbes Centre	1997	36	7,695			7,731	151	7,882	
Av. Diagonal, 523-525	2018	5,706				5,706	1,179	6,885	10
Diagonal 220-240, Glòries	2000	11,672				11,672	536	12,208	40
Illacuna	2006	15,039	408			15,447	13,606	29,053	481
Pº Tilos, 2-6	2000	5,143				5,143	3,081	8,224	69
Travessera, 47-49	2016	8,939				8,939	1,620	10,559	36
Via Augusta, 21-23	1999	4,620	218			4,838	0	4,838	
Travessera, 11	1994	4,105	410			4,515	1,994	6,509	61
Amigó, 11-17	1994	2,960	608			3,568	1,778	5,346	88
Torre BCN	2000	9,600	235			9,835	3,194	13,029	88
Torre Marenostrum	2003	7,696				7,696	19,370	27,066	606
Parc Glòries	2016	24,450				24,450	5,444	29,894	162
Sant Cugat	1999	27,062				27,062	20,626	47,688	690
Gal·la Placídia	2018	4,285				4,285	1,555	5,840	28
Diagonal, 197	2014	14,435	722			15,157	9,281	24,438	251
Buenos Aires, 21	2021	8,784				8,784	0	8,784	
Sancho de Ávila, 110-130	2019	17,860				17,860	4,776	22,636	202
Other small retail units			103			103	0	103	
Portfolio in operation		**207,631**	**11,500**	**0**	**0**	**219,131**	**113,535**	**332,666**	**3,399**
Plaza Europa, 34	2017	14,306				14,306	4,500	18,806	151
Torre Marenostrum	2003	14,698				14,698	0	14,698	
Diagonal, 530	1992	6,437	2,555			8,992	567	9,559	
WittyWood	2020	2,476				2,476	585	3,061	10
Surfaces under refurbishment		8,134	404			8,538	1,217	9,755	
Projects & renovations		**46,051**	**2,959**	**0**	**0**	**49,010**	**6,869**	**55,879**	**161**
Total Barcelona		**253,682**	**14,459**	**0**	**0**	**268,141**	**120,404**	**388,545**	**3,560**

Note: In order to facilitate the analysis of the portfolio, part of the office buildings have been specified to be dedicated to retail/commercial use (generally on the ground floors). The assets in the Barcelona rental portfolio are 100% owned by Colonial, with the exception of the plot of land at Plaza Europa 34 which is held through a joint venture with Inmo, S.L., as well as Wittywood asset.
The assets in the Madrid rental portfolio and the rest of Spain are 100% owned by Colonial.

Rental portfolio Madrid - sqm

	Acquisition year	Floor space above ground: Offices	Retail	Resid.	Hotel & others	Floor space above ground	Floor space below ground	Total surface	Parking units
Castellana, 52	1998	6,496	1,027			7,523	2,615	10,138	49
P. Castellana, 163	2016	10,982	280			11,262	1,855	13,117	52
Recoletos, 37-41	2005	13,642	3,560			17,202	5,340	22,542	175
Recoletos, 27	2019	2,086				2,086	0	2,086	
Castellana, 43	2005	5,455	543			5,998	2,441	8,439	81
Miguel Ángel, 11	2005	5,370	930			6,300	2,127	8,427	81
José Abascal, 56	2005	10,857	1,468			12,325	6,349	18,674	219
Génova, 17	2015	3,638	1,038			4,676	2,601	7,277	70
José Abascal, 45	2016	5,324				5,324	1,929	7,253	54
Serrano,73	2016	4,242				4,242	3,176	7,418	104
Alfonso XII, 62	2002	13,135				13,135	2,287	15,422	78
Santa Engracia	2015	13,444	220			13,664	5,562	19,226	180
Francisco Silvela, 42	1999	4,893	500			5,393	3,926	9,319	105
José Ortega y Gasset, 100	2000	6,870	922			7,792	2,563	10,355	96
Poeta Joan Maragall, 53	2001	13,685	2,330			16,015	9,668	25,683	295
Discovery Building	2015	9,496	656			10,152	4,751	14,903	100
López de Hoyos, 35	2005	7,140				7,140	4,105	11,245	111
Arturo Soria, 336	2017	8,363	300			8,663	5,655	14,318	191
Martínez Villergas, 49	2006	24,135				24,135	16,194	40,329	496
Ramírez de Arellano, 37	1999	5,988				5,988	4,923	10,911	160
Santa Hortensia, 26-28	2016	40,029				40,029	32,567	72,596	946
Egeo	2018	18,255				18,255	9,691	27,946	350
Príncipe de Vergara, 112-114	2015	11,129	238			11,367	4,524	15,892	115
Manuel Falla, 7	2015	6,252				6,252	1,640	7,892	41
Sagasta, 27	n. d.	0	300			300	0	300	
Sagasta, 31-33	2016	7,097				7,097	3,720	10,817	93
Almagro, 9	2016	15,094				15,094	8,075	23,169	208
Miguel Ángel, 23	2017	0	835			835	200	1,035	113
Velázquez-Padilla, 17	2015	0	1,883			1,883	0	1,883	
Don Ramón de la Cruz, 82	2015	9,339				9,339	3,664	13,003	91
Francisca Delgado, 11	2014	14,959	245			15,205	18,014	33,218	395
Cedro - Anabel Segura, 14	2017	14,437				14,437	12,135	26,572	387
Puerto de Somport, 8	2017	2,414				2,414	8,414	10,828	369
Ribera de Loira, 28	2014	9,924	629			10,553	16,948	27,501	370
Tucumán	2015	0	782			782	0	782	174
Ramírez de Arellano, 15	2015	6,670				6,670	4,680	11,350	113
Josefa Valcárcel, 40	2017	8,718				8,718	7,566	16,284	259

Rental portfolio Madrid - sqm

	Acquisition year	Floor space above ground: Offices	Retail	Resid.	Hotel & others	Floor space above ground	Floor space below ground	Total surface	Parking units
Josefa Valcárcel, 24	2016	5,652				5,652	3,600	9,252	90
Alcalá, 506	2015	5,664	595			6,259	8,200	14,459	205
Lagasca, 88	n. d.	0				0	75	75	3
Other small retail units			575			575	0	575	
Portfolio in operation		**350,875**	**19,858**	**0**	**0**	**370,733**	**231,780**	**602,513**	**7,019**
Méndez Álvaro I - Oficinas	2017	60,214				60,214	0	60,214	605
Méndez Álvaro I - Residencial	2017	0		29,658		29,658	0	29,658	294
Méndez Álvaro II	2017	20,276				20,276	0	20,276	203
Luca de Tena, 7	2016	10,145				10,145	13,400	23,545	335
Puerto de Somport, 10-18	2015	22,000				22,000	0	22,000	520
Velázquez-Padilla, 17	2015	14,435				14,435	6,080	20,515	152
Miguel Ángel, 23	2017	7,369				7,369	4,320	11,689	
Sagasta, 27	n. d.	4,481	115			4,596	0	4,596	
Rest of assets		10,030	539			10,569	13,859	24,428	
Projects & renovations		**148,949**	**654**	**29,658**	**0**	**179,261**	**37,659**	**216,919**	**2,109**
Total Madrid		**499,824**	**20,512**	**29,658**	**0**	**549,994**	**269,439**	**819,432**	**9,128**

Note: In order to facilitate the analysis of the portfolio, part of the office buildings have been specified to be dedicated to retail/commercial use (generally on the ground floors). The assets in the Barcelona rental portfolio are 100% owned by Colonial, with the exception of the plot of land at Plaza Europa 34 which is held through a joint venture with Inmo, S.L., as well as Wittywood asset.
The assets in the Madrid rental portfolio and the rest of Spain are 100% owned by Colonial.

Rental Portfolio others - sqm - rest of Spain

	Acquisition year	Floor space above ground: Offices	Retail	Resid.	Hotel & others	Floor space above ground	Floor space below ground	Total surface	Parking units
Viapark	2016		16,325			16,325		16,325	
Portfolio in operation		**0**	**16,325**	**0**	**0**	**16,325**	**0**	**16,325**	**0**
Autovía de Toledo	2017				23,557	23,557		23,557	
Projects & renovations		**0**	**0**	**0**	**23,557**	**39,882**	**0**	**39,882**	**0**
Total Others		**0**	**16,325**	**0**	**23,557**	**39,882**	**0**	**39,882**	**0**
Total Spain		**753,506**	**51,297**	**29,658**	**23,557**	**858,017**	**389,842**	**1,247,860**	**12,688**

Note: In order to facilitate the analysis of the portfolio, part of the office buildings have been specified to be dedicated to retail/commercial use (generally on the ground floors).
The assets in the Barcelona rental portfolio are 100% owned by Colonial, with the exception of the plot of land at Plaza Europa 34 which is held through a joint venture with Inmo, S.L., as well as Wittywood asset.
The assets in the Madrid rental portfolio and the rest of Spain are 100% owned by Colonial.

Rental portfolio Paris - sqm

		Floor space above ground				Floor space above ground	Floor space below ground	Total surface	Parking units
	Acquisition year	Offices	Retail	Resid.	Hotel & others				
Louvre Saint-Honoré	1995	23,313			753	24,065	4,110	28,175	236
Édouard VII	1999	26,448	15,159	4,509	4,202	50,318	10,145	60,463	523
6 Hanovre	1958	3,325				3,325	1,246	4,571	0
#Cloud.Paris	2004	28,192			1,860	30,051	3,164	33,216	99
Condorcet	2014	20,376		1,562	1,301	23,239	2,457	25,696	50
Galerie Champs-Élysées	2002	0	4,100			4,100	3,850	7,950	125
90 Champs-Élysées	2002/2009	7,912	932			8,844	0	8,844	
92 Champs-Élysées	2000	3,877	3,321			7,199	0	7,199	
Cezanne Saint-Honoré	2001/2007	14,681	1,663	0		16,345	3,337	19,682	128
131 Wagram	1999	7,100			449	7,549	3,651	11,200	124
83 Marceau	2001/2007	8,662	697			9,360	2,414	11,773	128
Washington Plaza	2000	36,326	406		2,557	39,289	12,915	52,204	662
106 Haussmann	2002/2004	11,797	677			12,474	2,650	15,124	104
176 Charles de Gaulle	1997	4,396	1,195			5,591	2,509	8,100	144
Rives de Seine	2004	20,270			1,760	22,030	6,589	28,619	366
Biome	2017	0				0	33	33	
103 Grenelle	2006	15,585	258		1,011	16,854	1,932	18,786	100
Portfolio in operation		**232,260**	**28,409**	**6,072**	**13,892**	**280,633**	**61,001**	**341,634**	**2,789**
Biome	2017	21,762		719	1,569	24,050	1,670	25,720	79
Louvre Saint-Honoré	1995	1,912	16,000		0	17,912	5,422	23,334	
Cezanne Saint-Honoré	2001/2007	9,765	186			9,951	1,504	11,455	
Le Vaisseau	2006	6,026				6,026	2,321	8,347	124
Washington Plaza	2000	3,897				3,897	2,837	6,734	
Surfaces under refurbishment		2,659	811			3,470	8,973	12,443	
Projects & renovations		**46,020**	**16,997**	**719**	**1,570**	**65,306**	**22,728**	**88,034**	**203**
Total France		**278,280**	**45,406**	**6,791**	**15,461**	**345,939**	**83,729**	**429,667**	**2,992**
Total Colonial Group		**1,031,786**	**96,703**	**36,448**	**39,018**	**1,203,956**	**473,571**	**1,677,527**	**15,680**

Note: Colonial has 98,3% of the share capital of SFL. SFL has 100% ownership of the totality of its rental portfolio with the exception of Cézanne Saint-Honoré, 103 Grenelle, #Cloud and 92 Champs Élysées of which it owns 51%, assets which have been created new “Joint Ventures” together with Predica.

7.3. Portfolio valuation

The Gross Asset Value of the Colonial Group at the close of 2021 amounted to €12,436m (€13,091m including transfer costs), showing an increase of +6% like-for-like, year-on-year. The growth registered during the second half of 2021 corresponds to +4% like-for-like.

The assets in Spain and France have been appraised by Jones Lang LaSalle, Cushman & Wakefield, and CB Richard Ellis. The appraisal values are updated half-yearly, following the best market practices, in compliance with the Regulation Standards of the Royal Institution of Chartered Surveyors (RICS) comprised in the Red Book – the valuation manual.

The market valuations defined by the RICS are internationally recognized by advisors and accountants of investors and corporations that own real estate assets, as well as The European Group of Valuers (TEGoVA) and The International Valuation Standards Committee (IVSC). The appraisers' fees are determined by the volume for the specific workout of each assignment.

Asset value - €m

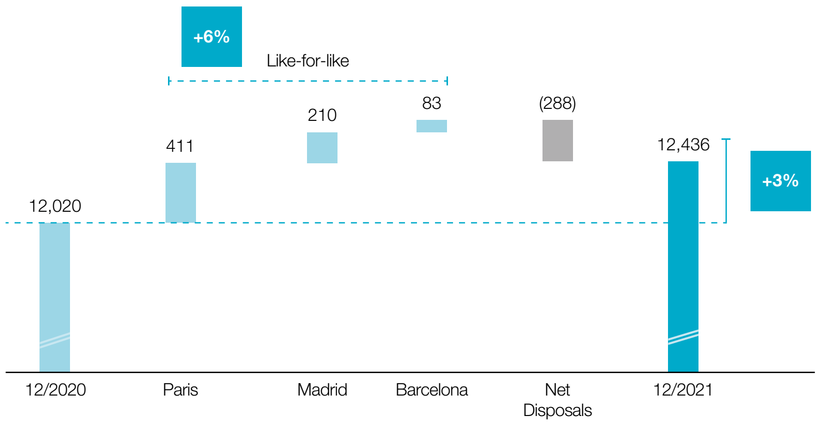
				Dec. 21 vs. Jun. 21		Dec. 21 vs. Dec. 20	
	31-Dec-21	30-Jun-21	31-Dec-20	Total	LfL[1]	Total	LfL[1]
Gross Asset Values - Excluding transfer costs							
Barcelona	1,423	1,373	1,333	4%	2%	7%	4%
Madrid	2,518	2,494	2,441	1%	1%	3%	3%
Paris	6,633	6,378	6,616	4%	3%	0%	4%
Portfolio in operation[2]	**10,573**	**10,245**	**10,390**	**3%**	**2%**	**2%**	**3%**
Projects	**1,843**	**1,717**	**1,556**	**7%**	**11%**	**18%**	**19%**
Others	**20**	**55**	**75**	**(63%)**	**1%**	**(73%)**	**0%**
Colonial Group	**12,436**	**12,017**	**12,020**	**3%**	**4%**	**3%**	**6%**
Spain	4,830	4,694	4,563	3%	3%	6%	7%
France	7,606	7,323	7,458	4%	4%	2%	6%
Gross Asset Values - Including transfer costs							
Colonial Group	**13,091**	**12,655**	**12,631**	**3%**	**4%**	**4%**	**6%**
Spain	4,953	4,816	4,685	3%	3%	6%	6%
France	8,138	7,838	7,946	4%	4%	2%	6%

(1) Portfolio in comparable terms.
(2) Portfolio in operation: current rental portfolio as well as new entries into operation of completed projects.

Including the impact of the disposals registered in 2021, the value of the assets has increased by +3% compared to the previous year, highlighting a +6% increase in the assets in Barcelona and Madrid.

The value variance analysis is as follows:

Variance analysis value 12 months - €m



GAV Variance LFL

	2021	1H 2021	2H 2021
Total LFL	+6%	+2%	+4%
Paris	+6%	+2%	+4%
Madrid	+7%	+3%	+4%
Barcelona	+6%	+4%	+2%

By sub-segments, the evolution of the asset value is as follows:

In Paris, the value of the portfolio increased +6% like-for-like in 2021 (+4% in 2H 2021), based on the resilience of the prime portfolio in Paris and the progress in the project pipeline.

In Spain, the office portfolio increased +7% like-for-like in 2021. Of special mention is the increase in value of the Madrid portfolio in the second half of 2021, and the increase in the value of the Barcelona portfolio during the first half of 2021, both +4% like-for-like. These increases are based on the strong positioning of the portfolio of assets in the city centre and CBD, together with the successful delivery and management of projects.

The increase in value of Colonial's asset portfolio is due to:

1. The high concentration in Prime CBD locations with strong fundamentals, enabling higher protection in downward cycles and a better growth profile in upward cycles.

2. The high quality of the buildings attracting clients with maximum solvency and high loyalty indices.

3. A successful diversification strategy that optimizes the risk profile of the portfolio.

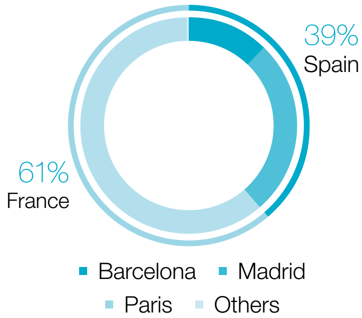
4. An industrial approach on value creation through the repositioning of assets, creating Alpha real estate value that enables the creation of a competitive advantage in the market and consequently a higher-than-average return.

The breakdown of the valuation of the Group's rental portfolio by use, market and type of product is shown below:

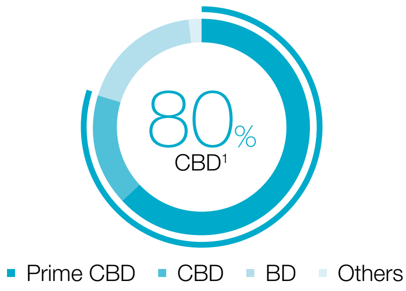
Consolidated Group

Valuation - by use

Valuation - by market



Offices Valuation - by area



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

Regarding the valuation of the portfolio in operation, the main value parameters are as follows:

Main parameters of Asset appraisal

Portfolio in operation	€m	sqm above ground[(1)]	€/sqm[(1)]	Valuation Yield
Barcelona	1,423	237,141	6,000	4.23%
Madrid	2,518	370,170	6,802	4.12%
Paris	5,854	288,788	20,272	2.97%

Gross Yields

Net Yields

(1) In Barcelona the sqm for the calculation of the capital value correspond to the surface above ground of all the assets in Barcelona, excluding the Plaza Europa project, Wittywood and the entire Diagonal 530 asset, as well as the surface area of non-core assets.
In Madrid, the sqm correspond to the surface above ground of all assets in Madrid, excluding the Méndez Álvaro complexes, the Puerto Somport 10-18, Sagasta 27, Miguel Ángel 23, Velázquez 86D, Cedro and Luca de Tena 7 projects, as well as the surface area of non-core assets.
In France, the sqm correspond to the office surface above ground in operation, excluding the main commercial assets and including certain rentable surfaces below ground in the portfolio not corresponding to parking units.

When **comparing the valuation parameters of Colonial's appraisal values with market data**, the following must be taken into consideration:

1. **In Spain, consultants publish gross yields in their market reports**
   (Gross yield = gross rent/value excluding transfer costs).

2. **In France, consultants publish net yields in their market reports**
   (Net yield = net rent/value including transfer costs).

The appraisal certificate is as follows:

CONSEJO DE ADMINISTRACIÓN
INMOBILIARIA COLONIAL, SOCIMI S.A.
Av. Diagonal 532, 08006 Barcelona

Madrid, 27th January 2022

Dear Sirs,

In accordance with your instruction, Jones Lang LaSalle España, S.A. and CBRE, as valuers of the Colonial portfolio in Spain, and CBRE and Cushman & Wakefield, as SFL valuers in France; have carried out the valuation reports of the freehold interest of the portfolio of properties of Inmobiliaria Colonial (Spain and France) as at 31st of December 2021 for internal use of the company.

According to the aforementioned reports, the Net Market Value of the company's portfolio is:

€ 12,436,041,000
(Twelve Billion, Four Hundred and Thirty Six Million, Forty One Thousand Euros)

The breakdown is as follows:

Unit	Market Value (excl. Transfer costs)	Gross Value (incl. Transfer costs)
Madrid	3.267.880.000 €	3.343.771.237 €
Barcelona	1.545.135.000 €	1.591.957.169 €
Rest of Spain	16.873.000 €	17.575.175 €
Total Colonial (Spain)	**4.829.888.000 €**	**4.953.303.580 €**
Total SFL (París)	**7.606.153.000 €**	**8.137.734.267 €**
Total Colonial + SFL	**12.436.041.000 €**	**13.091.037.847 €**

CHAPTER

8

Appendices

8.1. EPRA ratios

1) EPRA Earnings

EPRA Earnings - €m

	2021	2020
Earnings per IFRS Income statement	**474**	**2**
Earnings per IFRS Income statement - €cts/share	***91.10***	***0.47***
Adjustments to calculate EPRA Earnings, exclude:		
(i) Changes in value of investment properties, development properties held for investment and other interests	(443)	78
(ii) Profits or losses on disposal of investment, development properties held for investment and other interests	1	(2)
(iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties	0	0
(iv) Tax on profits or losses on disposals	0	(0)
(v) Negative goodwill / goodwill impairment	0	0
(vi) Changes in fair value of financial instruments and associated close-out costs	30	31
(vii) Acquisition costs on share deals and non controlling joint venture interests	0	0
(viii) Deferred tax in respect of EPRA adjustments	(9)	(4)
(ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	0	0
(x) Minority interests in respect of the above	66	27
EPRA Earnings	**120**	**133**
Company specific adjustments:		
(a) Extraordinary expenses	10	3
(b) Non recurring financial result	0	2
(c) Tax credits	0	0
(d) Minority interests in respect of the above	(2)	(0)
Company specific Adjusted Earnings	**128**	**138**
Weighted average Nº of shares (m)	***520.1***	***508.1***
Company adjusted Earnings per Share (EPS) - €cts/share	***24.59***	***27.06***

(1) Diluted earnings per share: average shares of the period, including variations due to capital operations, without adjusting for the impact of treasury shares. The diluted earnings per share, adjusting for treasury shares, amounts to €24.8cts/share.

2) EPRA Net Asset Value - new methodology

EPRA Net Asset value - December 2021 - €m

		NAV previous methodology	Net Reinstatement Value	Net Tangible Assets	Net Disposal Value
IFRS Equity attributable to shareholders		**5,999**	**5,999**	**5,999**	**5,999**
Include:					
(i)	Hybrid instruments	–	–	–	–
Diluted NAV		**5,999**	**5,999**	**5,999**	**5,999**
Include:					
(ii.a)	Revaluation of investment properties (if IAS 40 cost option is used)				
(ii.b)	Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)				
(ii.c)	Revaluation of other non-current investment	149	149	149	149
(iii)	Revaluation of tenant leases held as finance leases	–	–	–	–
(iv)	Revaluation of trading properties	12	12	12	12
Diluted NAV at Fair Value		**6,160**	**6,160**	**6,160**	**6,160**
Exclude:					
(v)	Deferred tax in relation to fair value gains of IP	351	351	351	n.a.
(vi)	Fair value of financial instruments	(15)	(15)	(15)	n.a.
(vii)	Goodwill as a result of deferred tax	–	–	–	–
(viii.a)	Goodwill as per the IFRS balance sheet	–	n.a.	–	–
(viii.b)	Intangible as per the IFRS balance sheet	–	n.a.	–	n.a.
Include:					
(ix)	Fair value on fixed interest rate debt	–	n.a.	n.a.	(203)
(x)	Revaluation of intangibles to fair value	–	–	n.a.	n.a.
(xi)	Real estate transfer tax	n.a.	567	–	n.a.
EPRA NAV - €m		**6,496**	**7,063**	**6,496**	**5,957**
Nº of shares (m)		***539.6***	***539.6***	***539.6***	***539.6***
EPRA NAV - Euros per share		***12.04***	***13.09***	***12.04***	***11.04***

EPRA Net Asset value - December 2020 - €m

		NAV previous methodology	Net Reinstatement Value	Net Tangible Assets	Net Disposal Value
IFRS Equity attributable to shareholders		**5,401**	**5,401**	**5,401**	**5,401**
Include:					
(i)	Hybrid instruments	–	–	–	–
Diluted NAV		**5,401**	**5,401**	**5,401**	**5,401**
Include:					
(ii.a)	Revaluation of investment properties (if IAS 40 cost option is used)				
(ii.b)	Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)				
(ii.c)	Revaluation of other non-current investment	64	64	64	64
(iii)	Revaluation of tenant leases held as finance leases	–	–	–	–
(iv)	Revaluation of trading properties	10	10	10	10
Diluted NAV at Fair Value		**5,475**	**5,475**	**5,475**	**5,475**
Exclude:					
(v)	Deferred tax in relation to fair value gains of IP	233	233	233	n.a.
(vi)	Fair value of financial instruments	19	19	19	n.a.
(vii)	Goodwill as a result of deferred tax	–	–	–	–
(viii.a)	Goodwill as per the IFRS balance sheet	–	n.a.	–	–
(viii.b)	Intangible as per the IFRS balance sheet	–	n.a.	–	n.a.
Include:					
(ix)	Fair value on fixed interest rate debt	–	n.a.	n.a.	(280)
(x)	Revaluation of intangibles to fair value	–	–	n.a.	n.a.
(xi)	Real estate transfer tax	n.a.	471	–	n.a.
EPRA NAV - €m		**5,728**	**6,198**	**5,728**	**5,195**
Nº of shares (m)		***508.1***	***508.1***	***508.1***	***508.1***
EPRA NAV - Euros per share		***11.27***	***12.20***	***11.27***	***10.22***

3) EPRA Net initial Yield & Topped-up Net Initial Yield

D. EPRA Net Initial yield & "Topped-Up" Net Initial Yield - €m

		Barcelona	Madrid	Paris	Total 2021	Total 2020
Investment property – wholly owned		1,512	3,265	7,606	12,383	11,996
Investment property – share of JVs/Funds		33	n.a.	n.a.	33	24
Trading property (including share of JVs)		n.a.	n.a.	n.a.	n.a.	n.a.
Less: developments		(205)	(743)	(1,249)	(2,197)	(1,992)
Completed property portfolio	**E**	**1,340**	**2,521**	**6,357**	**10,219**	**10,028**
Allowance for estimated purchasers' costs		41	58	458	558	533
Gross up completed property portfolio valuation	**B**	**1,381**	**2,580**	**6,816**	**10,776**	**10,561**
Annualised cash passing rental income		46	95	176	317	326
Property outgoings		(4)	(9)	(4)	(17)	(16)
Annualised net rents	**A**	**42**	**86**	**172**	**300**	**310**
Add: notional rent expiration of rent free periods or other lease incentives		1	3	23	28	19
"Topped-up" net annualised rent	**C**	**43**	**89**	**195**	**327**	**329**
EPRA Net Initial Yield	**A/B**	**3.0%**	**3.3%**	**2.5%**	**2.8%**	**2.9%**
EPRA "Topped-Up" Net Initial Yield	**C/B**	**3.1%**	**3.5%**	**2.9%**	**3.0%**	**3.1%**
Gross Rents 100% Occupancy	F	55	107	205	367	370
Property outgoings 100% Occupancy		(3)	(6)	(4)	(14)	(14)
Annualised net rents 100% Occupancy	**D**	**52**	**101**	**201**	**353**	**355**
Net Initial Yield 100% Occupancy	**D/B**	**3.8%**	**3.9%**	**2.9%**	**3.3%**	**3.4%**
Gross Initial Yield 100% Occupancy	**F/E**	**4.1%**	**4.2%**	**3.2%**	**3.6%**	**3.7%**

4) EPRA Vacancy Rate

EPRA Vacancy Rate - Offices Portfolio - €m

	2021	2020	Var. %
Barcelona			
Vacant space ERV	4	2	
Portfolio ERV	52	53	
EPRA Vacancy Rate Barcelona	**8%**	**5%**	**3 pp**
Madrid			
Vacant space ERV	7	3	
Portfolio ERV	97	94	
EPRA Vacancy Rate Madrid	**7%**	**3%**	**4 pp**
Paris			
Vacant space ERV	3	10	
Portfolio ERV	188	182	
EPRA Vacancy Rate Paris	**2%**	**6%**	**(4 pp)**
Total portfolio			
Vacant space ERV	14	16	
Portfolio ERV	337	329	
EPRA Vacancy Rate Total Offices Portfolio	**4%**	**5%**	**(1 pp)**

Nota: Annualised figures.

EPRA Vacancy Rate - Total Portfolio - €m

	2021	2020	Var. %
Barcelona			
Vacant space ERV	4	3	
Portfolio ERV	54	56	
EPRA Vacancy Rate Barcelona	**8%**	**5%**	**3 pp**
Madrid			
Vacant space ERV	7	3	
Portfolio ERV	97	94	
EPRA Vacancy Rate Madrid	**7%**	**3%**	**4 pp**
Paris			
Vacant space ERV	5	12	
Portfolio ERV	222	218	
EPRA Vacancy Rate Paris	**2%**	**6%**	**(3 pp)**
Logistics & others			
Vacant space ERV	–	–	
Portfolio ERV	2	6	
EPRA Vacancy Rate Total Portfolio	**0%**	**0%**	**0 pp**
Total portfolio			
Vacant space ERV	16	18	
Portfolio ERV	375	373	
EPRA Vacancy Rate Total Portfolio	**4%**	**5%**	**(1 pp)**

Nota: Annualised figures.

5) EPRA Cost Ratios

E. EPRA Cost Ratios - €m

		Spain	France	12/2021	12/2020
(i) Administrative/operating expense line per IFRS income statement		22.2	32.7	55	48
(ii) Net service charge costs/fees		14.3	8.8	23	23
(iii) Management fees less actual/estimated profit element		0	0	0	0
(iv) Other operating income/recharges intended to cover overhead expenses less any related profits		0	0	0	0
(v) Share of Joint Ventures expenses		n.a.	0	0	0
Exclude (if part of the above):					
(vi) Investment Property depreciation		n.a.	n.a.	n.a.	n.a.
(vii) Ground rent costs		n.a.	n.a.	n.a.	n.a.
(viii) Service charge costs recovered through rents but not separately invoiced		n.a.	(14)	(14)	(3)
EPRA Costs (including direct vacancy costs)	**A**	**36.5**	**27.9**	**64**	**68**
(ix) Direct vacancy costs		(2.9)	(3.1)	(6)	(5)
EPRA Costs (excluding direct vacancy costs)	**B**	**33.6**	**24.8**	**58**	**63**
(x) Gross Rental Income less ground rent costs - per IFRS		139.3	174.6	314	340
(xi) Less: service fee and service charge costs components of Gross Rental Income (if relevant)		n.a.	(3)	(3)	(3)
(xii) Add: share of Joint Ventures (Gross Rental Income less ground rents)		n.a.	0	0	0
Gross Rental Income	**C**	**139.3**	**171.8**	**311**	**338**
EPRA Cost Ratio (including direct vacancy costs)	**A/C**	**26.2%**	**16.2%**	**20.7%**	**20.1%**
EPRA Cost Ratio (excluding direct vacancy costs)	**B/C**	**24.1%**	**14.4%**	**18.8%**	**18.7%**

6) EPRA CAPEX disclosure

Property-related CAPEX - €m

	12/2021	12/2020
Acquisitions[(1)]	0	1
Development (ground-up/green field/brown field)	208	158
Like-for-like portfolio	32	17
Other[(2)]	23	18
Capital Expenditure	**263**	**194**

(1) Does not include contribution of assets in exchange of shares.
(2) Includes capitalised interest relating to projects, tenant incentives, letting fees and other capitalised expenses

7) EPRA Sustainability Tables

Energy consumption and GHG emissions

Energy consumption and emissions in 2021-2020

EPRA Energy-Int, EPRA GHG-Int
EPRA GHG-Dir-Abs & EPRA GHG-Indir-Abs

		Total 2021					Total 2020					Variance	
Sustainability Indicators	Unit of measurement	Coverage	Cons. 2021	Sqm (real)	Sqm adjust.	Intens. 2021 Energy-Int (kWh/sqm)	Coverage	Cons. 2020	Sqm (real)	Sqm adjust.	Intens. 2020 Energy-Int (kWh/sqm)	Consumption	Intensity
Electicity Consumption (*Elec-Abs*)	MWh	67	128,003	930,614	783,438	163	67	115,953	914,037	836,028	139	10%	18%
Fuel Consumption (*Fuels-Abs*)	MWh	35	16,674	403,614	335,403	50	36	11,203	403,101	373,522	30	49%	66%
Heating & Cooling Consumption (*DH&C-Abs*)	MWh	12	24,121	270,112	224,942	107	14	22,578	282,800	248,568	91	7%	18%
Green Energy Consumption (Fotovoltaica)	MWh	3	67	49,117	47,022	1	1	51	20,451	20,451	2	33%	–42%
Total Energy Consumption	**MWh**	**67**	**168,866**	**930,614**	**783,438**	**216**	**67**	**149,784**	**914,037**	**836,028**	**179**	**13%**	**20%**

Notes: Of the electricity consumption in 2021, 53,477 MWh corresponds to common areas and shared services, and 74,526 MWh to private areas. Also, of the electricity consumption in 2020, 52,825 MWh corresponds to common areas and shared services, and 63,128 MWh to private areas. Photovoltaic electricity (green energy) consumption represents 0.04% of the total, in line with previous years.
In some cases, the Group only has the control of the consumption of the common areas, so as part of the effort made to report total consumption, the Group has made an estimate of consumption data for tenants to whom it does not have access.
Estimated data from private tenant areas (tenant consumption) represents between 25%-26% of total reported electricity and fuel consumption.
No estimation made for DH&C and fuels, as they are obtained through telemetry, manual readings and invoices.

Energy consumption and emissions in 2021-2020

EPRA Energy-Int, EPRA GHG-Int
EPRA GHG-Dir-Abs & EPRA GHG-Indir-Abs

			Total 2021					Total 2020					Variance	
Sustainability Indicators		Unit of measurement	Coverage	Cons. 2021	Sqm (real)	Sqm adjust.	Intens 2021 GHG-Int ($kgCO_2e$/sqm)	Coverage	Cons. 2020	Sqm (real)	Sqm adjust.	Intens 2020 GHG-Int ($kgCO_2e$/sqm)	Consumption	Intensity
Direct CO_2 emissions / Scope 1 *(GHG-Dir-Abs)*		$TeqCO_2$	28	2,853	310,201	261,121	11	23	2,121	253,111	229,171	9	35%	18%
Indirect emissions / Scope 2 *(GHG-Indir-Abs)*	Market-based method	$TeqCO_2$	56	3,312	787,953	647,476	5	53	2,805	765,555	690,710	4	18%	26%
	Location-based method	$TeqCO_2$	56	7,126	787,953	647,476	11	53	7,609	765,555	690,710	11	–6%	0%
Total emissions / Scopes 1 & 2	Market-based method	$TeqCO_2$	**57**	**6,164**	**794,819**	**648,884**	**9**	**55**	**4,926**	**781,469**	**706,624**	**7**	**25%**	**36%**
	Location-based method	$TeqCO_2$	**57**	**9,978**	**794,819**	**648,884**	**15**	**55**	**9,729**	**781,469**	**706,624**	**14**	**3%**	**12%**
Othe indirect CO_2 emissions (Scope 3)	Market-based method	$TeqCO_2$	64	14,094	902,707	768,960	18	65	13,758	900,568	822,559	17	2%	10%
	Location-based method	$TeqCO_2$	64	10,468	902,707	768,960	14	65	11,040	900,568	822,559	13	–5%	1%
Total emissions / Scopes 1, 2 & 3	**Market-based method**	**$TeqCO_2$**	**67**	**20,258**	**930,614**	**783,438**	**26**	**67**	**18,684**	**914,037**	**836,028**	**22**	**8%**	**16%**
	Location-based method	**$TeqCO_2$**	**67**	**20,446**	**930,614**	**783,438**	**26**	**67**	**20,769**	**914,037**	**836,028**	**25**	**–2%**	**5%**

Notes: Of the electricity consumption in 2021, 53,477 MWh corresponds to common areas and shared services, and 74,526 MWh to private areas. Also, of the electricity consumption in 2020, 52,825 MWh corresponds to common areas and shared services, and 63,128 MWh to private areas. Photovoltaic electricity (green energy) consumption represents 0.04% of the total, in line with previous years.
In some cases, the Group only has the control of the consumption of the common areas, so as part of the effort made to report total consumption, the Group has made an estimate of consumption data for tenants to whom it does not have access.
Estimated data from private tenant areas (tenant consumption) represents between 25%-26% of total reported electricity and fuel consumption.
No estimation made for DH&C and fuels, as they are obtained through telemetry, manual readings and invoices.

Energy consumption and emissions in own-use offices

Sustainability Indicators	Unit of measurement	Coverage	Consumption 2021	Consumption 2020	Var.	Sqm 2021 adjusted	Sqm 2020 adjusted	2021 adjusted intensity (kWh/sqm)	2020 adjusted intensity (kWh/sqm)	Variance	Adjusted variance
Electricity Consumptiom	MWh	2	229	344	–33%	2,960	5,128	77	67	15%	15%
Fuel Consumptiom	MWh	1	27	128	–79%	928	3,096	29	41	–30%	–30%
Total Energy Consumptiom	**MWh**	**2**	**256**	**472**	**–46%**	**2,960**	**5,128**	**86**	**92**	**–6%**	**–6%**

Sustainability Indicators	Unit of measurement	Coverage	Consumption 2021	Consumption 2020	Var.	Sqm 2021 adjusted	Sqm 2020 adjusted	2021 adjusted intensity ($kgCO_2e$/sqm)	2020 adjusted intensity ($kgCO_2e$/sqm)	Variance	Adjusted variance
Direct CO_2 emissions	TeqCO_2	1	4	33	–86%	928	3,096	5	11	–55%	–55%
Indirect CO_2 emissions	TeqCO_2	2	4	4	0%	2,960	5,128	1	1	73%	73%
Direct & indirect emissions	**TeqCO_2**	**2**	**9**	**37**	**–77%**	**2,960**	**5,128**	**3**	**7**	**–59%**	**–59%**

Note: In 2021 the own-use of the Barcelona offices has not been considered as most of the surface of the property is under construction.

Energy consumption and emissions in leased properties with control over the consumption of the properties

EPRA Elec-LfL, EPRA Fuels LfL & EPRA DH&C-LfL
EPRA GHG-Dir-Abs & EPRA GHG-Indir-Abs

Sustainability Indicators	Unit of measurement	Coverage	Consumption 2021	Consumption 2020	Var.	Sqm 2021	Sqm 2021 adjusted	Sqm 2020	Sqm 2020 adjusted	2021 intensity (kWh/ sqm)	2021 adjusted intensity (kWh/ sqm)	2020 intensity (kWh/ sqm)	2020 adjusted intensity (kWh/ sqm)	Var.	Adjusted variance
Electricity Consumption *(Elec-LfL)*	MWh	62	123,687	112,274	10%	867,408	750,144	867,425	799,210	143	165	129	140	10%	17%
Fuel Consumption *(Fuels-LfL)*	MWh	30	13,858	10,458	33%	340,409	302,109	379,321	357,543	41	46	28	29	48%	57%
Heating and Cooling network consumption *(DH&C-LfL)*	MWh	12	24,121	22,105	9%	270,112	224,942	270,112	236,183	89	107	82	94	9%	15%
Green Energy Consumption (Photovoltaic)	MWh	1	47	51	–7%	20,451	18,783	20,451	20,451	2	3	2	2	–7%	1%
Total Energy Consumption	**MWh**	**62**	**161,713**	**144,888**	**12%**	**867,408**	**750,144**	**867,425**	**799,210**	**186**	**216**	**167**	**181**	**12%**	**19%**

Notes: These tables show the consumption and emissions generated in the Colonial buildings included in the sustainable like-for-like scope, following the recommendations of *EPRA Best Practices on Sustainability Reporting*. The calculation of the like-for-like indicators has been carried out separately for each type of consumption (electricity, fuel and water), including those buildings that have been in continuous operation in the last two years (2021 and 2020) and for which complete consumption data is available for the last two years. Also included are those assets in which the Group has control over the consumption of supplies and single-user assets, except for properties in project status and plots of land, as they do not generate consumption.
The Scope 1 and 2 carbon footprint has been calculated based on the energy consumption of the buildings, leakage and refrigerant gas recharges.
For Scope 3, these tables contain data on category 13 as established by the GHG Protocol, corresponding to GHG emissions from energy consumption in the private areas of the Group's facilities. Being aware that most of its emissions come from this area, out of the 15 categories established in the GHG Protocol, the Colonial Group has for the first time calculated the emissions of the 7 categories applicable to the Group's business, as can be seen in detail in the chapter on "Progress in eco-efficiency and decarbonisation".
Of the like-for-like electricity consumption in 2021, 51,573 MWh correspond to common areas and shared services and 72,114 MWh to private areas. Furthermore, of the like-for-like electricity consumption in 2020, 50,905 MWh correspond to common areas and shared services and 61,369 MWh to private areas. Photovoltaic electricity (green energy) consumption represents 0.07% of the total, in line with previous years.

Energy consumption and emissions in leased properties with control over the consumption of the properties

EPRA Elec-LfL, EPRA Fuels LfL & EPRA DH&C-LfL
EPRA GHG-Dir-Abs & EPRA GHG-Indir-Abs

Sustainability indicators		Unit of measurement	Coverage	Consumption 2021	Consumption 2020	Var.	Sqm 2021	Sqm 2021 adjusted	Sqm 2020	Sqm 2020 adjusted	2021 intensity ($kgCO_2e$/sqm)	2021 adjusted intensity ($kgCO_2e$/sqm)	2020 intensity ($kgCO_2e$/sqm)	2020 adjusted intensity ($kgCO_2e$/sqm)	Var.	Adjusted variance
Direct CO_2 emissions / Scope 1 (GHG-Dir-Abs)		$TeqCO_2$	28	2,716	1,953	39%	266,837	246,718	241,330	222,698	10	11	8	9	26%	26%
Indirect emissions / Scope 2 *(GHG-Indir-Abs)*	Market-based method	$TeqCO_2$	54	3,312	2,724	22%	754,934	638,911	729,087	662,345	4	5	4	4	17%	26%
	Location-based method	$TeqCO_2$	54	6,839	7,220	–5%	754,934	638,911	729,087	662,345	9	11	10	11	–9%	–2%
Total emissions / Scopes 1 & 2	**Market-based method**	**$TeqCO_2$**	**54**	**6,028**	**4,677**	**29%**	**754,934**	**638,911**	**745,001**	**678,259**	**8**	**9**	**6**	**7**	**27%**	**37%**
	Location-based method	**$TeqCO_2$**	**54**	**9,555**	**9,173**	**4%**	**754,934**	**638,911**	**745,001**	**678,259**	**13**	**15**	**12**	**14**	**3%**	**11%**
Other Indirect CO_2 emissions (Scope 3)	Market-based method	$TeqCO_2$	60	13,527	13,428	1%	853,939	736,675	853,956	785,740	16	18	16	17	1%	7%
	Location-based method	$TeqCO_2$	60	9,914	10,787	–8%	853,939	736,675	853,956	785,740	12	13	13	14	–8%	–2%
Total emissions / Scopes 1, 2 & 3	**Market-based method**	**$TeqCO_2$**	**62**	**19,555**	**18,105**	**8%**	**867,408**	**750,144**	**867,425**	**799,210**	**23**	**26**	**21**	**23**	**8%**	**15%**
	Location-based method	**$TeqCO_2$**	**62**	**19,469**	**19,960**	**–2%**	**867,408**	**750,144**	**867,425**	**799,210**	**22**	**26**	**23**	**25**	**–2%**	**4%**

Notes: These tables show the consumption and emissions generated in the Colonial buildings included in the sustainable like-for-like scope, following the recommendations of *EPRA Best Practices on Sustainability Reporting*. The calculation of the like-for-like indicators has been carried out separately for each type of consumption (electricity, fuel and water), including those buildings that have been in continuous operation in the last two years (2021 and 2020) and for which complete consumption data is available for the last two years. Also included are those assets in which the Group has control over the consumption of supplies and single-user assets, except for properties in project status and plots of land, as they do not generate consumption.
The Scope 1 and 2 carbon footprint has been calculated based on the energy consumption of the buildings, leakage and refrigerant gas recharges.
For Scope 3, these tables contain data on category 13 as established by the GHG Protocol, corresponding to GHG emissions from energy consumption in the private areas of the Group's facilities. Being aware that most of its emissions come from this area, out of the 15 categories established in the GHG Protocol, the Colonial Group has for the first time calculated the emissions of the 7 categories applicable to the Group's business, as can be seen in detail in the chapter on "Progress in eco-efficiency and decarbonisation".
Of the like-for-like electricity consumption in 2021, 51,573 MWh correspond to common areas and shared services and 72,114 MWh to private areas. Furthermore, of the like-for-like electricity consumption in 2020, 50,905 MWh correspond to common areas and shared services and 61,369 MWh to private areas. Photovoltaic electricity (green energy) consumption represents 0.07% of the total, in line with previous years.

Water consumption

Water consumption in 2021-2020

EPRA Water-Int

		Total 2021					Total 2020					Variance	
Sustainability indicators	Unit of measurement	Coverage	Cons. 2021	Sqm (real)	Sqm adjust.	Intensity 2021 (Water-Int) (l/sqm)	Coverage	Cons. 2020	Sqm (real)	Sqm adjust	Intensity 2020 (Water-Int) (l/sqm)	Consumption	Intensity
Water consumption *(Water-Abs)*	m^3	65	288,641	894,417	757,316	381	65	270,740	893,917	814,503	332	7%	15%

Notes: 1.4% of the water comes from recycled and reused water. The rest is supplied by water mains.
Data consumption of water is obtained through telemetry, manual readings and invoices.

Water consumption in own use offices

Sustainability indicators	Unit of measurement	Coverage	Consumption 2021	Consumption 2020	Var.	Sqm 2021	Sqm 2020	Intensity 2021 (l/sqm)	Intensity 2020 (l/sqm)	Variance
Water consumption	m^3	3	1,769	1,438	23%	5,545	5,128	319	281	14%

Water consumption in leased properties with control over the consumption of the properties

EPRA Water-LfL

Sustainability indicators	Unit of measurement	Coverage	Cons. 2021	Cons. 2020	Var.	Sqm 2021	Sqm 2021 adjusted	Sqm 2020	Sqm 2020 adjusted	Intensity 2021 (l/sqm)	Intensity 2021 ajust. (l/sqm)	Intensity 2020 (l/sqm)	Intensity 2020 ajust. (l/sqm)	Var.	Var. adjusted
Water consumption *(Water-LfL)*	m^3	61	279,610	261.656	7%	857,433	743.167	857,450	788,306	326	376	305	332	7%	13%

Note: 1.5% of the water comes from recycled and reused water. The rest is supplied by water mains.

Waste

Waste by type and disposal

EPRA Waste-Abs. EPRA Waste-LfL

Sustainability Indicators	Type of Waste	Total Waste 2020 kg	Total Waste 2020 % of total	Total Waste 2021 kg	Total Waste 2021 % of total
EPRA Waste-Abs GRI 306-4 and 306-5	**Hazardous Waste**				
	Reuse	427	2.28%	211	0.43%
	Recycling	14,981	80.06%	9,456	19.05%
	Composting	0	0.00%	0	0.00%
	Recovery (including energy)	99	0.53%	625	1.26%
	Land - land improvement, backfilling and drainage	0	0.00%	0	0.00%
	On-site storage	1,975	10.56%	17	0.03%
	Non-reusable hazardous waste	575	3.07%	38,101	76.77%
	Incineration (not reused)	43	0.23%	24	0.05%
	Deep well injection (not reused)	0	0.00%	0	0.00%
	Landfill (not reused)	52	0.28%	995	2.00%
	Other disposal method	560	2.99%	198	0.40%
	Total hazardous waste generated	**18,712**	**100.00%**	**49,627**	**100.00%**
	Non-hazardous Waste				
	Reuse	12,496,200	5.02%	907,710	0.49%
	Recycling	41,422,106	16.63%	54,982,622	29.39%
	Composting	2,042	0.00%	9,714	0.01%
	Recovery (including energy)	1,602,860	0.64%	2,680,259	1.43%
	Land - land improvement, backfilling and drainage	193,428,754	77.63%	128,280,865	68.56%
	On-site storage	24,411	0.01%	1,037	0.00%
	Non-reusable hazardous waste	5,182	0.00%	0	0.00%
	Incineration (not reused)	18,435	0.01%	2,620	0.00%
	Deep well injection (not reused)	0	0.00%	0	0.00%
	Landfill (not reused)	128,468	0.05%	223,510	0.12%
	Other disposal method	32,728	0.01%	9,705	0.01%
	Total non-hazardous waste generated	**249,161,184**	**100.00%**	**187,098,042**	**100.00%**

Waste by type and disposal

EPRA Waste-Abs. EPRA Waste-LfL

Sustainability Indicators	Type of Waste	Total Waste 2020 kg	Total Waste 2020 % of total	Total Waste 2021 kg	Total Waste 2021 % of total
EPRA Waste-LfL	**Hazardous Waste**				
	Reuse	164	1.13%	209	0.99%
	Recycling	11,251	77.82%	6,126	29.15%
	Composting	0	0.00%	0	0.00%
	Recovery (including energy)	91	0.63%	625	2.98%
	Land - land improvement, backfilling and drainage	0	0.00%	0	0.00%
	On-site storage	1,753	12.13%	6	0.03%
	Non-reusable hazardous waste	566	3.91%	12,893	61.35%
	Incineration (not reused)	23	0.16%	24	0.11%
	Deep well injection (not reused)	0	0.00%	0	0.00%
	Landfill (not reused)	50	0.35%	935	4.45%
	Other disposal method	560	3.87%	198	0.94%
	Total hazardous waste generated	**14,457**	**100.00%**	**21,016**	**100.00%**
	Non-hazardous Waste				
	Reuse	5,604	0.26%	34,092	1.18%
	Recycling	866,296	40.77%	2,006,286	69.61%
	Composting	1,710	0.08%	9,662	0.34%
	Recovery (including energy)	1,166,545	52.56%	603,028	20.92%
	Land - land improvement, backfilling and drainage	5,640	0.26%	0	0.00%
	On-site storage	143	0.01%	1,002	0.03%
	Non-reusable hazardous waste	4,965	0.23%	0	0.00%
	Incineration (not reused)	8,361	0.84%	2,620	0.09%
	Deep well injection (not reused)	0	0.00%	0	0.00%
	Landfill (not reused)	79,735	3.70%	215,950	7.49%
	Other disposal method	14,277	1.29%	9,698	0.34%
	Total non-hazardous waste generated	**2,153,275**	**100.00%**	**2,882,337**	**100.00%**

8.2. Key sustainability indicators GRI & EPRA BPR'S

8.2.1 Table of contents GRI, EPRA BPR'S

Universal standards

General contents	Description	Page(s)	Boundary
Organisational profile			
GRI 102-1	Name of the organisation.	Inmobiliaria Colonial, SOCIMI, S.A.	Colonial Group
GRI 102-2	Activities, brands, products and services	94-99, 103-109, 229-241, 302-335	Colonial Group
GRI 102-3	Location of headquarters	Headquarters at: Paseo de la Castellana nº 52 (Madrid, Spain)	Colonial Group
GRI 102-4	Location of operations	302-335	Colonial Group
GRI 102-5	Ownership and legal form	298	Colonial Group
GRI 102-6	Markets served	94-99, 229, 302-335	Colonial Group
GRI 102-7	Scale of the organisation	6-7, 200, Annual Accounts	Colonial Group
GRI 102-8	Information on employees and other workers	378-379	Colonial Group
GRI 102-9	Supply Chain	189-194	Colonial Group
GRI 102-10	Significant changes to the organisation and its supply chain	103, 109, 116-118	Colonial Group
GRI 102-11	Precautionary principle or approach	136-146	Colonial Group
GRI 102-12	External initiatives	246-248	Colonial Group
GRI 102-13	Membership of associations	242-248	Colonial Group
Strategy			
GRI 102-14	Statement from senior decision-maker	36-37	Colonial Group
GRI 102-15	Key impacts, risks, and opportunities	64-77	Colonial Group
Ethics and integrity			
GRI 102-16	Values, principles, standards and norms of behaviour	292-294	Colonial Group
GRI 102-17	Mechanisms for advice and concerns about ethics	292-294	Colonial Group
Governance			
GRI 102-18	Governance structure	52-56, 253, 270-282	Colonial Group
GRI 102-19	Delegating authority	52-55	Colonial Group
GRI 102-20	Executive-level responsibility for economic, environmental and social topics	252-269	Colonial Group
GRI 102-21	Consulting stakeholders on economic, environmental, and social topics	48-50	Colonial Group

Universal standards

General contents	Description	Page(s)	Boundary
GRI 102-22 / EPRA-Gov-Board	Composition of the highest governance body and its committees	259, 52-53, 270-271, 275-276 IAGC 2021	Colonial Group
GRI 102-23	Chair of the highest governance body	259, IAGC 2021	Colonial Group
GRI 102-24/ EPRA-Gov-Selec	Nominating and selecting the highest governance body	257-268, IAGC 2021	Colonial Group
GRI 102-25/ EPRA-Gov-Col	Conflicts of interest	265	Colonial Group
GRI 102-26	Role of highest governance body in setting purpose, values and strategy	256-257, 262-266, 271-274, 278-279	Colonial Group
GRI 102-27	Collective knowledge of highest governance body	IAGC 2021	Colonial Group
GRI 102-28	Evaluating the highest governance body's performance	254, IAGC 2021	Colonial Group
GRI 102-29	Identifying and managing economic, environmental and social impacts	66-69, 45-47	Colonial Group
GRI 102-30	Effectiveness of risk management processes	66-69	Colonial Group
GRI 102-31	Review of economic, environmental and social topics	66-69, 45-47	Colonial Group
GRI 102-32	Highest governance body's role in sustainability reporting	Colonial Group's Board of Directors	Colonial Group
GRI 102-33	Communicating critical concerns	48-50	Colonial Group
GRI 102-34	Nature and total number of critical concerns	No critical concerns have been reported in 2021	Colonial Group
GRI 102-35	Remuneration policies	283-291	Colonial Group
GRI 102-36	Process for determining remuneration	283-291	Colonial Group
GRI 102-37	Stakeholders' involvement in remuneration	283-291, IAGC 2021	Colonial Group
GRI 102-38	Annual total compensation ratio	This content is not presented for reasons of confidentiality	Colonial Group
GRI 102-39	Percentage increase in annual total compensation ratio	This content is not presented for reasons of confidentiality.	Colonial Group
Stakeholder engagement			
GRI 102-40	List of stakeholder groups	48	Colonial Group
GRI 102-41	Collective bargaining agreements	216	Colonial Group
GRI 102-42	Identifying and selecting stakeholders	45-50	Colonial Group
GRI 102-43	Approach to stakeholder engagement	45-50	Colonial Group
GRI 102-44	Key topics and concerns raised	45-47	Colonial Group

Universal standards

General contents	Description	Page(s)	Boundary
Reporting practices			
GRI 102-45	Entities included in the consolidated financial statements	298, Annual Accounts	Colonial Group
GRI 102-46	Defining report content and topic boundaries	45-47, 394-396	Colonial Group
GRI 102-47	List of material topics	45-47, 394-396	Colonial Group
GRI 102-48	Restatements of information	These have been indicated in each case by direct notes	Colonial Group
GRI 102-49	Changes in reporting	45-47	Colonial Group
Report profile			
GRI 102-50	Reporting period	2021 calendar year	Colonial Group
GRI 102-51	Date of most recent report	2020 calendar year	Colonial Group
GRI 102-52	Reporting cycle	Annual	Colonial Group
GRI 102-53	Contact point for questions regarding the report	405	Colonial Group
GRI 102-54	Claims of reporting in accordance with the GRI Standards	394	Colonial Group
GRI 102-55	GRI content index	358-372	Colonial Group
GRI 102-56	External assurance	The contents included in this index have been verified by an independent external third party, PricewaterhouseCoopers Auditores, S.L.	Colonial Group in France
Management approach			
GRI 103-1	Explanation of the material topic and its Boundary	45-47, 394-396	Colonial Group
GRI 103-2	The management approach and its components	See management approach for each of the thematic standards , 358-372	Colonial Group
GRI 103-3	Evaluation of the management approach	45-47, 394-396	Colonial Group

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
CATEGORY - ECONOMIC				
Economic performance				
Generating value for shareholders	Management Approach		126-128	Colonial Group
	GRI 201-1	Direct economic value generated and distributed	114, 127-130, 249	Colonial Group
	GRI 201-2	Financial implications and other risks and opportunities due to climate change	66-69	Colonial Group
	GRI 201-3	Defined benefit plan obligations and other retirement plans	Paragraph A IAR 2021	Colonial Group
	GRI 201-4	Financial assistance received from government	No significant aid of this nature has been received.	Colonial Group
Market presence				
Equality and diversity	Management Approach		217-219	Colonial Group
	GRI 202-1	Ratios of standard entry-level wage by gender compared to local minimum wage	214	Colonial Group
	GRI 202-2	Proportion of senior management hired from the local community	27% of directors are foreigners.	Colonial Group
Indirect economic impacts				
Commitment to the local community	Management Approach		102-109	Colonial Group
	GRI 203-1	Infrastructure investments and services supported	12-16	Colonial Group
	GRI 203-2	Significant indirect economic impacts	No significant indirect economic impacts have been identified	Colonial Group
Procurement practices				
Supply Chain Management	Management Approach		189-192	Colonial Group
	GRI 204-1	Proportion of spending on local suppliers	190	Colonial Group
Anti-corruption				
Corporate Governance	Management Approach		294	Colonial Group
	GRI 205-1	Operations assessed for risks related to corruption	295-296	Colonial Group
	GRI 205-2	Communication and training about anti-corruption policies and procedures	294-296	Colonial Group
	GRI 205-3	Confirmed incidents of corruption and actions taken	There is no record of incidents of corruption	Colonial Group

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Anti-competitive behaviour				
Corporate Governance	Management Approach		292-295	Colonial Group
	GRI-206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	There are no legal actions for anti-competitive behaviour	Colonial Group
Tax				
Corporate Governance	Management Approach		126	Colonial Group
	GRI-207-1	Approach to tax	126	Colonial Group
	GRI-207-2	Tax governance, control and risk management	126-127	Colonial Group
	GRI-207-3	Stakeholder engagement and management of concerns related to tax	127-128	Colonial Group
	GRI-207-4	Country-by-country reporting	92, 127-129	Colonial Group
Category - environment				
Materials				
Impact reduction	Management Approach		192-194	Colonial Group
	GRI 301-1	Materials used by weight or volume	193-194	Colonial Group
	GRI 301-2	Recycled input materials used	193	Colonial Group
	GRI 301-3	Reclaimed products and their packaging materials	Not applicable to the Colonial business	
Energy				
Responsible energy consumption and efficiency	Management Approach		157-159	Colonial Group
	GRI 302-1	Energy consumption within the organisation	159, 350, 352-353, 373, 375, 383, 388-390	Group's own offices
	EPRA - Elec-Abs	Total energy consumption	350, 352, 373, 375	Own offices and leased offices in which there is control over consumption management
	EPRA - Elec-LfL	Like-for-like energy consumption	353, 373, 375	Properties considered Like-for-Like Sustainable
	EPRA - DH&C-Abs	Total district heating & cooling consumption	350, 373, 375	Own offices and leased offices in which there is control over consumption management

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Responsible energy consumption and efficiency	EPRA - DH&C-LfL	Like-for-like total district heating & cooling consumption	353, 373, 375	Properties considered Like-for-Like Sustainable
	EPRA - Fuels-Abs	Total fuel consumption	350, 373, 375	Own offices and leased offices in which there is control over consumption management
	EPRA - Fuels-LfL	Like-for-like total fuel consumption.	353, 373, 375	Properties considered Like-for-Like Sustainable
	GRI 302-2	Energy consumption outside the organisation	159, 350, 353, 373, 375	Leased offices in which there is control over consumption management
	GRI 302-3	Energy intensity	170, 350, 353-353, 373, 375	Own offices and leased offices in which there is control over consumption management and like-for-like properties
	GRI 302-4	Reduction of energy consumption	159-160	Colonial Group
	GRI 302-5	Reductions in energy requirements of products and services	159-160	Colonial Group
	CRE1 / EPRA - Energy-Int	Building energy intensity	159-160, 350, 352-353, 373, 375	Own offices and leased offices in which there is control over consumption management
Water				
Impact reduction	Management Approach		166-168	Colonial Group
	GRI 303-1	Interaction with water	166, 355, 373, 375	Colonial Group
	GRI 303-5 / EPRA - Water-Abs	Total water consumption	167, 355, 373, 375	Own offices and leased offices in which there is control over consumption management
	EPRA - Water-LfL	Like-for-like water consumption	355, 373, 375	Properties considered as Like-for-Like Sustainable

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Impact reduction	CRE2 / EPRA - Water-Int	Building water intensity	167, 355	Own offices and leased offices in which there is control over consumption management
	GRI 303-2	Management of water discharge-related impacts	This is not relevant for Colonial, as the water is used for sanitary purposes and is discharged into the sewage system in compliance with the established discharge parameters. The discharged wastewater is subsequently treated in Urban Wastewater Treatment Plants.	Colonial Group
	GRI 303-3	Water withdrawal	Colonial's water withdrawal is entirely fresh water from the urban network.	Colonial Group
	GRI 303-4	Water discharge	All of the water collected and consumed by Colonial is discharged into the public sewer.	Colonial Group
Biodiversity				
Biodiversity conservation	Management Approach		178-184	Colonial Group
	GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	As Colonial's assets are located in consolidated urban areas, there are no operations near protected areas or areas considered to be of high biodiversity value. However, the Group sees biophilia as an opportunity to reconnect with nature through the architecture of buildings, thus promoting the protection of biodiversity in urban spaces.	Colonial Group

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Biodiversity conservation	GRI 304-2	Significant impacts of activities, products, and services on biodiversity	178-179 Colonial's activities do not generate significant impacts on biodiversity. However, the Group seeks to promote biodiversity in urban areas in its projects.	Colonial Group
	GRI 304-3	Habitats protected or restored	180-184	Colonial Group
	GRI 304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	This is not a material issue for Colonial, due to the location of its assets in consolidated urban areas.	Colonial Group
Emissions				
Emissions management and efficiency	Management Approach		160-165	Colonial Group
	GRI 305-1/ EPRA - GHG - Dir - Abs	Direct (Scope 1) GHG emissions	163-165, 351-352, 354, 373, 375	Own offices and leased offices in which there is control over consumption management
	GRI 305-2/ EPRA - GHG-Indir-Abs	Energy indirect (Scope 2) GHG emissions	163-165, 351-352, 354, 373, 375	Own offices and leased offices in which there is control over consumption management
	CRE3 / EPRA - GHG - Int	GHG emissions intensity	164-165, 351-352, 354, 373, 375	Properties considered as Like-for-Like Sustainable
	GRI 305-3	Other indirect (Scope 3) GHG emissions	160-163, 351, 354	Own offices and leased offices in which there is control over consumption management
	GRI 305-4	GHG emissions intensity	164-165, 351-352, 354, 373, 375	Own offices and leased offices in which there is control over consumption management
	GRI 305-5	Reduction of GHG emissions	162-165	Colonial Group
	GRI 305-6	Emissions of ozone-depleting substances (ODS)	Not applicable to the Colonial business	
	GRI 305-7	Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant air emissions	Not applicable to the Colonial business	

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Waste				
Waste management	Management Approach		173-176	Colonial Group
	GRI 306-1	Waste generation and significant impacts related to waste	173-176	Colonial Group
	GRI 306-2	Management of significant impacts related to waste	173-176	Colonial Group
	GRI 306-3 / EPRA Waste-Abs	Waste generated	177, 356, 373, 375	Own offices in which there is control over consumption management
	GRI 306-4 / EPRA Waste-Abs	Waste not destined for disposal	356, 373, 375	Own offices in which there is control over consumption management
	GRI 306-5 / EPRA Waste-Abs	Waste destined for disposal	356, 373, 375	Own offices in which there is control over consumption management
	EPRA Waste-LfL	Like for like of the different waste types	357, 374, 375	Properties considered as Like-for-Like Sustainable
Environmental compliance				
Corporate Governance	Management Approach		292-295	Colonial Group
	GRI 307-1	Non-compliance with environmental laws and regulations	No significant fines or penalties have been received, including significant fines or penalties for non-compliance with water legislation.	Colonial Group
Supplier environmental assessment				
Supply Chain Management	Management Approach		189-191	Colonial Group
	GRI 308-1	New suppliers that were screened using environmental criteria	191	Colonial Group
	GRI 308-2	Negative environmental impacts in the supply chain and actions taken	191	Colonial Group

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Category - Social				
Employment				
Human Resources Management	Management Approach		198-200	Colonial Group
	GRI 401-1/ EPRA-Emp-Turnover	New employee hires and employee turnover	201, 203	Colonial Group
	GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	215	Colonial Group
	GRI 401-3	Parental leave	In 2021, 16 people took paternity/ maternity leave in the organization, 9 women and 7 men. Of these, 13 people (6 women and 7 men) returned to their place of work after the leave and 9 people (6 women and 3 men) continued in the company at the end of 2021.	Colonial Group
Labour/Management relations				
Equality and diversity	Management Approach		218	Colonial Group
	GRI 402-1	Minimum notice periods regarding operational changes	Colonial follows the notice periods established in labour legislation or those included, where applicable, in the agreements applicable to each business, and no minimum notice periods have been defined at corporate level.	Colonial Group
Occupational health and safety				
Occupational health and safety	Management Approach		220-226	Colonial Group
	GRI 403-1	Occupational health and safety management system	220-223	Colonial Group
	GRI 403-2	Hazard identification, risk assessment and investigation on incidents	220-226	Colonial Group

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Occupational health and safety	GRI 403-3	Occupational health and safety	220-226	Colonial Group
	GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	221	Colonial Group
	GRI 403-5	Worker training on occupational health and safety	In compliance with the law, all employees are trained in job-related risks and preventive measures.	Colonial Group
	GRI 403-6	Promotion of worker health	225	Colonial Group
	GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	220-226	Colonial Group
	GRI 403-8	Coverage of the occupational health and safety management system	100% of employees. Only the coverage of the management system regarding company employees is reported.	Colonial Group employees
	GRI 403-9/ EPRA-H&S-Emp	Work-related injuries	223-224. this type of information is only available for company employees	Colonial Group employees
	GRI 403-10/ EPRA-H&S-Emp	Work-related ill health	223-224. this type of information is only available for company employees	Colonial Group employees
Training and education				
Human Resources Management	Management Approach		204-206	Colonial Group
	GRI 404-1/ EPRA-Emp-Training	Average hours of training per year per employee	207-208	Colonial Group
	GRI 404-2	Programmes for upgrading employee skills and transition assistance programmes	204-212	Colonial Group
	GRI 404-3/ EPRA-Emp-Dev	Percentage of employees receiving regular performance and career development reviews	212	Colonial Group

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Diversity and equal opportunity				
Equality and diversity	Management Approach		217-219	Colonial Group
	GRI 405-1/ EPRA-Diversity-Emp	Diversity of governance bodies and employees	200, 217-218	Colonial Group
	GRI 405-2/EPRA-Diversity-Pay	Ratio of basic salary and remuneration of women to men	214	Colonial Spain
Non-discrimination				
Equality and diversity	Management Approach		217-219	Colonial Group
	GRI 406-1	Incidents of discrimination and corrective actions taken	There have been no incidents of discrimination in the Colonial Group.	
Freedom of association and collective bargaining				
Human Resources Management	Management Approach		216	Colonial Group
	GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	In the Group's own operations and those of its suppliers, the proximity criterion is applied, with the activity being located in Spain and France, so the risk in this area is minimal	Colonial Group
Child labour				
	Management Approach		Not applicable to the Colonial business	
	GRI 408-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	The proximity criterion is applied to the Group's own operations and those of its suppliers as the activity is located in Spain and France, so the risk in this area is minimal.	
Forced or compulsory labour				
	Management Approach		Not applicable to the Colonial business	
	GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	The proximity criterion is applied to the Group's own operations and those of its suppliers as the activity is located in Spain and France, so the risk in this area is minimal.	
Security practices				
	Management Approach		Not applicable to the Colonial business	
	GRI 410-1	Security personnel trained in human rights policies or procedures	The proximity criterion is applied to the Group's own operations and those of its suppliers as the activity is located in Spain and France, so the risk in this area is minimal.	

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Rights of indigenous peoples				
	Management Approach		Not applicable to the Colonial business	
	GRI 411-1	Incidents of violations involving rights of indigenous peoples	The proximity criterion is applied to the Group's own operations and those of its suppliers as the activity is located in Spain and France, so the risk in this area is minimal.	
Human rights assessment				
Respect for Human Rights	Management Approach		227-228	Colonial Group
	GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	All the Group's operations are monitored for compliance with current legislation. The operations take place in Spain and France, where the human rights risk is minimal.	Colonial Group
	GRI 412-2	Employee training on human rights policies or procedures	Considering the Group's type of activity of the Group, the place where it is carried out (Spain and France) and the fact that the vast majority of suppliers are local, the training provided periodically in Compliance, which includes training on the Code of Ethics and the Whistleblower Channel, covers the relevant human rights aspects.	Colonial Group
	GRI 412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	In any investment agreement or contract, the Group monitors compliance with applicable laws and regulations. All agreements and contracts take place in Spain or France, where the human rights risk is minimal.	Colonial Group

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Local communities				
Commitment to the Community	Management Approach		146-147,194, 242-247	Colonial Group
	GRI 413-1 EPRA-Comty-Eng	Operations with local community engagement, impact assessments, and development programmes	1.2% of the buildings. It should also be noted that Colonial has made contributions, sponsorships and donations amounting to €163,283.	Colonial Group
	GRI 413-2	Operations with significant actual and potential negative impacts on local communities	146-149. No significant negative impacts on local communities.	Colonial Group
Supplier social assessment				
Supply Chain Management	Management Approach		189-190	Colonial Group
	GRI 414-1	New suppliers that were screened using social criteria	191-192	Colonial Group
	GRI 414-2	Negative social impacts on the supply chain and measures taken	189-192	Colonial Group
Public policy				
Corporate Governance	Management Approach		292-294	Colonial Group
	GRI 415-1	Political contributions	No contributions have been made to political parties.	
Customer health and safety				
Customer satisfaction and management	Management Approach		240-241	Colonial Group
	GRI 416-1 EPRA-H&S-Asset	Assessment of the health and safety impacts of product and service categories	240-241. Only assets over which Colonial exercises operational control are included	Colonial Group
	GRI 416-2 EPRA-H&S-Comp	Incidents of non-compliance concerning the health and safety impacts of products and services	There have been no incidents of non-compliance	Colonial Group

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
MARKETING AND LABELLING				
	Management Approach		Not applicable to the Colonial business	
	GRI 417-1	Requirements for product and service information and labelling	Not applicable to the Colonial business	
	GRI 417-2	Incidents of non-compliance concerning product and service information and labelling	Not applicable to the Colonial business	
	GRI 417-3	Incidents of non-compliance concerning marketing communications	There have been no incidents of non-compliance	Colonial Group
	CRE8 / EPRA-Cert-Tot	Type and number of certification schemes for sustainability, classification and labelling of new construction, management and occupation	169-172	Colonial Group
Customer privacy				
Customer satisfaction and management	Management Approach		Not applicable to the Colonial business	
	GRI 418-1	Substantiated complaints regarding concerning breaches of customer privacy and losses of customer data	No complaints were received	Colonial Group
Socioeconomic compliance				
Corporate Governance	Management Approach		292-297	Colonial Group
	GRI 419-1	Non-compliance with laws and regulations in the social and economic area	No significant fines or penalties were received	Colonial Group

8.2.2 Environment

EPRA Tables Environment Portfolio

Office and Retail Portfolio

Indicator	EPRA Code	Unit of measurement	2020	Coverage	2021	Coverage	Variation
Total electricity consumption	Elec-Abs	kWh	115,953,146	100%	128,002,546	100%	10%
		% from renewable sources	65%		70%		N/A
Like-for-like electricity consumption	Elec-LFL	kWh	112,273,980	100%	123,686,684	100%	10%
Total heating & cooling consumption	DH&C-Abs	kWh	22,577,739	100%	24,121,196	100%	7%
		% from renewable sources	74%		67%		N/A
Like-for-like heating & cooling consumption	DH&C-LFL	kWh	22,104,739	100%	24,121,196		9%
Total fuel consumption	Fuels-Abs	kWh	11,202,967	100%	16,674,497	100%	49%
		% from renewable sources	0%		0%		N/A
Like-for-like fuel consumption	Fuels-LFL	kWh	10,458,350	100%	13,857,638		33%
Building energy intensity	Energy-Int	kWh/sqm	179.16	100%	216		20%
Direct GHG emissions (Scope 1)	GHG-Dir-Abs	tCO_2	2,121	100%	2,853	100%	35%
Indirect GHG emissions from energy generation (Scope 2)	GHG-Indir- Abs	tCO_2 (market based)	2,805	100%	3,312	100%	18%
		tCO_2 (location based)	7,609		7,126		–6%
GHG emissions intensity	GHG-Int	tCO_2/sqm	0.022	100%	0.026	100%	16%
Total water consumption	Water-Abs	Total m³	270,740	100%	288,641	100%	7%
Like-for-like water consumption	Water-LFL	m³	261,656	100%	279,610	100%	7%
Building water intensity	Water-Int	m³/sqm	0.33	100%	0.38	100%	15%
Total weight of waste per disposal method	Waste-Abs	tonnes	249,180	67%	187,146	67%	–25%
		% reused	5.02%		0.49%		–4.5 pp
		% recycled	16.63%		29.38%		12.8 pp
		% composted	0.00%		0.01%		0 pp
		% energy recovery	0.64%		1.43%		0.8 pp
		% sent to incineration	0.01%		0.00%		0 pp
		% other - landfill	0.05%		0.12%		0.1 pp
		% other	77.65%		68.57%		–9.1 pp

EPRA Tables Environment Portfolio (continuation)

Office and Retail Portfolio

Indicator	EPRA Code	Unit of measurement	2020	Coverage	2021	Coverage	Variation
Weight of waste (like-for-like) per disposal method	Waste-LFL	tonnes	2,168	74%	2,903	74%	34%
		% reused	0.27%		1.18%		0.9 pp
		% recycled	40.48%		69.31%		28.8 pp
		% composted	0.08%		0.33%		0.3 pp
		% energy recovery	53.82%		20.79%		–33 pp
		% sent to incineration	0.39%		0.09%		–0.3 pp
		% other - landfill	3.68%		7.47%		3.8 pp
		% other	1.29%		0.82%		–0.5 pp
Type and number of certified properties (like-for-like)	Cert-LfL	% of certified LfL portfolio	100%		100%		0%
Type and number of certified properties (total)	Cert-Tot	% of certified portfolio	93%		95%		2%

EPRA Offices for Own Use Environment

Indicator	EPRA Code	Unit of measurement	2020	Coverage	2021	Coverage	Variation
Total electricity consumption	Elec-Abs	kWh	344,119	100%	224,108	100%	–35%
		% from renewable sources	0%		0%		0%
Like-for-Like electricity consumption	Elec-LFL	kWh	284,050	100%	215,543	100%	–24%
Total heating & cooling consumption	DH&C-Abs	kWh	N/A	100%	N/A	100%	N/A
		% from renewable sources	N/A		N/A		N/A
Like-for-like heating & cooling consumption	DH&C-LFL	kWh	N/A	100%	N/A	100%	N/A
Total fuel consumption	Fuels-Abs	kWh	128,223	100%	92,743	100%	–28%
		% from renewable sources	0		0		0
Like-for-Like fuel consumption	Fuels-LFL	kWh	14,058	100%	26,777	100%	90%
Building energy intensity	Energy-Int	kWh/sqm	92.11	100%	57.14	100%	–38%
Direct GHG emissions	GHG-Dir-Abs	tCO_2	33	100%	18	100%	–46%
Indirect GHG emissions from energy generation (Scope 2)	GHG-Indir-Abs	tCO_2 (location based)	4	100%	6	100%	37%
		tCO_2 (market based)	N/A		N/A		N/A
GHG emissions intensity	GHG-Int	tCO_2/sqm	0.01	100%	0.00	100%	–41%
Total water consumption	Water-Abs	m^3	1,438	100%	1,769	100%	23%
Like-for-like water consumption	Water-LFL	m^3	529	100%	570	100%	8%
Building water intensity	Water-Int	m^3/sqm	281	100%	318	100%	13%
Total weight of waste per disposal method	Waste-Abs	tonnes	65.98	100%	671.33	100%	917%
		% recycled	32.85%		96.56%		194%
		% sent to incineration	0.00%		0.00%		N/A
		% other	67.15%		3.42%		–95%
Weight of waste (like-for-like) per disposal method	Waste-LFL	tonnes	3.87	100%	7.94	100%	105%
		% recycled	68.85%		72.50%		5%
		% sent to incineration	0.00%		0.00%		N/A
		% other	31.15%		27.50%		–12%
Type and number of total certified properties	Cert-Tot	% certified portfolio	100%	100%	100%	100%	0%

8.2.3 Social and Governance

EPRA Table Social and Governance

Indicator	EPRA Code	Scope	Unit of measurement			2020	2021
Gender diversity	Diversity-Emp	Corporate operations	% employees	Management	M	59%	56%
					F	41%	44%
				Managers	M	46%	40%
					F	54%	60%
				Admin.	M	29%	27%
					F	71%	73%
Remuneration by gender	Diversity-Pay	Corporate operations	Ratio	Management		–6%	–8%
				Responsables		25%	23%
				Managers		16%	16%
Training and development	Emp-Training	Corporate operations	Average hours			22.1	28.7
			Average hours women			20.1	28.1
			Average hours men			25.2	29.8
			Management			20.0	21.7
			Responsables			14.0	21.4
			Managers			22.7	34.9
Performance evaluations	Emp-Dev	Corporate operations	% of total staff			45%	66%
New hires	Emp-Turnover	Corporate operations	Total number			31	35
		Corporate operations	Ratio			13.5%	15.6%
Turnover		Corporate operations	Total number			16	35
		Corporate operations	Ratio			9.0%	15.6%
Frequency rate	H&S-Emp	Corporate operations	per 200,000 hours worked			0.00	4.79
Rate of lost days		Corporate operations	per 200,000 hours worked			0.00	0.04
Absentee rate		Corporate operations	Ratio			2.5%	2.6%
Number of fatal accidents		Corporate operations	Total number			0	0
Health and safety impact assessments	H&S-Asset	Office portfolio	% properties			99%	99%
		Residential portfolio				N/A	N/A
Number of defaults	H&S-Comp	Office portfolio	Total number			0	0
		Residential portfolio				N/A	N/A
Programmes with the community	Comty-Eng	Office portfolio	% of properties			1.30%	1.20%
		Residential portfolio				N/A	N/A

EPRA Table Social and Governance (continuation)

Indicator	EPRA Code	Scope	Unit of measurement	2020	2021
Composition of the Board of Directors	Gov-Board	Corporate	Total number of executive directors	2	2
			Total number of independent directors	4	4
			Average service	5.5	6.5
			Independent/non-executive members of governing bodies with competences related to social or environmental issues	4	4
Board of Directors nominatuon and selection process	Gov-Select	Corporate	Description	Section 12.1 a). b) and c) of IAR 2020	Section 6.5.4. 6.5.5 and 6.5.6 of IAR
Conflicts of interests	Gov-Col	Corporate	Description	Section 12.1 d) of IAR 2020	Section 6.5.10 of IAR

Number of employees by type of contract, job category, age, gender and country as of 31 December

	2021		2020		Variation	
Contract type	Permanent contract	Temporary contract	Permanent contract	Temporary contract	Permanent contract	Temporary contract
Professional category						
CEO, General and Area Managers	18	0	22	0	–18%	0%
Technical graduates and middle managers	80	0	89	0	–10%	0%
Administrative and other	125	2	115	3	9%	–33%
Age						
Under 30	35	1	41	3	–15%	–67%
30–50	130	1	125	0	4%	100%
Over 50	58	0	60	0	–3%	0%
Gender						
Female	148	1	140	1	6%	0%
Male	75	1	86	2	–13%	–50%
Country						
Spain	155	2	153	3	1%	–33%
France	68	0	73	0	–7%	0%
Total	**223**	**2**	**226**	**3**	**–1%**	**–33%**

Average number of employees by type of contract, job category, age, gender and country

	2021		2020		Variation	
Contract type	Permanent contract	Temporary contract	Permanent contract	Temporary contract	Permanent contract	Temporary contract
Contract type						
CEO, General and Area Managers	19.2	0	22.0	0	–13%	0%
Technical graduates and middle managers	84.7	0	96.2	0.6	–12%	–100%
Administrative and other	119.3	1.8	110.6	2.1	8%	–14%
Age						
Under 30	30.7	1.3	45.8	2.7	–33%	–52%
30–50	132.3	0.5	122.2	0	8%	100%
Over 50	60.2	0	60.8	0	–1%	0%
Gender						
Female	143.4	0.7	140.1	2.0	2%	–65%
Male	79.8	1.1	88.7	0.7	–10%	57%
Country						
Spain	153.4	1.8	155.5	2.1	–1%	–14%
France	69.7	0	175.9	1.0	–60%	–100%
Total	**223.2**	**1.8**	**228.8**	**2.7**	**–2%**	**–33%**

Number of employees by type of workday, job category, age, gender and country as of 31 December

Type of workday	2021 Full-time	2021 Part-time	2020 Full-time	2020 Part-time	Variation Full-time	Variation Part-time
Professional category						
CEO, General and Area Managers	18	0	22	0	–18%	0%
Technical graduates and middle managers	79	1	88	1	–10%	0%
Administrative and other	123	4	113	5	9%	–20%
Age						
Under 30	36	0	43	1	–16%	–100%
30–50	129	2	123	2	5%	0%
Over 50	55	3	57	3	–4%	0%
Gender						
Female	145	4	137	4	6%	0%
Male	75	1	86	2	–13%	–50%
Country						
Spain	156	1	154	2	1%	–50%
France	64	4	69	4	–7%	0%
Total	**220**	**5**	**223**	**6**	**–1%**	**–17%**

Average number of employees by type of workday, job category, age, gender and country

Type of workday	2021 Full-time	2021 Part-time	2020 Full-time	2020 Part-time	Variation Full-time	Variation Part-time
Professional category						
CEO, General and Area Managers	19.2	0	22.0	0	–13%	0%
Technical graduates and middle managers	83.7	1	95.8	1	–13%	0%
Administrative and other	115.7	5.4	108.7	4	6%	35%
Age						
Under 30	31.4	0.6	48.5	0.0	–35%	100%
30–50	130.0	2.8	118.8	3.4	9%	–18%
Over 50	57.2	3	59.2	1.6	–3%	88%
Gender						
Female	139.2	4.8	137.1	5.5	2%	–4%
Male	79.3	1.6	89.4	0.0	–11%	100%
Country						
Spain	152.8	2.4	157.7	2	–1%	20%
France	65.7	4	68.8	4	–5%	0%
Total	**218.5**	**6.4**	**226.5**	**5.0**	**–4%**	**28%**

8.3. Other Appendices

I. Sustainable certifications per building

The environmental certifications for the Group's properties are detailed below.

Environmental certifications of the Group's properties

	Name of the building	Energy efficiency	BREEAM In-Use PART 1	BREEAM In-Use PART 2	ISO 50001	ISO 14001	LEED BD + C	BREEAM New Construction
BARCELONA								
1	Paseo de los Tilos, 2-6	B	Very Good				Gold	
2	Av. Diagonal, 682	C	Very Good	Outstanding				
3	Av. Diagonal, 609-615	B	Very Good	Excellent				
4	Travessera de Gràcia, 11	B	Very Good	Outstanding			Gold	
5	Amigó 11-17	B	Very Good	Outstanding			Gold	
6	Av. Diagonal, 530	C	Very Good	Excellent	✓	✓		
7	Av. Diagonal, 409	B	Very Good	Excellent			Gold	
8	Via Augusta, 21-23	B	Very Good	Excellent				
9	Sant Cugat Nord	C	Excellent	Outstanding				
10	Torre Marenostrum	A	Very Good(1)	Outstanding(1)				
11	Av. Diagonal, 220-240, Glòries	B	Very Good	Excellent				
12	Illacuna	A	Very Good	Outstanding				
13	Torre BCN	B	Very Good	Excellent				
14	Parc Glòries	A	Excellent	Outstanding			Platinum	
15	Travessera de Gràcia, 47-49	E	Very Good	Excellent				
16	Plaza Europa, 34							
17	Gal·la Placídia	C	Very Good					
18	Av. Diagonal, 197	A	Good	Very Good				
19	Av. Diagonal, 525	B					Gold	
20	WittyWood (Llacuna, 42)							
21	Sancho de Ávila, 110-130	C						
22	Buenos Aires	B						

(1) Rating applicable to the Marenostrum Tower Aircraft Carrier building (Portaviones de Torre Marenostrum). The BREEAM In-Use certification of the Tower A building of Marenostrum Tower is in progress.

Environmental certifications of the Group's properties

	Name of the building	Energy efficiency	BREEAM In-Use PART 1	BREEAM In-Use PART 2	ISO 50001	ISO 14001	LEED BD + C	BREEAM New Construction
MADRID								
1	P.ª de Recoletos, 37-41	B	Very Good	Excellent				
2	Génova, 17	B	Very Good	Excellent				
3	P.º de la Castellana, 52	C	Very Good	Excellent	✓	✓		
4	P.º de la Castellana, 43	A	Very Good				Gold	
5	Miguel Ángel, 11	C	Very Good	Excellent				
6	José Abascal, 56	C	Very Good	Excellent				
7	Santa Engracia, 120	D	Very Good	Excellent				
8	Poeta Joan Maragall, 53	B	Very Good	Excellent				
9	Estébanez Calderón, 3-5	A	Excellent	Outstanding			Platinum	
10	López de Hoyos, 35	B	Very Good	Excellent				
11	Príncipe de Vergara, 112-114	A	Very Good	Outstanding			Gold	
12	Francisco Silvela, 42	C	Very Good	Outstanding				
13	Ortega y Gasset, 100	C						
14	Ramírez de Arellano, 37	C	Good					
15	Martínez Villergas, 49	B	Excellent	Outstanding				
16	Alfonso XII, 62	B	Very Good	Outstanding				
17	José Abascal, 45	B	Very Good	Excellent				
18	Serrano,73	C	Good					
19	Santa Hortensia, 26-28	F	Good					
20	P.º de la Castellana, 163	A	Very Good	Outstanding				
21	Arturo Soria, 336	C	Very Good	Excellent				
22	Campus Méndez Álvaro							
23	Ramírez de Arellano, 15	D	Good	Very Good			Gold	
24	Manuel de Falla, 7	B	Good	Good			Gold	
25	Sagasta, 27							
26	Sagasta, 31-33	B	Good	Good			Silver (EBOM)	
27	Almagro, 9	B	Good	Very Good				
28	Miguel Ángel, 23							
29	Velázquez-Padilla, 17							
30	Don Ramón de la Cruz, 82	B	Good	Very Good			Platinum	
31	P.º de Recoletos, 27							
32	Francisca Delgado, 11	D	Good	Very Good				
33	Cedro-Anabel Segura, 14	C	Good	Good			Gold	
34	Puerto de Somport, 8	B	Very Good					

Environmental certifications of the Group's properties (continuation)

	Name of the building	Energy efficiency	BREEAM In-Use PART 1	BREEAM In-Use PART 2	ISO 50001	ISO 14001	LEED BD + C	BREEAM New Construction
35	Puerto de Somport, 10-18							
36	Ribera de Loira, 28	C	Good	Very Good				
37	Tucumán	D	Good	Good				
38	Egeo	C	Very Good	Excellent				
39	Josefa Valcárcel, 40 bis	A	Good	Very Good			Platinum	
40	Josefa Valcárcel, 24	D	Good	Very Good				
41	J.I. Luca de Tena, 7							
42	Alcalá, 506	D	Good	Good				

	Building name	HQE	BREEAM In-Use PART 1	BREEAM In-Use PART 2	ISO 50001	ISO 14001	LEED BD + C	BREEAM New Construction
PARIS								
1	6 Hanovre		Very Good	Very Good				
2	Ozone	✓	Very Good					
3	83 Marceau	Exceptional						
4	103 Grenelle	✓	Very Good	Excellent				
5	104-110 Haussmann		Very Good					
6	131 Wagram		Very Good	Very Good				
7	176 Charles de Gaulle		Very Good					
8	Edouard VII		Very Good					
9	Galerie des Champs-Élysées		Very Good					
10	Louvre Saint-Honoré							
11	Le Vaisseau							
12	Cézanne Saint-Honoré							
13	Rives de Seine		Very Good	Very Good				
14	Washington Plaza		Very Good	Very Good				
15	Condorcet		Very Good	Very Good				
16	90 Champs-Élysées		Very Good					Good
17	#Cloud	Exceptional	Excellent	Excellent			Gold	Excellent
18	Biome	Exceptional						

II. Coverage and Methodology applied

Coverage of consumption: scope

During 2021, the Colonial Group has made a great effort to increase the scope of the consumption of the entire portfolio, calculating the energy consumption of almost all of its assets and leaving only those assets that are projects and do not yet generate operating energy consumption out of its scope.

In this regard, if we consider the office assets in operation, in 2021 the Colonial Group has almost achieved, in terms of energy and greenhouse gas emissions, the target set in its *Business Plan*, covering 99.8% of the consumption of its portfolio in its reporting coverage. With regard to water consumption, the Colonial Group reports information on 96.5% of consumption.

Coverage of consumption of the portfolio of office assets in operation in value terms

	2021			BP Objective		
	Energy	Scope 1 and 2	Water	Energy	Scope 1 and 2	Water
Spain	99.6%	99.6%	99.6%	100.0%	100.0%	100.0%
France	100.0%	100.0%	94.5%	100.0%	100.0%	100.0%
Total	**99.8%**	**99.8%**	**96.5%**	**100.0%**	**100.0%**	**100.0%**

In **Barcelona**, information on the consumption of **19 assets** is reported in 2021, which corresponds to 100% of the value of the Barcelona portfolio in operation. In the portfolio of **Madrid**, information on the consumption of **35 assets** is reported in 2021, corresponding to 99.3% of the value of the Madrid portfolio in operation.

In **Paris**, information on energy consumption and GHG emissions is reported on **16 assets** in 2021, corresponding to 100% of the value of the Paris portfolio in operation. In terms of water consumption, information is reported on 15 assets, 94.5% of the value of the Paris portfolio.

Method applied: carbon footprint

The reporting of greenhouse gas (GHG) emissions has been developed in accordance with the calculation methods of the *Greenhouse Gas Protocol* (GHG Protocol) and the *World Resources Institute* (WRI).

GHG emissions have been broken down into three scopes:

> **Scope 1**. These are the **direct GHG emissions** that belong to or are controlled by the Group, which are released directly into the atmosphere.

> Fuel consumption

> Fugitive emissions of refrigerant gases

> **Scope 2**. These are the **indirect GHG emissions** derived from electricity consumption and heat generation off-site consumed by Colonial.

> Purchase of electricity for communal areas and shared services

> Cold and heat from district heating and cooling systems

> **Scope 3**. **Other indirect GHG emissions** caused by Group activities, but controlled by other organisations.

GHG emissions have been reported in tonnes of carbon dioxide equivalent (tCO_2e). KPIs are also included that consider area adjusted for occupancy to measure the impact of each individual asset and collectively with the aim of reducing GHG emissions.

Scope 1 and 2 GHG emissions data have been obtained from energy consumption bill data and refrigerant gas recharges.

To calculate our carbon footprint and Scope 2 in particular, the market-based and location-based calculation methods have been used. The **market-based** method includes the emission factors of the electricity traders (or the residual mix emission factors when the electricity company information is not available). Following the best international practices, Colonial prioritises the market-based method in monitoring consumption over the location-based method as, even though it is more sophisticated, it more accurately reflects carbon reduction performance by taking into account the specific characteristics of the company's asset portfolio and shows the continuous efforts being made to reduce the carbon footprint and environmental impact, in this case through the purchase of green energy.

The **Location-based** method calculates emissions taking into account the emission factors of the national electricity mix without reflecting the specific situations of Colonial's eco-efficiency policy, in particular in the procurement of green energy.

In the case of scope 3, the categories covered, the methodology and the data source is the following:

Scope 3 category	Applicability	Methodology or Justification for exclusion	Activity data source	Emission factor(s) source
1. Purchased Goods and Services	Yes	Spend-based method: upstream emissions for goods and services are estimated by collecting the economic value of OPEX internal categories and multiplying them by relevant secondary emission factors.	OPEX data from Colonial Group.	> Spain: DEFRA. > France: Base carbone ADEME.
2. Capital Goods	Yes	**Hybrid method:** 1. Average-product method (when LCA has been performed): for new construction and major renovations in Spain, Colonial Group develops LCAs (Life Cycle Assessment) with One-Click software. Although emissions are calculated for all building phases, only embodied carbon is included in this category. Emissions are distributed across the years the project last based on actual executed budget. 2. Average spend-based method (when LCA data is not available): € of CAPEX invested in renovation, refurbishments and construction works (excluding company fees) multiplied by the relevant secondary emission factors.	LCA results and CAPEX data from Colonial Group (when LCA is not performed).	> Spain: DEFRA. > France: Base carbone ADEME. This only applies when emissions are calculated based on CAPEX.
3. Fuel- and Energy-related activities not included in Scope 1 or 2	Yes	**Hybrid method:** 1. Average-data method (fuels, electricity and district heating in Spain): emissions are estimated by using secondary emission factors for upstream emissions per unit of consumption. 2. Supplier-specific method: (district heating in France): emissions are estimated by using specific emission factors calculated by the district heating and cooling providers.	Primary energy-related data (fuels, district cooling and heating, electricity...) from Colonial Group.	> Spain: DEFRA/IEA 2021 (electricity); Base carbone ADEME (gas); DEFRA (district heating and cooling). > France: Base carbone ADEME (electricity and gas); Base Carbone ADEME as well with specific emission factors for every district network (district heating and cooling).
4. Upstream Transportation and Distribution	Yes	Upstream transport-related emissions have been obtained based on the calculations made for category 2.	N/A	N/A

Scope 3 category	Applicability	Methodology or Justification for exclusion	Activity data source	Emission factor(s) source
5. Waste Generated in Operations	Yes (partially reported under categories 1 & 2)	Waste-related emissions of new construction and major renovations in Spain and France are included under categories 1 and 2. GHG emissions resulting from waste generated in operations are calculated through quantities and types of treatment on the buildings on which the data is available. On a few buildings, the waste is directly handled by city services, without access to quantity and types of treatment. On these buildings, the emissions have been estimated by extrapolation.	Primary operational waste data.	> Spain: N/A (included in category 1 & 2 emission factors). > France: Base carbone ADEME.
6. Business Travel	Yes	**Transport**: Distance-based method: based on travel agency data. **Hotel**: Hotel-related emissions are calculated by using a standard emission factor in Spain and by travel agency data in France. **Taxis**: based on travel agency data in Spain and on invoices in France using a standard emission factor.	Travel agency data.	> Spain: Primary supplier data (transport) and DEFRA (hotels). > France: Primary supplier data (transport and hotels) and Base carbone (taxis).
7. Employee Commuting	Yes	Distance-based method: emissions are estimated by multiplying data from employees on commuting patterns (distance travelled and mode used for commuting) by appropriate emission factors for the modes used.	Commuting surveys results.	> Spain: DEFRA, excluding electric scooter which is based on a typical manufacturer. > France: Base carbone ADEME.
8. Upstream Leased Assets	No	Colonial Group develops and manages property assets, so there are no emissions to report under this category.	N/A	N/A
9. Downstream Transportation and Distribution	No	Colonial Group develops and manages property assets, so there are no emissions to report under this category.	N/A	N/A
10. Processing of Sold Products	No	Colonial Group develops and manages property assets, so there are no emissions to report under this category.	N/A	N/A
11. Use of Sold Products	Yes, but only when newly developed assets are sold	Colonial Group has not sold any assets that were newly developed in 2021, so Colonial considers there are no emissions to report under this category this year according to sectoral approaches.	N/A	N/A
12. End-of-Life Treatment of Sold Products	Yes, but only when newly developed assets are sold	Colonial Group has not sold any assets that were newly developed in 2021, so Colonial considers there are no emissions to report under this category this year according to sectoral approaches.	N/A	N/A

Scope 3 category	Applicability	Methodology or Justification for exclusion	Activity data source	Emission factor(s) source
13. Downstream Leased Assets	Yes	Equivalent to scope 1 and 2 calculations with both location and market-based approaches for electricity.	Primary energy-related data from private/tenant areas.	**Fuels:** > Spain: MITECO. > France: Base carbone ADEME. **District cooling and heating:** > Spain: Districlima (district heating and cooling supplier in Barcelona). > France: Base carbone ADEME (in case it's required in the future). **Electricity:** > Spain: AIB (market-based without guarantee of origin) / CNMC (location-based & market-based with guarantee of origin). > France: Tenants' energy providers or AIB (market-based) / Base carbone ADEME (location-based).
14. Franchises	No	Colonial Group does not have franchises, so there are no emissions to report under this category.	N/A	N/A
15. Investments	No	Colonial Group does not perform any investments in addition to the investment in our own property portfolio (already reported under categories 1 & 2), so there are no emissions to report under this category.	N/A	N/A

Breakdown of consumption monitoring by property

		Electricity	Fuel	District heating & cooling	Water	CO_2 emissions	Like-for-like
BARCELONA							
1	Av. Diagonal, 532	✓	✓		✓	✓	
2	Av. Diagonal, 682	✓	NG		✓	✓	✓
3	Av. Diagonal, 609-615 (dau/prisma)	✓	NG		✓	✓	✓
4	Via Augusta, 21-23	✓	NG		✓	✓	✓
5	Av. Diagonal, 409	✓			✓	✓	✓
6	Travessera de Gràcia, 11/ Amigó, 11-17	✓			✓	✓	✓
7	Av. Diagonal, 197	✓		✓	✓	✓	✓
8	Av. Diagonal 220-240, Glòries	✓			✓	✓	✓
9	Illacuna, 56	✓		✓	✓	✓	✓
10	Travessera de Gràcia, 47-49	✓	NG		✓	✓	✓
11	Paseo de los Tilos, 2-6	✓			✓	✓	✓
12	Dau Retail	✓	NG		✓	✓	✓
13	Av. Diagonal, 525	✓	NG			✓	
14	Torre BCN, 130	✓	NG		✓	✓	✓
15	Sant Cugat Nord	✓	NG		✓	✓	✓
16	Parc Glòries	✓		✓	✓	✓	✓
17	Torre Marenostrum	✓			✓	✓	✓
18	Gal·la Placídia	✓			✓	✓	✓
19	Sancho de Ávila	✓	NG		✓	✓	✓

NG: natural gas used at the building.

Breakdown of consumption monitoring by property (continuation)

		Electricity	Fuel	District heating & cooling	Water	CO_2 emissions	Like-for-like
MADRID							
1	P.º de la Castellana, 52	✓	NG		✓	✓	✓
2	P.º de la Castellana, 43	✓	NG		✓	✓	✓
3	P.º de Recoletos, 37-41	✓			✓	✓	✓
4	José Abascal, 56	✓	NG		✓	✓	✓
5	Génova, 17	✓	NG		✓	✓	✓
6	Santa Engracia, 120	✓	NG		✓	✓	✓
7	Poeta Joan Maragall, 53	✓	NG		✓	✓	✓
8	López de Hoyos, 35	✓	NG		✓	✓	✓
9	Miguel Ángel, 11	✓	NG		✓	✓	✓
10	José Abascal, 45	✓			✓	✓	✓
11	Alfonso XII, 62	✓			✓	✓	✓
12	Francisco Silvela, 42	✓			✓	✓	✓
13	Don Ramón de la Cruz, 82	✓			✓	✓	✓
14	Sagasta, 31-33	✓			✓	✓	✓
15	Serrano, 73	✓	NG		✓	✓	✓
16	Príncipe de Vergara, 112-114	✓			✓	✓	✓
17	Estébanez Calderón, 3-5	✓	NG		✓	✓	✓
18	Almagro, 9	✓			✓	✓	✓
19	P.º de la Castellana, 163	✓	✓		✓	✓	✓
20	Puerto de Somport, 8	✓	NG		✓	✓	
21	Martínez Villergas, 49	✓			✓	✓	✓
22	Egeo	✓	NG		✓	✓	✓
23	Francisca Delgado, 11	✓	NG		✓	✓	✓
24	Ribera de Loira, 28	✓	NG		✓	✓	✓
25	Ramírez de Arellano, 15	✓			✓	✓	✓
26	Ramírez de Arellano, 37	✓			✓	✓	✓
27	Cedro	✓	NG			✓	
28	Arturo Soria, 336	✓	NG		✓	✓	✓
29	Josefa Valcárcel, 40 Bis	✓	NG		✓	✓	✓
30	Alcalá, 506	✓	NG		✓	✓	✓
31	Tucumán	✓	NG			✓	✓
32	J.I. Luca de Tena, 7						
33	Manuel de Falla, 7	✓	NG		✓	✓	✓
34	Santa Hortensia, 26-28	✓	NG		✓	✓	✓
35	Josefa Valcárcel, 24	✓	✓		✓	✓	✓

NG: natural gas used at the building.

Breakdown of consumption monitoring by property (continuation)

		Electricity	Fuel	District heating & cooling	Water	CO_2 emissions	Like-for-like
PARIS							
1	6 Hanovre	✓		✓	✓	✓	✓
2	Ozone	✓		✓	✓	✓	✓
3	103 Grenelle	✓		✓	✓	✓	✓
4	131 Wagram	✓			✓	✓	✓
5	176 Charles de Gaulle	✓	NG		✓	✓	✓
6	Édouard VII	✓		✓	✓	✓	✓
7	Galerie des Champs-Élysées	✓		✓	✓	✓	✓
8	Louvre Saint Honoré	✓		✓	✓	✓	✓
9	Cézanne St Honoré	✓		✓	✓	✓	✓
10	Rives de Seine	✓			✓	✓	✓
11	Washington Plaza	✓			✓	✓	✓
12	90 Champs-Élysées	✓		✓	✓	✓	✓
13	#Cloud	✓		✓	✓	✓	✓
14	104-110 haussmann	✓		✓	✓	✓	✓
15	Le Vaisseau	✓			✓	✓	✓
16	Condorcet	✓				✓	

NG: natural gas used at the building.

III. Others

Consolidated balance sheet - €m

Assets	2021	2020
Other intangible assets	5	5
Property investments	12,183	11,516
Other non-current assets	171	250
Non-current assets	**12,360**	**11,771**
Inventory	61	52
Debtors and other receivables	38	30
Other current assets	243	220
Assets available for sale	27	282
Current assets	**368**	**584**
Total Assets	**12,728**	**12,355**

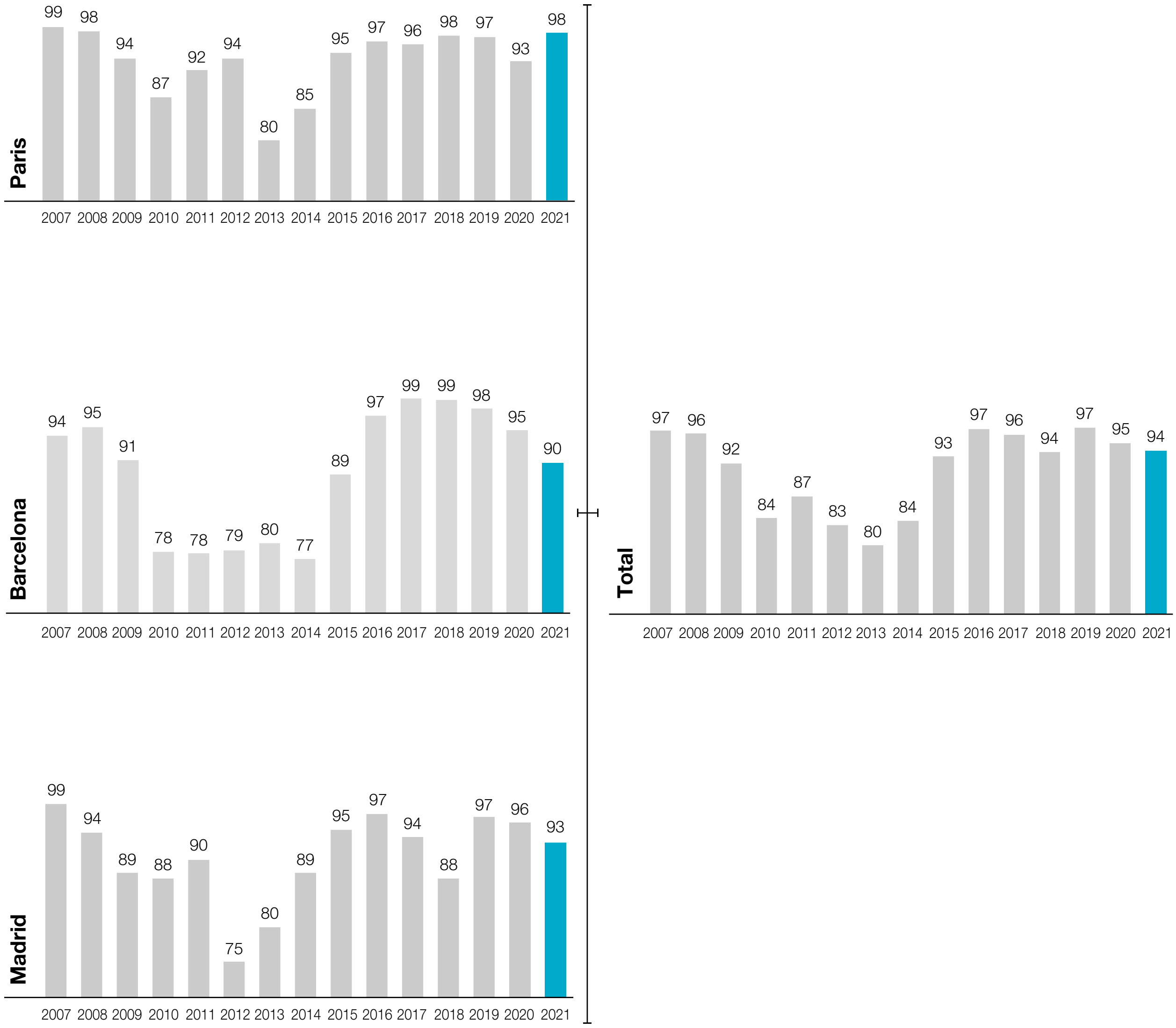
Liabilities	2021	2020
Equity	5,999	5,401
Minority interests	1,186	1,433
Net equity	**7,184**	**6,833**
Bond issues and other non-current issues	4,285	4,069
Non-current financial debt	89	294
Deferred tax	360	367
Other non-current liabilities	90	88
Non-current liabilities	**4,824**	**4,818**
Bond issues and other current issues	566	508
Current financial debt	4	62
Creditors and other payables	123	103
Other current liabilities	26	32
Current liabilities	**719**	**704**
Total equity & liabilities	**12,728**	**12,355**

Offices historical series breakdown

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Paris																		
Physical Offices Occupancy (%)	97%	96%	98%	99%	98%	94%	87%	92%	94%	80%	85%	95%	97%	96%	98%	97%	93%	98%
Rental revenues (€m)	157	153	162	170	182	183	175	152	150	149	152	169	198	196	194	199	180	175
Net Rental Income (€m)	147	145	153	162	171	173	162	141	138	137	139	155	188	185	183	189	172	168
NRI / Rental revenues (%)	94%	95%	95%	95%	94%	94%	93%	93%	92%	92%	92%	92%	95%	94%	94%	95%	95%	96%
Barcelona																		
Physical Offices Occupancy (%)	97%	100%	99%	94%	95%	91%	78%	78%	79%	80%	77%	89%	97%	99%	99%	98%	95%	90%
Rental revenues (€m)	55	53	56	60	51	49	39	32	31	28	28	27	30	35	41	48	49	44
Net Rental Income (€m)	53	51	55	58	49	47	37	28	27	25	23	23	28	34	39	44	47	39
NRI / Rental revenues (%)	95%	96%	97%	97%	96%	97%	93%	88%	89%	89%	85%	85%	92%	96%	94%	92%	95%	88%
Madrid																		
Physical Offices Occupancy (%)	93%	98%	99%	99%	94%	89%	88%	90%	75%	80%	89%	95%	97%	94%	87%	94%	96%	93%
Rental revenues (€m)	37	44	68	70	56	50	47	45	44	35	32	35	43	52	94	90	103	95
Net Rental Income (€m)	34	42	66	66	52	46	42	41	40	30	28	31	38	46	83	76	94	86
NRI / Rental revenues (%)	93%	94%	96%	95%	92%	92%	90%	90%	90%	86%	85%	88%	88%	88%	88%	85%	91%	90%

Evolution of physical office occupancy - Percentage

Office Occupancy[1] - Evolution of Colonial's Portfolio



(1) Occupied surfaces /Surfaces in operation.

8.4. About the report

Colonial's *Integrated Annual Report 2020* represents the integration of the contents of its business strategy, corporate governance, current performance and future projections, as well as the organisation's sixth publication on Corporate Social Responsibility (CSR).

Characteristics of the Report

Standards considered when drawing up the 2021 Integrated Annual Report

The Colonial Group has prepared the *2021 Integrated Annual Report* by including, in addition to the information included in the annual reports from previous years, all the information regarding performance in Environmental, Social and Governance matters, as well as a comparison with 2020 in order to be able to see the company's progress.

To this end, the company used the sustainability reporting principles of the Global Reporting Initiative (GRI), in accordance with the "Exhaustive" option, the benchmark model for CSR reporting, and the latest version of the EPRA (European Public Real Estate Association) Sustainability Best Practices Recommendations Guidelines. In this regard, Inmobiliaria Colonial conducted a study to be able to adapt to the best market practices in the area of reporting. Moreover, the Colonial Group's *2021 Integrated Annual Report* has been prepared on the basis of the principles established by the International Integrated Reporting Council (IIRC).

To prepare the report, the company first updated its materiality analysis by considering all environmental, social and governance aspects that may influence it and, above all, its stakeholders, paying special attention to the company's commitments to them.

The main objective of the *Annual Integrated Report* is to inform all stakeholders of Colonial's CSR performance during 2021, as well as its objectives for 2022.

Material aspect	Stakeholder	GRI Indicators	EPRA sBPR	Scope	Chapter
Environment					
1. Climate Change	Society Clients	GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4 GRI 305-5 CRE3	GHG-Dir-Abs GHG-Indir-Abs GHG-Int	Internal and external	5.4. Transition to carbon neutrality and 5.5 eco-efficiency and decarbonisation results
2. Impact Reduction	Society Clients	GRI 301-1 GRI 301-2 GRI 303-1 GRI 303-3 GRI 303-4 GRI 303-5 CRE2	Water-Abs Water-LFL Water-Int	Internal	5.5 eco-efficiency and decarbonisation results
3. Waste Management	Society Clients Suppliers Employees	GRI 306-1 GRI 306-2 GRI 306-3 GRI 306-4 GRI 306-5	Waste-Abs Waste-LFL	Internal	5.5 eco-efficiency and decarbonisation results
4. Energy Efficiency	Society Clients	GRI 302-1 GRI 302-2 GRI 302-3 GRI 302-4 GRI 302-5 CRE1	Elec-Abs Elec-LFL DH&C-Abs DH&C-LFL Fuels-Abs Fuels-LFL Energy-Int	Internal	5.5 eco-efficiency and decarbonisation results
5. Environmental Management Systems	Society Clients Suppliers Employees	GRI 417-3 CRE8	Cert-Tot	Internal	5.5 eco-efficiency and decarbonisation results
6. Biodiversity Conservation	Society	GRI 304-1 GRI 304-2 GRI 304-3 GRI 304-4		Internal and external	5.5 eco-efficiency and decarbonisation results
Commitment to the Community					
7. Society	Society	GRI 102-12 GRI 102-13 GRI 413-1 GRI 413-2	Comty-Eng	Internal and external	5.9. Clients and social contribution
8. Human Rights	Society	GRI 412-1 GRI 412-2 GRI 412-3		Internal and external	5.8. Team of professionals
9. Sustainability Management	Society	GRI 102-29 GRI 102-30 GRI 102-31 GRI 102-32		Internal and external	3.3. ESG strategy and decarbonisation
Customer Relations					
10. Client Management	Clients	GRI 102-43 GRI 102-44 GRI 416-1 GRI 416-2 GRI 418-1	H&S-Asset H&S-Comp	Internal and external	5.9. Clients and social contribution

Material aspect	Stakeholder	GRI Indicators	EPRA sBPR	Scope	Chapter
Team of professionals					
11. Health and safety	Persons Employed	GRI 403-1 GRI 403-2 GRI 403-3 GRI 403-4 GRI 403-5 GRI 403-6 GRI 403-7 GRI 403-8 GRI 403-9 GRI 403-10	H&S-Emp H&S-Comp	Internal and external	5.8. Team of professionals
12. Equality and Diversity	Persons Employed	GRI 202-1 GRI 202-2 GRI 405-1 GRI 405-2 GRI 406-1	Diversity-Emp Diversity-Pay	Internal	5.8. Team of professionals
13. Human Resources Management	Persons Employed	GRI 102-8 GRI 401-1 GRI 401-2 GRI 401-3 GRI 402-1 GRI 404-1 GRI 404-2 GRI 404-3 GRI 407-1	Emp-Training Emp-Dev Emp-Turnover	Internal	5.8. Team of professionals
Supply Chain					
14. Supply Chain	Suppliers	GRI 102-9 GRI 204-1 GRI 308-1 GRI 308-2 GRI 414-1 GRI 414-2		Internal and external	5.7. Responsible supply chain
Stakeholder Engagement					
15. Stakeholder Relations	Society Clients Employees Shareholders and Investors			Internal and external	3.3. ESG strategy and decarbonisation
Good Governance					
16. Corporate Governance	Society Clients Employees Shareholders and Investors	GRI 102-9 GRI 204-1 GRI 308-1 GRI 308-2 GRI 414-1 GRI 414-2	Gov-Board Gov-Select Gov-CoI	Internal	6. Corporate governance
17. Risk Management	Society Clients Employees Shareholders and Investors	GRI 102-15 GRI 102-30		Internal	4. Risk management
Investor Relations					
18. Relations with the Investor Community	Shareholders and Investors	GRI 201-1 GRI 201-2 GRI 201-3 GRI 201-4 GRI 207-1 GRI 207-2 GRI 207-3 GRI 207-4		Internal and external	6. Corporate governance

8.5. Glossary & alternative performance measures

8.5.1 Glossary

Earnings per share (EPS): Profit from the year attributable to the shareholders divided by the basic number of shares.

BD: Business District.

Market capitalization: The value of the company's capital obtained from its stock market value. It is obtained by multiplying the market value of its shares by the number of shares in circulation.

CBD: Central Business District (prime business area). Includes 22@ market in Barcelona.

Property company: Company with rental property assets.

Portfolio (surface area) in operation: Property/surfaces with the capacity to generate rents at the closing date of the report.

EBIT: Calculated as the operating profit plus variance in fair value of property assets as well as variance in fair value of other assets and provisions.

EBITDA: Operating result before net revaluations, disposals of assets, depreciations, provisions, interests, taxes and exceptional items.

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

Free float: The part of share capital that is freely traded on the stock market and not controlled in any stable way by shareholders.

GAV excl. transfer costs: Gross Asset Value of the portfolio according to external appraisers of the Group, after deducting transfer costs.

GAV incl. transfer costs: Gross Asset Value of the portfolio according to external appraisers of the Group, before deducting transfer costs.

GAV Parent Company: Gross Asset Value of directly held assets + Value JV Plaza Europa + NAV of 81.7% stake in SFL + Value of treasury shares.

Holding: A company whose portfolio contains shares from a certain number of corporate subsidiaries.

IFRS: International Financial Reporting Standards, which correspond to the *Normas Internacionales de Información Financiera (NIIF)*.

JV: Joint Venture (association between two or more companies).

Like-for-like valuation: Data that can be compared between one period and another (excluding investments and disposals).

LTV: Loan to Value (Net financial debt/GAV of the business).

EPRA Like-for-like rents: Data that can be compared between one period and another, excluding the following: 1) investments and disposals, 2) changes in the project and refurbishment portfolio, and 3) other extraordinary items, for example, indemnities from tenants in case of anticipated leave. Calculation based on EPRA Best Practices guidelines.

EPRA NTA: EPRA Net Tangible Assets (EPRA NTA) is a proportionally consolidated measure, representing the IFRS net assets excluding the mark-to-market on derivatives and related debt adjustments, the mark-to-market on the convertible bonds, the carrying value of intangibles as well as deferred taxation on property and derivative valuations. It includes the valuation surplus on trading properties and is adjusted for the dilutive impact of share options.

EPRA NDV: EPRA Net Disposal Value (EPRA NDV) represents NAV under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.

EPRA Cost Ratio: Administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income.

Physical Occupancy: Percentage: occupied square meters of the portfolio at the closing date of the report/surfaces in operation of the portfolio.

Financial Occupancy: Financial occupancy according to the calculation recommended by the EPRA (occupied surface areas multiplied by the market rental prices/surfaces in operation at market rental prices).

EPRA Vacancy: Vacant surface multiplied by the market rental prices/surfaces in operation at market rental prices. Calculation based on EPRA Best Practices guidelines.

Reversionary potential: This is the result of comparing the rental revenues from current contracts (contracts with current occupancy and current rents in place) with the rental revenues that would result from 100% occupancy at market prices, estimated by independent appraisers. Projects and refurbishments are excluded.

Projects underway: Property under development at the closing date of the report.

RICS: Royal Institution of Chartered Surveyors.

SFL: Société Foncière Lyonnaisse.

Take-up: Materialized demand in the rental market, defined as new contracts signed.

Valuation Yield: Capitalization rate applied by the independent appraisers in the valuation.

Yield on cost: Market rent 100% occupied/Market value at the start of the project net of impairment of value + invested capital expenditure.

Yield occupancy 100%: Passing rents + vacant spaces rented at the market prices/market value.

EPRA net initial yield (NIY): Annualised rental income based on passing rents as at the balance sheet date, reduced by the non-recoverable expenses, divided by the market value, including transfer costs.

EPRA Topped-Up Net Initial Yield: EPRA Net Initial Yield, eliminating the negative impact of the lower rental income.

Gross Yield: Gross rents/market value excluding transfer costs.

Net Yield: Net rents/market value including transfer costs.

€m: In millions of euros.

8.5.2 Alternative performance measures

Alternative performance measure	Method of calculation	Definition/Relevance
EBIT (Earnings before interest and taxes)	Calculated as the "Operating profit".	Indicates the Group's capacity to generate profits, only taking into consideration its economic activity, less the effect of debt and taxes.
Analytic EBIT	Calculated as the EBIT, less the "Financial result" deriving from the registration of "IFRS 16 on financial leases", associated with flexible business.	Indicates the Group's capacity to generate profits, only taking into consideration its economic activity, less the effect of debt and taxes.
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	Calculated as the "Operating profit" adjusted by "Depreciation/Amortization" "Value variations in real estate investments", "Net changes in provisions" and "Result for variations in asset value or impairments".	Indicates the Group's capacity to generate profits only taking into account its economic activity, eliminating allocations to depreciation/amortization, and the effect of debt and taxes.
Analytic EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	Calculated adjusting the EBITDA by the costs incurred in the "Amortization" and "Financial Result" deriving from the registration of "IFRS 16 on financial leases", associated with flexible business.	Indicates the Group's capacity to generate profits only taking into account its economic activity, eliminating allocations to depreciation/amortization, and the effect of debt and taxes.
EBITDA assets (Earnings Before Interest, Taxes, Depreciation and Amortization)	Calculated adjusting the analytic EBITDA by "general expenses" and "extraordinary items" not associated with property use.	Indicates the Group's capacity to generate profits only taking into account its economic activity, eliminating allocations to depreciation/amortization, provisions, and the effect of debt and taxes associated with property use.
Gross financial debt	Calculated as the total of all items under "Bank borrowings and other and other financial liabilities" and "Issues of debentures and similar securities", excluding "Interest (accrued), "Origination fees" and "Other financial liabilities" from the consolidated statement of financial position.	Relevant figure for analysing the financial situation of the Group.
EPRA(1) NTA (EPRA Net Tangible Assets)	Calculated based on the Company's capital and reserves, adjusting certain items in accordance with EPRA recommendations.	Standard analysis ratio in the real estate sector and recommended by EPRA.
EPRA(1) NDV (EPRA Net Triple Asset)	Calculated adjusting the following items in the EPRA NTA: the market value of financial instruments, the market value of financial debt, the taxes that would be accrued with the sale of the assets at their market value, applying the tax credit recognized in the balance sheet, considering a going concern assumption.	Standard analysis ratio in the real estate sector recommended by EPRA.

(1) EPRA (European Public Real Estate Association) or European Association of listed property companies which recommend the standards of best practices to be followed in the real estate sector. The method of calculation of these APMs is carried out following the indications established by EPRA.

Alternative performance measure	Method of calculation	Definition/Relevance
Market value excluding transaction costs or Gross Asset Value (GAV) excluding Transfer costs	Measurement of the totality of the Group's asset portfolio carried out by independent appraisers of the Group, less transaction or transfer costs.	Standard analysis ratio in the real estate sector.
Market value including transaction costs or GAV including Transfer costs	Measurement of the totality of the Group's asset portfolio carried out by external appraisers of the Group, before deducting the transaction or transfer costs.	Standard analysis ratio in the real estate sector.
Like-for-like rental income	Amount of the rental income included in the item "Revenues" comparable between two periods. To obtain the calculation, the income from investments or disposals carried out in both periods are excluded, as well as the income deriving from assets included in the projects and refurbishments portfolio and other atypical adjustments (for example, penalties for early termination of rental contracts).	It enables a homogeneous comparison of the evolution of rental income of an asset or group of assets.
Like-for-like measurement	Amount of the ERV excluding the transaction costs or of the ERV including the transaction costs comparable between two periods. To obtain the calculation, the income from investments or disposals carried out in both periods are excluded.	It enables a homogeneous comparison of the evolution of the ERV of the portfolio.
Loan to Value, Group or LTV Group	Calculated as the result of dividing the gross financial debt (reduced by the amount in the item "Cash and cash equivalents") by the market valuation including the transaction costs of the Group's asset portfolio plus the treasury shares of the Parent Company at EPRA NAV.	It enables the analysis of the ratio between the net financial debt and the valuation of the Group's asset portfolio.
LTV Holding or LTV Colonial	Calculated as the result of dividing the gross financial debt (less the amount in the item "Cash and cash equivalents") of the Parent Company and 100% owned subsidiary companies by the market valuation, including transaction costs, of the parent company's asset portfolio and the EPRA NAV of all financial stakes in subsidiary companies.	It enables the analysis of the ratio between the net financial debt and the valuation of the parent company's asset portfolio.

8.6. PWC independent limited assurance report

pwc

A free translation from the original in Spanish

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent limited assurance report on the ESG Indicators

To the management of Inmobiliaria Colonial, SOCIMI, S.A.:

We have carried out our work to provide limited assurance on the ESG (*Environmental, Social and Governance*) indicators contained in the 'Table of contents GRI, EPRA BPR'S' of the 2021 Integrated Annual Report (hereinafter 'ESG indicators') of Inmobiliaria Colonial, SOCIMI, S.A. (the Parent company) and its subsidiaries (hereinafter, 'Inmobiliaria Colonial' or 'the Group') for the year ended 31st December 2021, prepared in accordance with the content proposed in the GRI Standards of the Global Reporting Initiative (GRI) (hereinafter, GRI Standards) and the Construction and Real Estate Sector Disclosures of the GRI G4 Guidelines (hereinafter, 'Construction and Real Estate Sector Disclosures').

Responsibility of the management

The management of Inmobiliaria Colonial is responsible for the preparation, content and presentation of the Integrated Annual Report, in accordance with the Exhaustive option of the GRI Standards and the Construction and Real Estate Sector Disclosures. Management's responsibility includes establishing, implementing and maintaining the internal control required to ensure that the ESG indicators are free from any material misstatement due to fraud or error.

The management of the Group is also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the ESG indicators is obtained.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system, which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialising in ESG indicators' reviews and, specifically, in information on economic, social and environmental performance.

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R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Our responsibility

Our responsibility is to issue a limited assurance report based on the work carried out. Our limited assurance engagement has been carried out in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000) (Reviewed), 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

In a limited assurance engagement, the procedures performed vary in terms of their nature and timing of execution, and are less extensive than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to management and several Inmobiliaria Colonial units that were involved in the preparation of the 22021 020 Integrated Annual Report, in the review of the processes for compiling and validating the information presented in the 2021 Integrated Annual Report, and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with Inmobiliaria Colonial's personnel from various units who have been involved in the preparation of the 2021 Integrated Annual Report.

- Analysis of the procedures used for obtaining and validating the data presented in the ESG indicators.

- Analysis of the Inmobiliaria Colonial's ESG indicators adaptation to the guidelines established by the GRI Standards for the preparation of sustainability reports and to the Construction and Real Estate Sector Disclosures.

- Verification, through sample testing, of the quantitative and qualitative information related to the ESG indicators of Inmobiliaria Colonial and its adequate compilation using data supplied by the Group's sources of information.

- Obtainment of a management representation letter from the management of Inmobiliaria Colonial.

Limited assurance conclusion

Based on the procedures performed and the evidence we have obtained, no matters have come to our attention which may lead us to believe that Inmobiliaria Colonial's ESG indicators for the year ended 31st December 2021, contain significant errors or have not been prepared, in all their significant matters, in accordance with the GRI Standards and the Construction and Real Estate Sector Disclosure.

Use and distribution

Our report is only issued to the Management of Inmobiliaria Colonial, SOCIMI, S.A., in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than Inmobiliaria Colonial's management.

PricewaterhouseCoopers Auditores, S.L.

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Juan Ignacio Marull Guasch

June 3rd, 2022

Corporate Publications

This report forms part of the transparency exercise undertaken by the Colonial Group and is made available along with five other reports published by Colonial providing information on the initiatives undertaken in 2021.

2021 Colonial Group Corporate Governance Report

http://www.inmocolonial.com/

2021 Annual Results

http://www.inmocolonial.com/

Résultats Annuels 2021

http://www.fonciere-lyonnaise.com/

2021 Non-Financial Information SFL

http://www.fonciere-lyonnaise.com/

Colonial Group Contacts

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ADDITIONAL INFORMATION

FS

Consolidated Financial Statements 2021

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Consolidated financial statements for the year ended 31 December 2021, prepared in accordance with international financial reporting standards and consolidated management report

Translation of Consolidated financial statements for the year ended 31 December 2021, prepared in accordance with international financial reporting standards and consolidated management report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

This version of our report is a free translation of the original, which will be prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor's report on the consolidated annual accounts

To the shareholders of Inmobiliaria Colonial, SOCIMI, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Inmobiliaria Colonial, SOCIMI, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the financial statement as at 31 December 2021, and the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at 31 December 2021, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Key audit matter	How our audit addressed the key audit matter
Valuation of Investment Property The Group has real estate assets which are recognized under the heading Investment property, at an amount of EUR 12,183,368 thousand at 31 December 2021, using the fair value model in accordance with IAS 40 Investment property, and represent 96% of total assets. Similarly, in 2021 the heading Variation in value of investment property reflects a profit of EUR 441,134 thousand in respect of these assets, having a significant impact on consolidated results for the year before tax. Information on the assets included in this heading is disclosed in Notes 4.4, 9 and 19.7 to the accompanying consolidated annual accounts. In order to obtain the fair value of these assets, the Group requests independent expert valuations. The fair value is determined according to the discounted cash flow method in accordance with standard market practice. These valuations are based on significant judgements and estimates. We therefore focused on this area given the materiality of investment property with respect to total assets and the effect of its valuation on the Group's results and the significant judgements and estimates assumed by management. Changes in such assumptions could lead to a significant variation in the fair value of those assets and their impact on the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of financial position.	We obtained the valuations of all investment properties performed at year end by independent experts and assessed them in terms of the requirements of competence and independence and found no exceptions. We checked that the valuations were performed in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS) published by the International Standards Valuation Committee. In this regard, we held meetings with the valuers and our internal experts, verifying for a sample of those valuations the reasonableness of the variables used, such as the discount rate employed and the rental increase considered as well as other variables considered necessary in order to complete the valuations such as the final return, the term of the rental contracts and type and age of the buildings, their location and occupancy rate. Similarly, for a sample of assets, we verified through the sales and purchase deeds, the technical specifications used by the independent experts when determining the fair value of those assets. Lastly, we assessed the corresponding disclosures in Notes 4.4, 9 and 19.7 to the accompanying consolidated annual accounts. We consider that we have obtained sufficient audit evidence in the course of our work concerning the reasonableness of the valuation of the Group's investment properties.

Inmobiliaria Colonial, SOCIMI, S.A. and its subsidiaries

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2021 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the consolidated management report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as referred to in the Auditing Act, has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the consolidated management report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2021 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit and control commission for the consolidated annual accounts

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the aforementioned directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the aforementioned directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Parent company's audit and control commission is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.

- Conclude on the appropriateness of the Parent company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company's audit and control commission regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company's audit and control commission with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the aforementioned those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company’s audit and control commission, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital files of the European single electronic format (ESEF) of Inmobiliaria Colonial, SOCIMI, S.A. and its subsidiaries for the 2021 financial year that comprise an XHTML file which includes the consolidated annual accounts for the financial year and XBRL files with tagging performed by the entity, which will form part of the annual financial report.

The directors of Inmobiliaria Colonial, SOCIMI, S.A. are responsible for presenting the annual financial report for 2021 financial year in accordance with the formatting and markup requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been incorporated by reference in the consolidated management report.

Our responsibility is to examine the digital files prepared by the Parent company's directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the consolidated annual accounts included in the aforementioned digital files completely agrees with that of the consolidated annual accounts that we have audited, and whether the format and markup of these accounts and of the aforementioned files has been affected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined completely agree with the audited consolidated annual accounts, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the audit and control commission of the Parent company

The opinion expressed in this report is consistent with the content of our additional report to the audit and control commission of the Parent company dated 28 February 2022.

Appointment period

The General Ordinary Shareholders' Meeting held on 30 June 2020 appointed us as auditors of the Group for a period of one year, for the year ended 31 December 2021.

Previously, we were appointed by resolution of the General Ordinary Shareholders' Meeting for a period of 3 years and we have audited the accounts continuously since the year ended 31 December 2017.

Services provided

Services provided to the Group for services other than the audit of the accounts are disclosed in note 24 to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Mireia Oranias Casajoanes (20973)

28 February 2022

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries (Colonial Group)

Consolidated financial statements for the year ended 31 December 2021 – Thousands of Euros

Asset	Note	31 December 2021	31 December 2020
Intangible assets		5,010	4,633
Right of use assets	7	18,886	10,538
Property, plant and equipment	8	55,162	56,741
Investment property	9	12,183,368	11,516,120
Financial assets at amortised cost	10	26,296	29,047
Derivative financial instruments	15	14,775	287
Non-current deferred tax assets	18	696	418
Other non-current assets	12	55,377	86,635
Non-current assets		**12,359,570**	**11,704,419**
Inventory	11	60,689	52,409
Trade and other receivables	12	37,757	29,693
Financial assets at amortised cost		9	9
Tax assets	18	23,557	17,934
Cash and cash equivalents	14	218,942	268,553
Current assets		**340,954**	**368,598**
Assets classified as held for sale	**23**	**27,000**	**281,959**
Total assets		**12,727,524**	**12,354,976**

The accompanying Notes 1 to 25 and the Appendix are an integral part of the consolidated statement of financial position for the year ended 31 December 2021.

Consolidated financial statements for the year ended 31 December 2021 – Thousands of Euros

Liabilities and equity	Note	31 December 2021	31 December 2020
Share capital		1,349,039	1,270,287
Share premium		1,584,454	1,491,280
Own shares		(66,657)	(24,440)
Other reserves		239,398	244,888
Retained earnings		2,892,540	2,418,533
Equity attributable to shareholders of the Parent		**5,998,774**	**5,400,548**
Non-controlling interests		**1,185,655**	**1,432,616**
Equity	**13**	**7,184,429**	**6,833,164**
Bank borrowings and other financial liabilities	14	71,142	264,342
Bonds and similar securities issued	14	4,284,957	4,068,760
Derivative financial instruments	15	–	19,775
Lease liabilities	7	17,737	10,058
Non-current deferred tax liabilities	18	360,109	366,989
Non-current provisions	17	1,877	1,680
Other non-current liabilities	16	88,175	85,898
Non-current liabilities		**4,823,997**	**4,817,502**
Bank borrowings and other financial liabilities	14	1,129	60,046
Bonds and similar securities issued	14	308,705	272,896
Issuance of promissory notes	14	257,000	235,000
Lease liabilities	7	3,259	1,973
Trade and other payables	16	135,808	115,438
Tax liabilities	18	9,536	14,724
Current provisions	17	3,661	4,233
Current liabilities		**719,098**	**704,310**
Total liabilities and equity		**12,727,524**	**12,354,976**

The accompanying Notes 1 to 25 and the Appendix are an integral part of the consolidated statement of financial position for the year ended 31 December 2021.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries (Colonial Group)

Income statement and consolidated statement of comprehensive income for the year ended 31 December 2021 – Thousands of Euros

Income statement	Note	2021	2020
Revenue	19.1	316,719	341,669
Other income	19.2	5,330	4,982
Personnel expenses	19.3	(37,377)	(31,313)
Other operating expenses	19.4	(44,105)	(45,936)
Depreciation and amortisation charge		(8,112)	(7,142)
Net gains on sales of assets	19.5	(1,261)	1,614
Changes in value of investment properties	19.7	444,226	(79,052)
Gains/(losses) due to changes in value of assets and impairment	19.6	(1,012)	543
Operating profit		**674,408**	**185,365**
Finance income	19.8	9,400	1,132
Finance costs	19.8	(120,434)	(121,690)
Profit/(Loss) before tax		**563,374**	**64,807**
Income tax expense	18	3,533	(1,990)
Consolidated net profit/(loss)		**566,907**	**62,817**
Net profit/(loss) for the year attributable to the Parent	5	473,842	2,387
Net profit attributable to non-controlling interests	13.6	93,065	60,430
Basic earnings per share (Euros)	5	0.92	0.01
Diluted earnings per share (Euros)	5	0.92	0.01

The accompanying Notes 1 to 25 and the Appendix are an integral part of the income statement and consolidated statement of comprehensive income for the year ended 31 December 2021.

Income statement and consolidated statement of comprehensive income for the year ended 31 December 2021 – Thousands of Euros

Statement of comprehensive income	Note	2021	2020
Consolidated net profit/(loss)		**566,907**	**62,817**
Other components of comprehensive income recognised directly in equity		**36,720**	**(42,933)**
Gains/(Losses) on financial hedge instruments	13.4 and 15	45,697	(44,609)
Transfer to comprehensive income of gains/(losses) on financial hedge instruments	13.4 and 15	(8,977)	1,676
Consolidated comprehensive income		**603,627**	**19,884**
Comprehensive profit/(loss) for the year attributable to the Parent		510,449	(39,473)
Comprehensive profit attributable to non-controlling interests		93,178	59,357

The accompanying Notes 1 to 25 and the Appendix are an integral part of the income statement and consolidated statement of comprehensive income for the year ended 31 December 2021.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries (Colonial Group)

Consolidated statement of changes in equity for the year ended 31 December 2021 – Thousands of Euros

	Note	Share capital	Share premium	Own shares
Balance at 31 December 2019	**13**	**1,270,287**	**1,513,749**	**(6,179)**
Total recognised income and expense for the year		**–**	**–**	**–**
Transactions with shareholders:				
Capital increases		–	–	–
Own share portfolio		–	–	(22,430)
Distribution of profits (dividends)		–	(22,469)	–
Share-based payment transactions		–	–	4,169
Changes in the scope of consolidation		–	–	–
Other changes		–	–	–
Balance at 31 December 2020	**13**	**1,270,287**	**1,491,280**	**(24,440)**
Total recognised income and expense for the year		**–**	**–**	**–**
Transactions with shareholders:				
Capital increases		78,752	204,261	–
Own share portfolio		–	–	(44,351)
Distribution of profits (dividends)		–	(111,087)	–
Share-based payment transactions		–	–	2,134
Changes in the scope of consolidation		–	–	–
Other changes		–	–	–
Balance at 31 December 2021	**13**	**1,349,039**	**1,584,454**	**(66,657)**

The accompanying Notes 1 to 25 and the Appendix are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2021.

Other reserves	Retained earnings	Equity attributable to shareholders of the Parent	Non-controlling interests	Equity
275,229	**2,505,512**	**5,558,598**	**1,401,899**	**6,960,497**
(41,860)	**2,387**	**(39,473)**	**59,357**	**19,884**
–	–	–	–	–
–	–	(22,430)	–	(22,430)
8,787	(87,869)	(101,551)	(33,267)	(134,818)
2,732	(1,777)	5,124	598	5,722
–	–	–	4,053	4,053
–	280	280	(24)	256
244,888	**2,418,533**	**5,400,548**	**1,432,616**	**6,833,164**
36,607	**473,842**	**510,449**	**93,178**	**603,627**
–	(1,223)	281,790	–	281,790
–	–	(44,351)	–	(44,351)
–	–	(111,087)	(27,773)	(138,860)
1,463	125	3,722	65	3,787
(42,466)	28	(42,438)	(312,427)	(354,865)
(1,094)	1,235	141	(4)	137
239,398	**2,892,540**	**5,998,774**	**1,185,655**	**7,184,429**

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries (Colonial Group)

Cash flow statement for the year ended 31 December 2021 – Thousands of Euros

Cash flows from operations	Note	2021	2020
1. Cash flows from operating activities			
Consolidated net profit/(loss)		566,907	62,817
Adjustments to profit/(loss)			
Depreciation and amortisation (+)		8,112	7,142
Provisions (+/–)	19.4	(4,103)	4,180
Changes in value of investment property (+/–)	19.7	(444,226)	79,052
Gains/(losses) due to changes in value of assets and impairment (+/–)	19.6	1,012	(543)
Others		14,448	594
Gains/(losses) on sale of investment property (+/–)	19.5	1,261	(1,614)
Net financial profit (+)	19.8	111,034	120,558
Income tax (+/–)	18	(3,533)	1,990
Adjusted profit/(loss)		**250,912**	**274,176**
Taxes refunded/(paid) (+/–)		(14,436)	(29,786)
Interest received (+)		488	1,132
Increase/(decrease) in current assets and liabilities			
Inventories (+/–)		(7,813)	(3,753)
Increase/(decrease) in receivables (+/–)		(11,266)	18,190
Increase/(decrease) in payables (+/–)		17,228	(25,793)
Increase/(decrease) in other assets and liabilities (+/–)		32,984	(12,641)
Total net cash flows from/(used in) operating activities		**268,097**	**221,525**
2. Cash flows from investing activities			
Investments in (–)			
Intangible assets		(2,307)	(2,552)
Property, plant and equipment	8	(2,285)	(7,846)
Investment property	9	(303,958)	(198,571)
		(308,550)	**(208,969)**
Disposals of (+)			
Investment property and assets classified as held for sale	9 and 23	346,697	299,129
Financial assets	10	2,673	4,784
		349,370	**303,913**
Total net cash flows from/(used in) investing activities		**40,820**	**94,944**

The accompanying Notes 1 to 25 and the Appendix are an integral part of the consolidated cash flow statement for the year ended 31 December 2021.

Cash flow statement for the year ended 31 December 2021 – Thousands of Euros

Cash flows from operations	Note	2021	2020
3. Cash flows from financing activities			
Dividends paid (–)	13	(138,860)	(134,818)
Debt repayment (–)	14	(1,311,433)	(1,179,280)
Interest paid (+/–)	19.8	(141,337)	(131,044)
Cancellation of financial instruments (–)	19.8	8,719	(3,147)
Purchase of non-controlling interests (–)		(136,207)	–
Own share transactions (+/–)	13.4 and 13.5	(44,351)	(23,050)
Obtainment of new financing (+)	14	1,395,000	1,204,353
Other proceeds/(payments) for current financial assets and others (+/–)		9,941	2,289
Total net cash flows from/(used in) financing activities		**(358,528)**	**(264,697)**
4. Net increase / decrease in cash and cash equivalents			
Cash flow for the year	**14**	**(49,611)**	**51,772**
Cash and cash equivalents at beginning of year	**14**	**268,553**	**216,781**
Cash and cash equivalents at end of year	**14**	**218,942**	**268,553**

The accompanying Notes 1 to 25 and the Appendix are an integral part of the consolidated cash flow statement for the year ended 31 December 2021.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Consolidated report for the year ended 31 December 2021

1. Colonial Group business activity

Inmobiliaria Colonial, SOCIMI, S.A. (hereinafter, "the Parent") was incorporated as holding company in Spain, for an indefinite period of time, on 8 November 1956. Its registered office is Paseo de la Castellana, 52 de Madrid (Spain).

On 29 June 2017, the general shareholders's meeting of the Parent Company resolved to adopt the SOCIMI tax regime. On 30 June 2017, the Parent submitted a request to the tax authorities to be included in the REIT tax regime, applicable as of 1 January 2017.

The Parent's corporate purpose, as set out in its articles of association, is as follows:

> the acquisition and development of urban properties for lease;

> the ownership of interests in the share capital of listed real estate investment companies (REITs) or other non-resident entities in Spain with the same corporate purpose, which are subject to a regime similar to that established for REITs in relation to the obligatory profit distribution policy stipulated by law or in the Parent's articles of association;

> the ownership of interests in the share capital of other resident or non-resident entities in Spain, the main corporate purpose of which is to acquire urban properties earmarked for lease, which are subject to the regime established for REITs in relation to the obligatory profit distribution policy stipulated by law or in the Parent's articles of association and meet the investment requirements stipulated for these companies; and

> the ownership of shares or equity interests in collective real estate investment undertakings governed by Law 35/2003, of 4 November, on collective investment undertakings, or any law that may replace it in the future.

In addition to the economic activity relating to the main corporate purpose, the Parent may also carry on any other ancillary activities, i.e., those that generate income, which in total represents less than 20% of the Parent's income in each tax period, or those that may be considered ancillary activities under the legislation applicable at any time, including, in any case, the management, refurbishment and operation of properties and the performance of all manner of studies, reports, appraisals, valuations and surveys; and in general, the provision of real estate consulting and advisory services, property asset management, development and marketing services, and technical assistance through contracts with other public or private companies or entities.

Activities that by law are attributable exclusively to special purpose vehicles are expressly excluded from its corporate purpose.

All activities included in the corporate purpose will be carried out as authorised by current legislation at any given time, expressly excluding its own activities that are exclusively granted by prevailing legislation to individuals or legal entities other than this Parent Company.

The Parent may also carry out the aforementioned activities, in full or in part, indirectly through ownership interests in other companies with an identical or similar corporate purpose.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries (hereinafter "the Group"), carry out their activities in Spain (mainly Barcelona and Madrid) and in France (Paris) through the group of which it is a parent company, Société Foncière Lyonnaise, S.A. (hereinafter, the "SFL subgroup" or "SFL" for the subsidiary).

Inmobiliaria Colonial, SOCIMI, S.A. has been listed on the Spanish electronic trading system and Stock Exchange since 19 June 2017, when it was included on the benchmark stock market index, the IBEX-35.

In 2021, the Parent maintained the credit rating obtained from *Standard & Poor's Rating Credit Market Services Europe Limited*, "BBB" long-term credit rating and an "A-2" short-term credit rating, both with a stable outlook. In addition, the Parent obtained a

“Baa2” credit rating with a positive outlook from Moody’s. In 2021, the subsidiary SFL also maintained its “BBB+” credit rating with a stable outlook and the “A-2” short-term credit rating.

Given its business activity, the Group has no environmental expenses, assets, provisions or contingencies that might be significant with respect to its equity, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in these notes. However, the Group does apply a proactive environmental policy in relation to urban development, construction, maintenance and the preservation of its property portfolio.

2. Basis of presentation of the consolidated financial statements

2.1 Basis of presentation

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (EU-IFRSs) as adopted by the European Union, taking into account all mandatory accounting policies and rules and measurement bases, the Spanish Code of Commerce, the Spanish Limited Liability Companies Law, the Spanish Securities Markets Law and other applicable company law, as well as regulations laid down by the Spanish National Securities Market Commission (CNMV), to present a true and fair view of the Group’s consolidated equity and financial position at 31 December 2021 and of the comprehensive income from its operations, the changes in consolidated equity and the consolidated cash flows for the year then ended.

The consolidated financial statements of Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries for the year ended 31 December 2021 were prepared on the basis of the accounting records kept by the Parent and by the other companies comprising the Group, and were authorised for issue by the Parent’s directors at the Board of Directors meeting held on 28 February 2022.

However, since the accounting policies and measurement bases used in preparing the Group’s consolidated financial statements at 31 December 2021 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify the policies and bases used and to make them compliant with EU-IFRSs.

In order to present on a consistent basis the various items that make up the consolidated financial statements, the accounting principles and measurement bases used by the Parent were applied to all the companies included in the scope of consolidation.

The Group’s consolidated financial statements for the year ended 31 December 2020 were approved by the shareholders of the Parent at the General Meeting held on 30 June 2021.

2.2 Adoption of International Financial Reporting Standards

The Group’s consolidated financial statements are presented in accordance with EU-IFRSs, pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002. In Spain, the obligation to present consolidated financial statements under European IFRSs is also regulated in final provision eleven of Law 62/2003, of 30 December, on tax, administrative and social measures.

The main accounting principles and measurement bases adopted by the Group are detailed in Note 4.

2.2.1 Standards and interpretations effective this year

New accounting standards came into force in 2021 and were accordingly taken into account when preparing these consolidated financial statements. These new standards are as follows:

> IFRS 9 (Amendment), IAS 39 (Amendment), IFRS 7 (Amendment), IFRS 4 (Amendment) and IFRS 16 (Amendment) “Interest Rate Benchmark Reform: Phase 2”.

> IFRS 4 (Amendment) “Extension of the temporary exemption from applying IFRS 9”.

> IFRS 16 (Amendment) “COVID-19-Related Rent Concessions subsequent to 30 June 2021”.

These standards have been taken into account with effect from 1 January 2021 and their impact, which was not material. was reflected in these consolidated financial statements.

2.2.2 Standards and interpretation issued but not in force that may be adopted in advance

At the date of authorisation for issue of these consolidated financial statements, the following standards, amendments or interpretations were published by the IASB and the *IFRS Interpretations Committee* but had not yet come into force, although early application is permitted:

> IAS 16 (Amendment) “Property, plant and equipment: amounts received before the foreseen use”. The effective date of this amendment is 1 January 2022.

> IAS 37 (Amendment) “Onerous Contracts: costs of fulfilling a contract”. The effective date of this amendment is 1 January 2022.

> IFRS 3 (Amendment), “References to the Conceptual Framework”. The effective date of this amendment is 1 January 2022.

> Annual improvements to IFRSs. 2018-2020 Cycle: The following amendments affect IFRS 1, IFRS 9, IFRS 16 and shall apply to annual periods beginning on or after 1 January 2022:

> IFRS 1 “First-time application of IFRS”. IFRS 1 permits an exemption if a subsidiary applies IFRSs on a date subsequent to its parent. This amendment allows the entities that have taken this exemption to also measure the cumulative translation differences using the amounts recognised by the Parent, based on the transition date of the latter to IFRSs.

> IFRS 9, “Financial instruments”. The amendment addressed which costs should be included in the 10% test for the derecognition in financial liability accounts. The costs or fees could be paid to third parties or to the lender. According to the amendment, the costs or fees paid to third parties will not be included in the 10% test.

> IAS 41 “Agriculture”.

> With reference to the IASB’s enhancement of IFRS 16 “Leases”, this has not been endorsed by the European Union, because Illustrative Example 13 accompanying IFRS 16 has been amended to remove the illustration of lessor payments in relation to leasehold improvements, thus eliminating any possible confusion about the treatment of lease incentives. Illustrative examples accompany, but are not part of, IFRS.

> IFRS 17 “Insurance contracts”. The standard is applicable for the years commencing from 1 January 2023, enabling its early application if IFRS 9 “Financial Instruments” is applied on the initial application date of IFRS 17 or before this date.

The Parent’s directors have reviewed the potential impacts of the future application of these standards and consider that their entry into force will not have a significant effect on the consolidated financial statements.

2.2.3 Standards and interpretation issued but not in force and not approved by the European Union

At the date of authorisation for issue of these consolidated financial statements, the following standards, amendments or interpretations were published by the IASB and the *IFRS Interpretations Committee* but had not yet come into force and are subject to approval by the European Union:

> IFRS 10 (Amendment) and IAS 28 (Amendment) “Sale or contribution of assets between an investor and its associate or joint venture”.

> IAS 1 (Amendments) “Classification of Liabilities as Current or Non-Current”.

> IAS 1 (Amendment) “Breakdown of accounting policies”.

> IAS 8 (Amendment) “Definition of accounting estimates”.

> IAS 12 (Amendment) “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”.

> IFRS17 (Amendment) “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”.

The application of new standards, amendments and interpretations will be considered by the Group once they have been ratified and adopted, where appropriate, by the European Union.

The Parent's directors have reviewed the potential impacts of the future application of these standards and consider that their entry into force will not have a significant effect on the consolidated financial statements.

2.3 Functional currency

These consolidated financial statements are presented in the Group's functional currency, the euro, as this is the currency of the main economic area in which the Group operates.

2.4 Responsibility for the information provided and estimates and judgements made

The information in these consolidated financial statements is the responsibility of the Parent's directors. Management of the Parent has made estimates based on objective data in order to quantify certain assets, liabilities, income, expenses and commitments reported herein. These estimates and criteria relate to the following:

> The market value of properties for own use, investment property and inventory (Notes 7, 8 and 11).

  The market value was obtained from the appraisals periodically made by independent experts. These appraisals were prepared at 31 December 2021 and 2020, applying the methods described in notes 4.3, 4.4 and 4.21.

> Estimated expected credit loss (Notes 4.6.6 and 12).

> Measurement of deferred tax liabilities recognised in the consolidated statement of financial position (Notes 4.14 and 18).

> Measurement of assets classified as held for sale (Notes 4.20 and 23).

> The market value of derivative financial instruments (Notes 4.12, 4.22 and 15).

Although these estimates were made on the basis of the best available information at the date of authorising these consolidated financial statements for issue, events that take place in the future might make it necessary to modify these amounts (upwards or downwards). Changes in accounting estimates would be made prospectively, with the effects of the changes being recognised in the consolidated income statement.

2.5 Basis of consolidation

The accompanying consolidated financial statements were prepared from the accounting records of Inmobiliaria Colonial, SOCIMI, S.A. and of the companies controlled thereby, whose financial statements were prepared by each Group company's management. The Parent is considered to have effective control in the circumstances outlined further on.

The results of the subsidiaries acquired or sold during the year are included in consolidated income from the effective date of acquisition and are no longer included from the date of disposal, as appropriate.

All accounts receivable and payable and other transactions between the consolidated companies have been eliminated on consolidation.

Where necessary, the financial statements of the subsidiaries are adjusted to ensure uniformity with the accounting policies applied by the Parent. All subsidiaries have the same reporting date as the Parent, i.e., 31 December.

The interest of non-controlling shareholders is established in proportion to the fair values of the identifiable assets and liabilities recognised. Non-controlling interest in:

> Investees' equity: recognised in equity under "Non-controlling interests" in the consolidated statement of financial position.

> Profit or loss for the year: recognised under "Profit attributable to non-controlling interests" in the consolidated income statement.

All the companies comprising the Group have been consolidated using the full consolidation method, the main characteristics of which are detailed below:

- Subsidiaries are fully consolidated and are considered to be all entities in which the Group directly or indirectly controls the financial and operating policies such that power is exercised over the investee. This is generally accompanied by an ownership interest of more than half of an entity's voting rights. In addition, to evaluate whether the Group controls another entity, it considers the power over the investee; the exposure or rights to variable returns of the investment; and the ability to use this power over the investee to affect the amount of the investor's returns. When evaluating whether the Group exercises control over an entity, the existence and the effect of any potential voting rights, both those held by the Parent and by third parties, are taken into consideration, provided they are of a substantive nature.

- Subsidiaries are accounted for using the acquisition method. The acquisition cost is the fair value of the assets delivered, the equity instruments issued and the liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and identifiable liabilities and contingencies incurred in a business combination are measured initially at fair value at the acquisition date, regardless of the effect of non-controlling interests. When the acquisition cost is higher than the fair value of the Group's interest in the identifiable net assets acquired, the difference is recognised as goodwill. If the acquisition cost is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement (details of the companies consolidated at 31 December 2021 and 2020 are included in the Appendix).

The accompanying consolidated financial statements do not include the tax effect, if any, of transferring the reserves of the consolidated companies to the Parent's equity, since it is considered that these reserves will be used to finance the operations of each company and any potential distributions will not represent a significant additional tax cost.

2.6 Changes in the scope of consolidation

The following changes occurred in the scope of consolidation in 2021:

- On 24 February 2021, the Parent acquired 3.19% of the share capital of the subsidiary Utopicus Innovación Cultural, S.L. amounting to 100 thousand euros, to hold 100% of the share capital of that subsidiary.

- On 4 August 2021, the subsidiary SFL repurchased 7.86% of SFL's own shares from Predica, which were immediately redeemed, and carried out a share swap consisting of the acquisition from Predica of its non-controlling interests in the subsidiaries SCI Washington (34%) and SAS Parholding (50%) in exchange for non-controlling interests in SCI Paul Cézanne (49%), SCI 103 Grenelle (49%), SAS Cloud (49%) and SAS 92 Champs-Elysées (49%).

- On 5 August 2021, a capital increase was registered in the commercial register of the Parent Company through the issue of 22,494,701 new shares with a par value of 2.50 euros per share, plus a share premium, amounting to a total of 201,553 thousand euros according to the share price. The capital increase was fully subscribed by Predica, through the non-monetary contribution of 2,328,644 shares in the subsidiary SFL. The exchange ratio of Predica's contribution has been set at 9.66 Colonial shares.

- On 6 September 2021, a takeover bid for all the shares of SFL held by shareholders other than Colonial and Predica was registered in the commercial register of the Parent Company for mixed consideration in cash and shares. The exchange equation of the bid was set at 46.66 euros and five shares of Colonial, with a par value of 2.50 euros each, for each SFL share. On 20 July 2021, the French financial markets authority approved the bid. On 28 June 2021, the general shareholders's meeting approved the corresponding resolution to increase capital. On 30 August 2021, the French financial markets authority announced the result of the bid, which reached 4.2% of the shares targeted. As such, the Parent Company acquired 1,801,231 shares of the subsidiary SFL, by issuing 9,006,155 new shares of the Parent Company for a par value of 2.50 euros, plus a share premium, for a total amount of 81,461 thousand euros, according to the share price, and cash payments amounting to 84,045 thousand euros.

The following changes occurred in the scope of consolidation in 2020:

- On 2 July 2020, the Parent Company acquired 50% of the share capital of the subsidiary Wittywood, S.L., owner of a plot of land located in Barcelona, by subscribing to the capital increase carried out by the company, for 3 thousand euros plus a share premium of 4,644 thousand euros. The shares were fully paid up.

> On 29 July 2020, the parent company incorporated and subscribed all the shares of the subsidiary Inmocol One, S.A.U. for 60 thousand euros, as well as the shares of the subsidiaries Inmocol Two, S.L.U. and Inmocol Three, S.L.U. for 3 thousand euros each.

At 31 December 2021 and 2020, the subsidiaries Colonial Tramit, S.L.U., Inmocol One, S.A.U., Inmocol Two, S.L.U., Inmocol Three, S.L.U., SAS SB2, SAS SB3 and SCI SB3 are dormant.

2.7 Comparative information

The information relating to 2021 included in these notes to the consolidated financial statements is presented, for comparison purposes, with the information relating to 2020.

2.8 Grouping of items

Certain items in the consolidated statement of financial position, the income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows are grouped together to make them easier to understand; however, whenever the amounts involved are material, the information is broken down in the related notes to the consolidated financial statements.

2.9 Correction of errors

No significant errors have been found in the preparation of the consolidated financial statements that would require a restatement of the amounts included in the consolidated financial statements for 2020.

2.10 COVID-19 health crisis

In 2021, the Group maintained the measures taken in 2020 to strengthen the Group's position in a complex scenario to mitigate the impact of the pandemic on its business and results as far as possible.

The collection rate has been very satisfactory during the year (around 98%), outstanding amounts receivable have been reviewed on a case-by-case basis, recording the appropriate provision for impairment where necessary.

The property sales activity, which had slowed down during the initial phase of the healthcare crisis, made a notable recovery during the second half of 2021, with significant new contracts being closed.

The health crisis has had little impact on the valuation of assets as at 31 December 2021. Offices have shown some resilience to the pandemic, while commercial uses have been more affected by the pandemic context.

2.11 Climate change

Climate change brings with it major changes in the economy, making it necessary to be increasingly aware of its impacts on the financial and non-financial performance of companies. The major issues associated with these changes have led to very ambitious objectives involving radical transformations, framed within the framework of the European green pact, the Glasgow agreement (COP26), and even the Paris agreement (COP21).

The purpose of this note is to present the impact of these changes on the Group's business and performance, as well as the main accounting impacts on the consolidated accounts.

Effects of climate-related changes on the Group's financial position

The property sector accounts for a significant share of greenhouse gas emissions in Spain and France. For this reason, the Group has put a strategy in place to ensure that the risks and impacts of climate change and the measures to address them are monitored.

The main effects on the consolidated annual accounts linked to weather-related changes have been considered. These impacts are not exact figures, as it is very difficult to dissociate the impacts from other factors that have influenced the performance of the period. On this basis, the major impacts on the financial data are as follows:

> A positive impact on the valuation of the Group's properties that have been recognised as environmentally friendly (as evidenced by the certifications obtained).

> An increase in the investment and operating costs of property to anticipate regulatory developments and increase customer loyalty. These include, for example, the installation of LED technology in lighting systems, the selection and implementation of more efficient air-conditioning systems and the digitisation of buildings to optimise energy consumption.

> Various expenses, such as the costs of environmental certification of properties, costs linked to the publication of ESG data, and elements of remuneration of certain employees or directors linked to the achievement of ESG objectives.

Other potential impacts on the consolidated accounts

Other potential impacts of climate change, which do not have an impact on the consolidated financial statements, are as follows:

> Risks associated with financial instruments (IFRS 7): at the closing date of these consolidated financial statements, the Group had only 1.5% of its outstanding financial liabilities indexed to ESG indicators, the interest rates of which could vary depending on the performance of these indicators. There was no effect on the Group's financing.

> It should be noted in this point that on 17 February 2022, the Parent announced that the bondholders' meetings had approved the conversion of all of the Group's outstanding bonds into green bonds.

> Fees and taxes related to environmental regulation (IAS37): the investments made by the Group have enabled it to be in line with the regulations in force regarding climate change. As a result, the Group has not received any sanctions for non-compliance with these regulations. The Group has also implemented a monitoring system to anticipate regulatory developments in this area and to take the necessary actions to ensure compliance. As at 31 December 2021, no provision has been recorded for penalties for non-compliance with current environmental regulations.

> The depreciation of assets (IAS36) or the re-estimation of the useful lives and residual values of fixed assets (IAS16): the Group's assets are mainly recorded at fair value and therefore the Group's financial statements do not include any significant impact arising from these standards.

3. Distribution of profit of the Parent

The distribution of profit from 2021 proposed by the Board of Directors of the Parent and that will be submitted for approval at the General Annual Meeting is as follows:

Thousands of Euros

Profit for the year of the Parent	**38,726**
To the legal reserve	3,873
To dividends	34,853
Total distributed	**38,726**

Likewise, the proposal to apply the 2020 profit approved by the shareholders' meeting of the Parent Company held on 30 June 2021 was approved without any changes and consisted of its full transfer to the profit/(loss) of previous years.

The Parent's Board of Directors will submit for approval at the Annual General Meeting a proposed distribution of 0.24 euros per share, which would give rise to a total maximum dividend of 129,508 thousand euros based on the current number of issued shares. The definitive amount of the dividend, as well as the nature of the reserves to be distributed, will be determined prior to its distribution based on the treasury shares held by the Parent (Note 13.3).

In the past 5 years, the Parent distributed the following amounts:

Thousands of Euros

	2016	2017	2018	2019	2020
Dividends distributed	62,749	77,619	101,567	101,551	111,087

4. Accounting policies

The main accounting principles used to prepare the consolidated financial statements, in accordance with EU-IFRSs and the interpretations in force when the consolidated financial statements were prepared, are as follows:

4.1 Business combinations

The acquisition method of accounting is used for business combinations.

The cost of the business combination is allocated at the acquisition date by recognising, at fair value, all assets, liabilities and contingent liabilities of the acquired entity that meet the criteria for recognition established in IFRS 3. The excess of the cost of a business combination over the acquiree's allocated assets, liabilities and contingent liabilities is recognised as goodwill, which, accordingly, represents advance payments made by the Group for future economic benefits generated by the assets of the acquiree that are not individually and separately identifiable and recognisable.

The negative different, if any, between the cost of the business combination and the allocation to assets, liabilities and contingent liabilities of the acquired entity, is recognised as profit or loss in the year in which it is incurred.

If a business combination is achieved in stages, the acquirer remeasures its previously held equity interest in the acquiree at fair value at the acquisition date and recognises any resulting gain or loss in the consolidated income statement or under other consolidated income, where appropriate.

4.2 Intangible assets

As a general rule, intangible assets are initially measured at their acquisition or production cost. They are then measured at cost less the corresponding accumulated amortisation and, where applicable, less any impairment losses. These assets are amortised over their useful life.

4.3 Property, plant and equipment

Properties for own use, including other property, plant and equipment, are recognised at acquisition cost less any accumulated depreciation and any impairment.

Historical cost includes expenses directly attributable to the acquisition of the properties. Any potential impairment losses on the properties are recognised in accordance with the same valuation assumptions described in Note 4.4.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset only when it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be determined reliably. Maintenance and upkeep expenses are charged to the consolidated income statement in the year incurred.

Group companies depreciate their property, plant and equipment for own use and other property, plant and equipment using the straight-line method, distributing the cost of the assets over the years of estimated useful life. The years of estimated useful life of property for own use located in Spain and France are as follows:

Years of estimated useful life

	Spain	France
Property for own use:		
Buildings	50	50
Installations	10 to 15	10 to 15
Other tangible fixed assets	4 to 10	5 to 50

Gains or losses arising on the disposal (Note 19.5) or derecognition of an asset (Note 19.6) from this heading are determined as the difference between the sale price and its carrying amount and are recognised in the consolidated income statement.

4.4 Investment property

"Investment property" in the consolidated statement of financial position reflects the values of the land, buildings and other constructions held to earn rents or for capital appreciation upon disposals due to future increases in their respective market prices.

Investment property is presented at fair value at the end of the reporting period and is not depreciated.

Profit or loss arising from fluctuations in the fair value of investment property is included in income in the same period in which it occurs and recognised under "Changes in fair value of investment property" in the consolidated income statement (Note 19.7).

Assets are transferred from investment property in progress to investment property when they are ready for use. The classification of an investment property to the investment property in progress heading takes place only when the refrubishment or reform project will exceed one year in length.

When the Group recognises as an increased fair value of an investment property the cost of an asset that substitutes another already included in such amount, the Group reduces the value of the property by the fair value of the asset replaced, recognising the impact under "Losses due to impairment of assets" in the consolidated income statement (Note 19.6). When the fair value of the replaced asset cannot be identified, it is recorded by increasing the fair value of the property, and subsequently revalued periodically by reference to independent external valuations carried out in accordance with the valuation and appraisal standards published by the Royal Institute of Chartered Surveyors (RICS) of Great Britain, and in accordance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC)

In accordance with IAS 40, the Group calculates the fair value of its investment property on a regular basis. Fair value is determined based on the valuations made by independent experts (hierarchy of fair value level 3) (Jones Lang LaSalle and CB Richard Ellis Valuation in Spain, for both 2021 and 2020, and CB Richard Ellis Valuation and Cushman & Wakefield in France, in both 2021 and 2020) at the date of preparing the consolidated statement of financial position, so that the year-end fair values for investment property items reflect prevailing market conditions. The valuation reports prepared by independent experts contain only the standard warnings and/or disclaimers concerning the scope of the findings of the appraisals carried out, referring basically to the comprehensiveness and accuracy of the information provided by the Group.

The Discounted Cash Flow (hereinafter, "DCF") method was primarily used to determine the market value of the Group's investment property in 2021 and 2020.

The DCF method applied over a 10-year horizon is used, in accordance with current market practices, unless the specific characteristics suggest another course of action. The cash flow is considered throughout the period on a monthly basis to reflect increases in the CPI, the timetable for future rent reviews, the expiry of lease arrangements, etc.

With regard to the increases in the CPI, the generally accepted forecasts are normally adopted.

Given that the valuer does not know with certainty whether there will be periods of vacancy in the future, nor their duration, these forecasts are based on the quality and location of the building, and generally use an average lease period if there is no information on the future intentions of each tenant. The assumptions determined in relation to the periods of vacancy and other factors are explained in each valuation.

The resulting profitability or *Terminal Capitalisation Rate* (hereinafter, "TCR") adopted in each case refers not only to the forecast market conditions at the end of each cash flow period, but also to the rental conditions which are expected to be maintained and the physical location of the property, taking into account any possible improvements planned for the property and included in the analysis.

With regard to acceptable discount rates, conversations are regularly held with various institutions to assess their attitude towards different investment rates. This general consensus, together with the data on any sales made and market forecasts relating to variations in the discount rates, serve as starting points for the valuers to determine the appropriate discount rate in each case.

The properties were assessed individually, considering each of the lease agreements in force at the end of the reporting period. Buildings with unlet floor space were valued on the basis of future estimated rentals, net of an estimated letting period.

The most relevant key variables of this method for the purposes of sensitivity analysis are the determination of the net income and the rate of return, especially in the case of a 10-year discounted cash flow model. The other variables considered, although they are taken into account in determining fair value, are not considered to be key, and therefore no quantitative information is included, nor are they sensitised, since any possible reasonable variations would not entail a significant change in the fair values of the assets.

The estimated yields are mainly determined by the type, age and location of the properties, by the technical quality of the asset, as well as the type of tenant and occupancy rate, etc.

The yields and other assumptions used in determining future cash flows in 2021 and 2020 are set out in the tables below:

Gross

Yields (%) – Offices	31 December 2021	31 December 2020
Barcelona – Prime Yield		
Leased out	4.23	4.37
Total portfolio	4.26	4.38
Madrid – Prime Yield		
Leased out	4.12	4.24
Total portfolio	4.17	4.27
Paris – Prime Yield		
Leased out	2.94	3.03
Total portfolio	2.94	3.01

Assumptions made at 31 December 2021

Rent increases (%) – Offices	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter
Barcelona					
Leased out	(0.75)	2.0	4.0	2.75	2.75
Total portfolio	(0.75)	2.0	4.0	2.75	2.75
Madrid					
Leased out	(0.75)	2.5	3.5	3.0	3.0
Total portfolio	(0.75)	2.5	3.5	3.0	3.0
Paris					
Leased out	0.0	0.5	1.0	1.5	1.5
Total portfolio	0.0	0.5	1.0	1.5	1.5

Assumptions made at 31 December 2020

Rent increases (%) – Offices	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter
Barcelona					
Leased out	(1.75)	1.0	3.5	4.5	2.75
Total portfolio	(1.75)	1.0	3.5	4.5	2.75
Madrid					
Leased out	(2.0)	0.75	4.0	5.0	3.0
Total portfolio	(2.0)	0.75	4.0	5.0	3.0
Paris					
Leased out	0.0	0.5	1.0	1.5	1.5
Total portfolio	0.0	0.5	1.0	1.5	1.5

In addition, developments in progress were valued using the Dynamic Residual Method, which was deemed the best approach. This method begins with an estimate of the income yielded by the developed and fully leased property; from this value, development, planning, construction and demolition costs, professional fees, permit and marketing costs, borrowing costs and development profit, among other items, are then deducted, in order to arrive at an implied price which a developer might pay for the asset under development.

A change of one-quarter of one point in yields has the following impact on the valuations used by the Group at 31 December 2021 and 2020, to determine the value of its property assets (Property, plant and equipment -own use, Investment property, inventories and assets classified as held for sale):

Thousands of Euros

Sensitivity of valuations to a change of one quarter of a point in yields	Valuation	Decrease of one quarter of a point	Increase of one quarter of a point
December 2021	12,436,041	960,845	(820,948)
December 2020	12,020,024	912,800	(780,310)

A reconciliation of the valuations used by the Group to the carrying amounts of the statement of financial position in which the appraised assets are located is as follows:

Thousands of Euros

	31 December 2021	31 December 2020
Headings of the consolidated statement of financial position		
Property, plant and equipment – Own use	37,241	37,494
Investment property (Note 9)	12,210,368	11,515,620
Inventory (Note 11)	60,689	52,409
Current assets classified as held for sale (Note 23)	–	281,959
Lease incentives (Note 12)	76,194	81,493
Trade and other receivables - Acquired lease rights (Note 12)	99	1,002
Total headings of the consolidated statement of financial position	**12,384,591**	**11,969,977**
Unrealised gains on assets recognised in property, plant and equipment	39,649	39,568
Unrealised gains on assets recognised in Inventory	11,801	10,479
Valuation	**12,436,041**	**12,020,024**

The income earned in 2021 and 2020 from the lease of investment properties amounted to 316.719 and 341.669 miles de euros (Note 19.1), respectively and is recognised under "Revenue" in the accompanying consolidated statement of comprehensive income.

In addition, the bulk of repair and maintenance expenses incurred by the Colonial Group in connection with the operation of its investment properties is passed on to the respective tenants (Note 4.18).

4.5 Impairment of property, plant and equipment

At each reporting date, the Group assesses the carrying amounts of its property, plant and equipment to determine if there are indications that the assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of the fair value of the asset less costs to sell or otherwise dispose of the asset and value in use. Where the asset does not generate cash inflows that are independent of those from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount; however, the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

4.6 Investments and other financial assets

4.6.1 Classification

The group classifies its financial assets in the following valuation categories:

> those that are subsequently measured at fair value (either through profit or loss or other comprehensive income); and

> those that are valued at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, profit and loss shall be recognised in the income statement or in other comprehensive income. For investments in equity instruments that are not held for trading, this depends on whether the group made an irrevocable election at initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when it changes its business model for managing these assets.

4.6.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets expire or are transferred and the group has transferred substantially all the risks and rewards of ownership.

4.6.3 Valuation

On initial recognition, the group measures a financial asset at fair value plus, in the case of a financial asset other than at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recognised as an expense in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

4.6.4 Debt instruments

The subsequent valuation of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

> Amortised cost: Assets held for the collection of contractual cash flows when those cash flows only represent payments of principal and interest are measured at amortised cost. Interest from these financial assets is included in finance income according to the effective interest rate method. Any profit or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the income statement.

> Fair value through other comprehensive income: Assets held for the collection of contractual cash flows and for the sale of financial assets, when the cash flows from the assets only represent payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken to other comprehensive income, except for the recognition of impairment gains or losses, ordinary interest income and foreign exchange profit or loss which are recognised in profit and loss. When the financial asset is derecognised, the cumulative profit or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in finance costs. Interest from these financial assets is included in finance income according to the effective interest rate method. Exchange gains and losses are presented in finance costs and the impairment expense is presented as a separate line item in the income statement.

> Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are recognised at fair value through profit or loss. A profit or loss on a debt investment that is subsequently recognised at fair value through profit or loss is recognised in profit or loss and presented net in the income statement within finance costs in the period in which it arises.

4.6.5 Equity instruments

The Group subsequently measures all equity investments at fair value. When group management has elected to present fair value profit and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value profit and loss following derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the company's right to receive the payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in finance costs in the income statement when applicable. Impairment losses (and reversals of impairment losses) on equity investments measured at fair value through other comprehensive income are not presented separately from other changes in fair value.

4.6.6 Impairment

The group assesses on a prospective basis the expected credit losses associated with its assets at amortised cost and at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, given the breakdown of the Group's lessee portfolio, formed by companies of recognised prestige with proven financial solvency, the scant history of losses from receivable balances in the last 10 years, including the years of the financial crisis, the Group considered that the impairment due to the expected loss from these financial assets is not significant (Note 12).

4.7 Accounts receivable

Trade receivables are carried at recoverable value, i.e., net, where applicable, of the allowances recognised to cover balances of a certain age whose circumstances reasonably warrant their consideration as doubtful receivables.

4.8 Cash and cash equivalents

This heading includes bank deposits, carried at the lower of cost or market value.

Financial investments that are readily convertible into a known amount of cash and that are not subject to any significant risk of changes in value are deemed to be cash equivalents.

Bank overdrafts are not considered to be cash and cash equivalents.

4.9 Own equity instruments

An equity instrument represents a residual interest in the equity of the Parent after deducting all of its liabilities.

Equity instruments issued by the Parent are recognised in equity at the proceeds received, net of direct issue costs.

Any Parent shares acquired during the year are recognised as a deduction from equity at the value of the consideration paid. Any gains or losses on the purchase, sale, issue or cancellation of own equity instruments are recognised directly in equity and not in the consolidated income statement.

4.10 Provisions and contingent liabilities

In preparing the consolidated financial statements, the Parent's directors distinguish between:

> Provisions: payables that cover obligations arising as a consequence of past events which could give rise to liabilities at the Group companies, the nature of which is certain but the amount and timing of which cannot be determined, and

> Contingent liabilities: potential liabilities arising as a consequence of past events, the emergence of which depends on the occurrence of one or more future events which are beyond the control of the consolidated companies.

The consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised, but are disclosed in Note 17.

The provisions, which are quantified taking into consideration the best information available concerning the consequences of the events on which they are based, and which are revised at each reporting close, are recognised in order to cover the specific and likely risks for which they were originally recognised, and are fully or partially reversed if and when said risks cease to exist or are reduced.

4.11 Employee benefits

4.11.1 Termination benefits

Under current legislation, the Group is required to pay severance to employees terminated under certain conditions. Severance payments that can be reasonably quantified are recorded as a expense in the year in which the decision to terminate the contract is taken and a valid expectation regarding termination is transmitted to third parties. At 31 December 2021 and 2020, the Parent did not record any provisions in this connection.

4.11.2 Pension obligations

In 2021 and 2020 the Parent assumed a commitment with executive directors and one member of senior management to make a defined contribution to an external pension plan that meets the requirements established by Royal Decree 1588/1999, of 15 October.

At 31 December 2021 and 2020, the SFL subgroup had several defined benefit pension plans. Defined benefit obligations are calculated on a regular basis by independent actuarial experts. The actuarial assumptions used to calculate these liabilities are adapted the situation and to applicable French legislation, in accordance with IAS 19. The actuarial cost recorded in the consolidated income statement in relation to said plans is the sum of the service costs for the period, the interest expense and actuarial gains and losses. At 31 December 2021, net liabilities for defined benefits amounted to 1,346 thousand euros (1,215 thousand euros at 31 December 2020).

4.11.3 Share-based payments

The Group recognises the goods and services received as an asset or an expense, depending on their nature, when they are received, along with an increase in equity if the transaction is settled using equity instruments or the corresponding liability if the transaction is settled at an amount based on the value of the equity instruments.

In the case of equity-settled transactions, both the services provided and the increase in equity are measured at the fair value of the services received, unless the fair value of the equity instruments transferred is more reliable, as at the date of the grant agreement. If, on the other hand, they are settled in cash, the goods and services received and the corresponding liability are recognised at the fair value of the goods and services received as of the date on which the recognition requirements are met. In the case of the plans described in Note 20, it has been decided to measure them at the amount of the equity instruments transferred.

4.12 Derivative financial instruments

The Group uses financial derivatives to manage its exposure to variations in interest rates. All derivative financial instruments, whether or not designated as hedging instruments, are carried at fair value: market value in the case of listed securities, or according to option valuation methods or discounted cash flow analysis for non-listed securities. The fair value of the derivative financial instruments is determined based on the valuations made by independent experts (Solventis A.V., S.A., in 2021 and 2020).

The following valuation criteria have been applied for accounting purposes:

> Cash flow hedges: fair value gains or losses arising on transactions which classify for hedge accounting are recognised, net of taxes, directly in other consolidated comprehensive income, under "Gains/(losses) on hedging instruments", until the underlying or expected transaction occurs, at which point they are reclassified, where appropriate, to "Finance costs" or "Finance income" in the consolidated statement of comprehensive income. Any valuation gains and losses on the ineffective portion of the hedge are recognised directly as financial profit or loss in the consolidated income statement.

> Treatment of financial instruments that are not allocated to a specific liability and do not qualify for hedge accounting: gains or losses arising from the restatement at fair value of these financial instruments are recognised directly as financial profit or loss in the consolidated income statement.

In accordance with IFRS 13, the Group estimated its own credit risk and that of the counterparty in the measurement of its derivative portfolio.

Hedge accounting is discontinued when a hedging instrument expires or is sold or exercised, or when the hedge no longer qualifies for hedge accounting. Gains or losses on hedging instruments recognised in other consolidated comprehensive income remain under this heading until the related transaction is performed. Once the related cash flow occurs, any cumulative gain or loss recognised in other consolidated comprehensive income is transferred to consolidated net profit or loss for the year. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other consolidated comprehensive income is transferred to consolidated net profit or loss for the year.

Prospective and retrospective calculation for hedge effectiveness is carried out on a monthly basis:

> Retrospective tests measure how effectively the instrument would have hedged the liability over its life, using historical interest rates to date.

> Prospective tests measure the instrument's expected effectiveness on the basis of forward interest rates as published by Bloomberg at the measurement date. This is adjusted monthly from the inception of the hedge on the basis of the historical interest rates already established.

The method used to determine the effectiveness of hedging instruments consists of calculating the statistical correlation between the benchmark interest rates at each measurement date for the derivative and the related hedged liability, taking into consideration that the hedging instrument is considered effective if this statistical correlation is between 0.80 and 1.

The Group's use of financial derivatives is governed by a set of approved risk management policies and coverage.

4.13 Current / non-current

The normal operating cycle is understood to be the period of time between the acquisition of the assets that form part the Group's various business activities and the realisation of the finished assets in the form of cash or cash equivalents.

The Group's core business is property, for which the normal cycle of its operations is considered to correspond to the calendar year. Therefore, assets and liabilities maturing in one year or less are classified as current and those maturing in over one year as non-current.

Bank borrowings are classified as non-current if the Group has the irrevocable right to make payments after twelve months from the end of the reporting period.

4.14 Income tax

The expense for Spanish corporate income tax and similar taxes applicable to consolidated foreign operations is recognised in the consolidated statement of comprehensive income, except when the tax expense is generated by a transaction whose gains or losses are taken directly to equity, in which case the corresponding tax is also recognised in equity.

Income tax expense is the sum of the tax payable on profit for the year and the variation in recognised deferred tax assets and liabilities.

Corporate income tax expense for the year is calculated based on taxable profit for the year, which differs from the net profit or loss presented in the consolidated statement of comprehensive income because it excludes certain taxable income and deductible expenses from prior years, as well as other exempt items. The Group's current tax liabilities are calculated using tax rates that have been approved at the reporting date.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, all deferred tax assets that are not recognised in the consolidated statement of financial position are reassessed at the end of each reporting period and are recognised if it has become probable that they will be recovered through future tax benefits. In accordance with IAS 12, changes in deferred tax assets and liabilities caused by changes in tax rates or tax laws are recognised in the consolidated statement of comprehensive income for the year in which these changes are approved.

In accordance with that established in IAS 12, the measurement of the Group's deferred tax liabilities reflects the tax consequences that would follow from the manner in which the carrying amount of its assets is expected to be recovered or settled. In this regard, for deferred tax liabilities that arise from investment properties that are measured using the IAS 40 fair value model, there is a refutable presumption that their carrying amount will be recovered through their sale. Consequently, the deferred tax liabilities arising from the Group's investment properties located in Spain were calculated by applying a tax rate of 25%, less any existing tax credits not recognised at 31 December 2021. The effective settlement rate was therefore 18.75%.

Until 31 December 2016, the Parent was the head of a group of companies filing consolidated tax returns under tax group number 6/08.

4.14.1 REIT Regime

Effective as of 1 January 2017, the tax regime of the Parent and the majority of its subsidiaries is governed by Law 11/2009, of 26 October, as amended by Law 16/2012, of 27 December, governing listed real estate investment companies (REITs). Article 3 establishes the investment requirements of this type of company, namely:

1. REITs must have invested at least 80% of the value of their assets in urban properties earmarked for lease, in land to develop properties to be earmarked for that purpose, provided that development begins within three years following its acquisition, and in equity investments in other companies referred to in Article 2.1 of the aforementioned Law.

   The value of the asset is calculated based on the average of the quarterly individual balance sheets of the year. To calculate this value, the REIT may opt to substitute the carrying amount for the fair value of the items contained in these balance sheets, which will apply to all the balance sheets of the year. Any money or collection rights arising from the transfer of the aforementioned properties or investments made in the year or in prior years will not be included in the calculation unless, in the latter case, the reinvestment period referred to in Article 6 of the aforementioned Law has expired.

   This percentage must be calculated on the average of the consolidated balances if the company is the parent of a group, in accordance with the criteria established in Article 42 of the Spanish Commercial Code, regardless of its place of residence and of the obligation to formally prepare consolidated financial statements. Such a group must be composed exclusively of the REIT and the other entities referred to in Article 2.1 of this Law.

2. Similarly, at least 80% of the rental income from the tax period corresponding to each year, excluding the rental income arising from the transfer of the ownership interests and the properties used by the company to achieve its main corporate

purpose, once the holding period referred to below has elapsed, should be obtained from the lease of properties and dividends or shares of profits arising from the aforementioned investments.

This percentage must be calculated on the basis of consolidated profit if the company is the parent of a group, in accordance with the criteria established in Article 42 of the Spanish Commercial Code, regardless of its place of residence and of the obligation to formally prepare consolidated financial statements. Such a group must be composed exclusively of the REIT and the other entities referred to in Article 2.1 of this Law.

3. The REIT's real estate assets must be leased for at least three years. The time during which the properties have been made available for lease, up to a maximum of one year, will be included for the purposes of this calculation.

The period will be calculated:

a) For properties that are included in the REIT's assets before the company avails itself of the regime, from the beginning of the first tax period in which the special tax regime set forth in this Law is applied, provided that the property is leased or offered for lease at that date. Otherwise, the following shall apply.

b) For properties developed or acquired subsequently by the REIT, from the date on which they were leased or made available for lease for the first time.

c) In the case of shares or investments in entities referred to in Article 2.1 of this Law, they should be retained on the asset side of the REIT's balance sheet for at least three years following their acquisition or, where applicable, from the beginning of the first tax period in which the special tax regime set forth in this Law is applied.

As established in transitional provision one of Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December, governing listed real estate investment companies, these companies may opt to apply the special tax regime under the terms and conditions established in Article 8 of this Law, even if it does not meet the requirements established therein, provided that such requirements are met within two years after the date of the option to apply that regime.

Failure to meet this condition will require the REIT to file income tax returns under the general tax regime from the tax period in which the aforementioned condition is not met. The REIT will also be obliged to pay, together with the amount relating to the aforementioned tax period, the difference between the amount of tax payable under the general tax regime and the amount paid under the special tax regime in the previous tax periods, including any applicable late-payment interest, surcharges and penalties.

The income tax rate for REITs was set at 0%. However, where the dividends that the REIT distributes to its shareholders holding an ownership interest exceeding or equal to 5% are exempt from tax or are subject to a tax rate lower than 10%, at the main office of this shareholder, the REIT shall be subject to a special charge of 19%, which shall be considered to be the income tax charge, on the amount of the dividend distributed to these shareholders. If applicable, this special charge must be paid by the REIT within two months after the dividend distribution date.

4.14.2 SIIC regime – SFL subgroup

Since 1 January 2003, the SFL subgroup companies have filed tax returns under the French tax regime applicable to listed real estate investment companies ("the SIIC regime"). This regime enabled the assets allocated to the rental business to be recognised at market value at the date on which it availed itself of this tax regime, currently subject to a tax rate of 19% (hereinafter, "exit tax") on the unrealised gain at the time of the option, payable within a period of four years, on the capital gains recognised.

This regime affects only real estate activities, and is not applicable to companies engaged in sales and services, such as Segpim, S.A. and Locaparis SAS in the SFL subgroup, to properties under finance leases (unless the lease is cancelled early) or to the subgroups and investees in conjunction with third parties.

This regime affords the SFL subgroup an exemption from taxes on earnings generated from its rental business and on capital gains obtained from the sale of properties, provided that 95% of profit from that activity and 70% of the capital gains obtained from property sales of companies under this regime are distributed each year in the form of dividends.

4.15 Income and expenses

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

However, in accordance with the accounting principles established in the EU-IFRS conceptual framework, the Group recognises revenue when it is earned together with all the necessary associated expenses. The sale of goods is recognised when the goods have been delivered and ownership transferred.

Interest income is accrued on a time proportion basis, according to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts the future cash receipts estimated over the expected life of the financial asset from the asset's carrying amount.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established, i.e. when shareholders at the Annual General Meetings of the subsidiaries approve the distribution of the corresponding dividend.

4.15.1 Property leases

In accordance with NIIF 16, leases are classified as finance leases whenever their terms imply that all risks and rewards inherent to ownership of the leased asset have been substantially transferred to the lessee. All other leases are classified as operating leases. At 31 December 2021 and 2020, all of the Group's leases qualify as operating leases.

4.15.2 Property leases-Lessor

Revenue from operating leases is recognised as income on a straight-line basis over the term of the lease, and the initial direct costs incurred in arranging these operating leases are taken to the consolidated income statement on a straight-line basis over the minimum term of the lease agreement.

The minimum term of a lease is considered to be the time elapsed from the start of the lease to the first option for renewing the lease.

In relation to the amendment to IFRS 16 arising from the situation generated by the pandemic, the Parent Company has considered the aid granted to lessees as amendments to the initial contract, recording them as a rent incentive, except for minor cases, in which they have been recorded directly against the consolidated income statement, reducing the net amount of the turnover.

4.15.3 Specific lease terms and conditions: lease incentives

Lease agreements include certain specific conditions linked to incentives or rent-free periods offered by the Group to its customers. The Group recognises the aggregate cost of incentives granted as a reduction in rental income of the lease agreement. The effects of the rent-free periods are recognised during the minimum term of the lease agreement on a straight-line basis.

The indemnity payments made by lessees to cancel their lease agreements prior to their minimum termination date are also recognised as income in the consolidated income statement on the date on which they are claimable by the Group.

4.15.4 Property leases-Lessee

Leases have been recognised as a right-of-use asset and the corresponding liability on the date on which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and the financial cost. The financial cost is charged to income during the term of the lease so as to produce a constant periodic interest rate on the remaining balance of the liability for each year. The right-of-use asset is depreciated over the useful life of the asset or the shorter of the two lease terms on a straight-line basis.

Assets and liabilities arising from a lease are initially measured at present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including essentially fixed payments), less any lease incentive receivable,

- variable lease payments that depend on an index or rate,

> the amounts expected to be paid by the lessee as guaranteed residual values,

> the exercise price of a purchase option if the lessee is reasonably certain that they will exercise that option, and

> lease termination penalty payments, if the term of the lease reflects the lessee's exercising of that option.

Lease payments are discounted using the interest rate included in the lease. If that rate cannot be determined, the incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic backdrop with similar terms and conditions.

Right-of-use assets are measured at cost that includes the following:

> the amount of the initial valuation of the lease liability,

> any lease payment made on or before the start date less any lease incentive received,

> any initial direct costs, and

> restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense. Short-term leases are leases with a lease term of 12 months or less.

In connection with the amendment to IFRS 16 arising from the pandemic situation, the Parent Company has treated the aid received from the lessors of the space leased by its subsidiary Utopicus as if it were a variable lease payment, recording its impact directly against the consolidated income statement.

4.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of property developments or inventory (Notes 9 and 11), which require preparation during a significant period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

4.17 Consolidated statement of cash flows (indirect method)

The terms used in the consolidated statement of cash flows are defined as follows:

> Cash flows: inflows and outflows of cash and cash equivalents. Cash equivalents are highly liquid, low-risk short-term investments.

> Operating activities: the principal revenue-producing activities and other activities that are not investing or financing activities.

> Investing activities: the acquisition, sale or disposal by other means of non-current assets and other investments not included in cash and cash equivalents.

> Financing activities: activities that result in changes in the size and composition of equity and borrowings that are not operating activities.

4.18 Costs passed on to lessees

In accordance with EU-IFRSs, the Group does not consider the costs incurred by lessees from its investment properties as income and they are recognised, less the corresponding costs, in the consolidated income statement. The amounts passed on for these items in 2021 and 2020 amounted to 58,129 and 63,202, respectively.

Direct operating expenses associated with investment properties which generated rental income in 2021 and 2020, included under "Operating profit" in the consolidated income statement amounted to 82,189 euros and 88,182 thousand euros, respectively, prior to deducting the costs passed on to the lessees. The expenses incurred in connection with investment property that did not generate rental income were not significant.

4.19 Related party transactions

The Group's transactions with related parties are all carried out on an arm's length basis. Furthermore, the transfer prices applied are fully documented and supported and the Parent's directors therefore do not consider that transfer prices pose a significant risk that could give rise to a material liability in the future.

4.20 Assets classified as held for sale

Assets classified as held for sale are measured at the lower of their carrying amount in accordance with applicable measurement rules and fair value less costs to sell.

Non-current assets are classified as held for sale if it is estimated that their carrying amounts will be recovered through a sale rather than through continuing use. This condition is met when the sale of the asset is considered highly probable, the asset is in condition to be sold immediately and the sale is expected to be fully realised within a period of no more than twelve months from its classification as a held-for-sale asset.

The Colonial Group classifies assets as held for sale when the Board of Directors or Executive Committee has made an official decision in this respect, and the sale is considered highly probable within a period of twelve months.

4.21 Inventory

Inventories, consisting of land, developments in progress and completed developments, are valued at acquisition price or cost of completion.

The cost of execution includes the direct and indirect expenses necessary for construction, as well as the financial expenses incurred in the financing of the works while they are under construction, provided that this process lasts for more than one year.

Deliveries on account, resulting from the signing of purchase option contracts, are recorded as advances on inventories and assume the fulfilment of expectations regarding the conditions allowing the exercise thereof.

The Group recognises appropriate impairment losses on inventories when the market value is lower than the carrying amount.

The market value is determined periodically by independent expert valuations (Jones Lang LaSalle) which have been carried out in accordance with the valuation and appraisal standards published by the *Royal Institute of Chartered Surveyors* (RICS) of Great Britain, and in accordance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC).

Developments in progress were valued using the dynamic residual method, which was deemed the best approach. This method begins with an estimate of the income yielded by the developed and fully leased property; from this value, development, planning, construction and demolition costs, professional fees, permit and marketing costs, borrowing costs and development profit, among other items, are then deducted, in order to arrive at an implied price which a developer might pay for the asset under development.

4.22 Fair value hierarchy

Financial assets and liabilities measured at fair value are classified according to the following hierarchy established in IFRS 7 and IFRS 13:

- Level 1: Inputs are based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Inputs are based on quoted prices for similar assets or liabilities in active markets (not included in level 1), prices quoted for identical or similar assets or liabilities in markets that are not active, techniques based on valuation models for which all relevant inputs are observable in the market or can be corroborated by observable market data.

- Level 3: In general, inputs are unobservable and reflect estimates based on market assumptions to determine the price of the asset or liability. Unobservable data used in the valuation models are significant in the fair values of the assets and liabilities.

In accordance with IFRS 13, the Group estimated the bilateral credit risk in order to reflect both its own risk, as well as counterparty risk in the fair value of its derivatives (Note 4.12). Credit risk at 31 December 2021 and 2020 was not considered to be material.

The detail of the Group's financial assets and liabilities measured at fair value according to the aforementioned levels is as follows:

31 December 2021 – Thousands of Euros

	Level 1	Level 2	Level 3
Assets			
Derivative financial instruments:			
Classified as hedges	–	14,775	–
Not classified as hedges	–	–	–
Total assets (Note 15)	**–**	**14,775**	**–**
Liabilities			
Derivative financial instruments:			
Classified as hedges	–	–	–
Not classified as hedges	–	–	–
Total liabilities (Note 15)	**–**	**–**	**–**

31 December 2020 – Thousands of Euros

	Level 1	Level 2	Level 3
Assets			
Derivative financial instruments:			
Classified as hedges	–	287	–
Not classified as hedges	–	–	–
Total assets (Note 15)	**–**	**287**	**–**
Liabilities			
Derivative financial instruments:			
Classified as hedges	–	19,775	–
Not classified as hedges	–	–	–
Total liabilities (Note 15)	**–**	**19,775**	**–**

5. Earnings per share

Basic earnings per share are calculated by dividing earnings for the year attributable to shareholders of the Parent (after tax and non-controlling interests) by the weighted average number of shares outstanding during that year.

Both at 31 December 2021 and 2020, there were no instruments that may have had a significant diluting effect on the Parent's average number of ordinary shares.

The long-term remuneration plans of the Parent Company are settled with shares that the Parent Company holds as treasury shares in advance. Such deliveries of shares have no relevant or material effect on diluted earnings per share (Note 20).

Thousands of Euros

	2021	2020
Consolidated profit/(loss) attributable to shareholders of the Parent:	**473,842**	**2,387**
	No. of shares	No. of shares
Weighted average number of ordinary shares (in thousands)	515,705	507,139
	Euros	Euros
Basic earnings per share:	0.92	0.01
Diluted earnings per share:	0.92	0.01

6. Segment reporting

6.1 Segmentation criteria

Segment reporting is organised, firstly, on the basis of the Group's business segments, and, secondly, by geographical segment.

The business lines described below have been defined in line with the Group's organisational structure at 31 December 2021 and 2020, which has been used by the Group's management to analyse the financial performance of the various operating segments.

The property (or traditional business) segment includes the activity associated with office leasing, while the flexible business segment includes the activity associated with coworking or flexible office space.

6.2 Basis and methodology for business segment reporting

The segment information below is based on monthly reports prepared by Group management, generated using the same computer application that prepares all of the Group's accounting data.

Segment revenue comprises revenue directly attributable to each segment, as well as gains from the sale of investment properties. Segment revenue excludes both interest and dividend income.

Segment expenses comprise operating expenses directly attributable to each segment and losses on the sale of investment properties. Allocated expenses do not include interest, the income tax expense or general administrative expenses incurred in the provision of general services that are not directly allocated to any business segment.

Segment assets and liabilities are those directly related to the segment's operating activities. The Group has no set criteria for allocating borrowings or equity by business segment. Borrowings are attributed in full to the "Corporate Unit".

Segment information for these businesses is as follows:

2021 segment reporting – Thousands of Euros

	Property rentals (traditional business)							
	Barcelona	Madrid	Paris	Remaining	Total Equity	Flexible business	Corporate unit	Total Group
Revenue								
Revenue (Note 19.1)	41,793	89,899	174,634	1,672	307,998	8,721	–	**316,719**
Other income (Note 19.2)	4	9	3,402	–	3,415	–	1,915	**5,330**
Net gains on sales of assets (Note 19.5)	(1,537)	(102)	108	270	(1,261)	–	–	**(1,261)**
Changes in fair value of investment property (Note 19.7)	46,106	143,031	255,177	(88)	444,226	–	–	**444,226**
Gains/(losses) due to changes in value of assets and impairment (Note 19.6)	(226)	(827)	–	25	(1,028)	(228)	244	**(1,012)**
Profit / (Loss) from operations	80,083	219,653	425,939	4,071	729,746	(924)	(54,414)	**674,408**
Financial profit (Note 19.8)	–	–	–	–	–	–	(111,034)	**(111,034)**
Profit/(Loss) before tax	–	–	–	–	–	–	563,374	**563,374**
Consolidated net profit/(loss)	–	–	–	–	–	–	566,907	**566,907**
Net profit attributable to non-controlling interests (Note 13.6)	–	–	–	–	–	–	(93,065)	**(93,065)**
Net profit/(loss) attributable to shareholders of the Parent (Note 5)	–	–	–	–	–	–	473,842	**473,842**

The most significant transactions between segments in 2021 were as follows:

Thousands of Euros

	Traditional business	Flexible business	Corporate Unit	Total Group
Revenue				
Revenue	7,290	–	–	**7,290**
Profit / (Loss) from operations	–	(7,290)	–	**(7,290)**

None of the Group's customers represented more than 10% of income from ordinary activities.

Thousands of Euros

	Property rentals (traditional business)							
	Barcelona	Madrid	Paris	Remaining	Total Equity	Flexible business	Corporate unit	Total Group
Assets								
Goodwill	–	–	–	–	–	–	–	**–**
Intangible assets, right-of-use assets, property, plant and equipment, investment property, inventories and assets classified as held for sale (Notes 7, 8, 9, 11 and 23)	1,522,996	3,232,366	7,497,284	19,765	12,272,411	32,974	44,730	**12,350,115**
Financial assets	8,388	17,092	4,346	273	30,099	1,725	228,198	**260,022**
Other non-current assets	–	–	–		–	–	56,073	**56,073**
Trade receivables and other current assets	–	–	–		–	–	61,314	**61,314**
Total assets	**1,531,384**	**3,249,458**	**7,501,630**	**20,038**	**12,302,510**	**34,699**	**390,315**	**12,727,524**

Thousands of Euros

	Property rentals (traditional business)							
	Barcelona	Madrid	Paris	Remaining	Total Equity	Flexible business	Corporate unit	Total Group
Liabilities								
Bank borrowings and other financial liabilities (Note 14)	–	–	–	–	–	–	72,271	**72,271**
Bonds and similar securities issued (Note 14)	–	–	–	–	–	–	4,593,662	**4,593,662**
Issuance of promissory notes (Note 14)	–	–	–	–	–	–	257,000	**257,000**
Derivative financial instruments (Note 15)	–	–	–	–	–	–	–	**–**
Lease liabilities (Note 7)	–	–	–	–	–	–	20,996	**20,996**
Operating liabilities (suppliers and payables)	–	–	–	–	–	–	135,808	**135,808**
Other liabilities	–	–	–	–	–	–	463,358	**463,358**
Total liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**5,543,095**	**5,543,095**

Thousands of Euros

	Property rentals (traditional business)							
	Barcelona	Madrid	Paris	Remaining	Total Equity	Flexible business	Corporate unit	Total Group
Other disclosures								
Investments in intangible assets, property, plant and equipment, investment property, inventories and assets classified as held for sale	86,323	78,443	160,393	205	325,364	2,117	1,791	**329,272**
Depreciation and amortisation charge	(29)	(854)	(312)	–	(1,195)	(4,124)	(2,793)	**(8,112)**
Expenses that do not involve cash outflows other than depreciation and amortisation for the period:								
Changes in provisions (Note 19.4)	(87)	475	(613)	(45)	(270)	169	(657)	**(758)**
Changes in fair value of investment property (Note 19.7)	46,106	143,031	255,177	(88)	444,226	–	–	**444,226**
Gains/(losses) due to changes in value of assets and impairment (Note 19.6)	(226)	(827)	–	25	(1,028)	(228)	244	**(1,012)**

2020 segment reporting – Thousands of Euros

	Property rentals (traditional business)							
	Barcelona	Madrid	Paris	Remaining	Total Equity	Flexible business	Corporate unit	Total Group
Revenue								
Revenue (Note 19.1)	46,559	102,952	182,424	2,776	334,711	6,958	–	**341,669**
Other income (Note 19.2)	4	2	3,999	–	4,005	–	977	**4,982**
Net gains on sales of assets (Note 19.5)	340	718	–	556	1,614	–	–	**1,614**
Changes in fair value of investment property (Note 19.7)	(82,232)	(166,993)	176,526	(6,353)	(79,052)	–	–	**(79,052)**
Gains/(losses) due to changes in value of assets and impairment (Note 19.6)	(248)	(194)	–	–	(442)	(46)	1,031	**543**
Profit / (Loss) from operations	(38,477)	(72,783)	351,080	(5,958)	233,862	1,360	(49,857)	**185,365**
Financial profit (Note 19.8)	–	–	–	–	–	–	(120,558)	**(120,558)**
Profit/(Loss) before tax	–	–	–	–	–	–	64,807	**64,807**
Consolidated net profit/(loss)	–	–	–	–	–	–	62,817	**62,817**
Net profit attributable to non-controlling interests (Note 13.6)	–	–	–	–	–	–	(60,430)	**(60,430)**
Net profit/(loss) attributable to shareholders of the Parent (Note 5)	–	–	–	–	–	–	2,387	**2,387**

The most significant transactions between segments in 2020 were as follows:

Thousands of Euros

	Traditional business	Flexible business	Corporate Unit	Total Group
Revenue				
Revenue	6,917	–	–	**6,917**
Profit / (Loss) from operations	–	(6,917)	–	**(6,917)**

None of the Group's customers represented more than 10% of income from ordinary activities.

Thousands of Euros

	Property rentals (traditional business)							
	Barcelona	Madrid	Paris	Remaining	Total Equity	Flexible business	Corporate unit	Total Group
Assets								
Goodwill	–	–	–	–	–	–	–	**–**
Intangible assets, right-of-use assets, property, plant and equipment, investment property, inventories and assets classified as held for sale (Notes 7, 8, 9, 11 and 23)	1,417,910	3,050,837	7,345,231	38,923	11,852,901	24,788	44,711	**11,922,400**
Financial assets	8,855	17,766	514	313	27,448	1,680	268,768	**297,896**
Other non-current assets	–	–	–	–	–	–	87,053	**87,053**
Trade receivables and other current assets	–	–	–	–	–	–	47,627	**47,627**
Total assets	**1,426,765**	**3,068,603**	**7,345,745**	**39,236**	**11,880,349**	**26,468**	**448,159**	**12,354,976**

Thousands of Euros

	Property rentals (traditional business)							
	Barcelona	Madrid	Paris	Remaining	Total Equity	Flexible business	Corporate unit	Total Group
Liabilities								
Bank borrowings and other financial liabilities (Note 14)	–	–	–	–	–	–	324,388	**324,388**
Bonds and similar securities issued (Note 14)	–	–	–	–	–	–	4,341,656	**4,341,656**
Issuance of promissory notes (Note 14)	–	–	–	–	–	–	235,000	**235,000**
Derivative financial instruments (Note 15)	–	–	–	–	–	–	19,775	**19,775**
Lease liabilities (Note 7)	–	–	–	–	–	–	12,031	**12,031**
Operating liabilities (suppliers and payables)	–	–	–	–	–	–	115,438	**115,438**
Other liabilities	–	–	–	–	–	–	473,524	**473,524**
Total liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**5,521,812**	**5,521,812**

Thousands of Euros

	Property rentals (traditional business)							
	Barcelona	Madrid	Paris	Remaining	Total Equity	Flexible business	Corporate unit	Total Group
Other disclosures								
Investments in intangible assets, property, plant and equipment, investment property, inventories and assets classified as held for sale	34,549	60,166	119,912	1	214,628	6,266	2,816	**223,710**
Depreciation and amortisation charge	(29)	(1,516)	–	–	(1,545)	(2,796)	(2,801)	**(7,142)**
Expenses that do not involve cash outflows other than depreciation and amortisation for the period:								
Changes in provisions (Note 19.4)	(94)	(151)	(888)	(14)	(1,147)	(419)	2,483	**917**
Changes in fair value of investment property (Note 19.7)	(82,232)	(166,993)	176,526	(6,353)	(79,052)	–	–	**(79,052)**
Gains/(losses) due to changes in value of assets and impairment (Note 19.6)	(248)	(194)	–	–	(442)	(46)	1,031	**543**

7. Leases

The subsidiary Utopicus rents several offices as a tenant. Rental contracts are normally entered into for fixed terms of 4 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Lease agreements do not impose covenants, but leased assets cannot be used as collateral for loans.

7.1 Right of use assets

Thousands of Euros

	31 December 2021	31 December 2020
Property, plant and equipment	18,886	10,538
Right of use assets	**18,886**	**10,538**

In March 2021, a new operating lease contract was signed for the Habana coworking centre, amortisable over 11 years and 6 months, of which 6 years and 6 months are mandatory.

7.2 Deferred right-of-use taxes

Thousands of Euros

	31 December 2021	31 December 2020
Deferred tax on rights-of-use assets (Note 18)	528	333
Deferred right-of-use taxes	**528**	**333**

7.3 Lease liabilities

Thousands of Euros

	31 December 2021	31 December 2020
Non-current lease liabilities	17,737	10,058
Current lease liabilities	3,259	1,973
Lease liabilities	**20,996**	**12,031**

The increase in lease liabilities corresponds mainly to the recording of the new lease contract described in Note 7.1.

7.4 Operating leases as lessee

The subsidiary Utopicus had agreed the following minimum lease payments with the lessors, based on the leases in force, taking into account the charging of expenses, future increases in the CPI or other lease payment revisions:

Thousands of Euros

	2021	2020
Less than 12 months	3,181	3,222
1 to 5 years	5,834	8,385
More than 5 years	869	1,172
Total minimum lease payments for operating leases - as lessee	**9,884**	**12,779**

These amounts relate to the lease agreements signed by Utopicus for the premises at which it carries out its activity.

7.5 Impacts on the consolidated income statement

The impacts on the consolidated income statement are presented in the table below:

Thousands of Euros

	31 December 2021	31 December 2020
Depreciation and amortisation charge	(2,325)	(1,430)
Restated finance costs	(792)	(622)
Total	**(3,117)**	**(2,052)**

8. Property, plant and equipment

The movements in this heading of the consolidated income statement were as follows:

Thousands of Euros

	Property for own use	Other tangible fixed assets	Total
Balance at 31 December 2019	**44,301**	**6,599**	**50,900**
Acquisition cost	*51,280*	*15,684*	*66,964*
Accumulated depreciation	*(4,889)*	*(9,085)*	*(13,974)*
Accumulated impairment	*(2,090)*	–	*(2,090)*
Additions	5,283	2,542	7,825
Depreciation charge	(1,496)	(1,443)	(2,939)
Withdrawals	(89)	(34)	(123)
Impairment (Note 19.6)	1,078	–	1,078
Balance at 31 December 2020	**49,077**	**7,664**	**56,741**
Acquisition cost	*56,446*	*17,864*	*74,310*
Accumulated depreciation	*(6,357)*	*(10,200)*	*(16,557)*
Accumulated impairment	*(1,012)*	–	*(1,012)*
Additions	1,280	1,005	2,285
Depreciation charge	(1,689)	(1,394)	(3,083)
Disposals acquisition cost	(239)	(292)	(531)
Disposals accumulated depreciation	48	266	314
Transfers acquisition cost	(1)	(828)	(829)
Transfers accumulated depreciation	–	(4)	(4)
Impairment (Note 19.6)	269	–	269
Balance at 31 December 2021	**48,745**	**6,417**	**55,162**
Acquisition cost	*57,486*	*17,749*	*75,235*
Accumulated depreciation	*(7,998)*	*(11,332)*	*(19,330)*
Accumulated impairment	*(743)*	–	*(743)*

At 31 December 2021 and 2020, the Group used two floors of the building located at Avenida Diagonal, 530, in Barcelona, one floor of the building located at Paseo de la Castellana, 52, in Madrid and one floor of the building located at 42 rue Washington in Paris for its own use, while the rest of these buildings were destined for leasing purposes. The cost of buildings earmarked for the Group's own use is recognised under "Property for own use".

At 31 December 2021, it became evident that an impairment reversal in the amount of 269 thousand euros had to be recognised, evidenced by the appraisals performed by independent experts (Note 4.3). In 2020, an impairment loss of 1,078 thousand was recognised on the value of the assets.

In 2021, assets amounting to 217 thousand euros were recognised due to being replaced.

9. Investment property

The movements in this heading of the financial statement were as follows:

Thousands of Euros

	Investment property	Property, plant and equipment in the course of construction	Advances on property, plant and equipment	Total
Balance at 31 December 2019	**10,915,600**	**880,517**	**1,000**	**11,797,117**
Additions	40,187	162,251	–	**202,438**
Additions to the scope of consolidation (Note 2.6)	–	4,157	–	**4,157**
Withdrawals (Note 19.5)	(131,918)	–	(500)	**(132,418)**
Transfers (Note 23)	(259,011)	(18,481)	–	**(277,492)**
Change in fair value (Note 19.7)	(35,520)	(42,162)	–	**(77,682)**
Balance at 31 December 2020	**10,529,338**	**986,282**	**500**	**11,516,120**
Additions	98,959	217,262	–	**316,221**
Withdrawals (Note 19.5)	(28,104)	–	(500)	**(28,604)**
Transfers (Note 23)	183,579	(245,082)	–	**(61,503)**
Change in fair value (Note 19.7)	346,467	94,667	–	**441,134**
Balance at 31 December 2021	**11,130,239**	**1,053,129**	**–**	**12,183,368**

9.1 Movements 2021

In 2021, the Parent acquired a property in Barcelona for 47,454 thousand euros, including purchase costs. It has also executed the third and last purchase option for the acquisition of one floor of a building in Madrid for a total amount of 5,107 thousand euros, including purchase costs, which has led to a reduction of 500 thousand euros of the advance recorded in previous years.

The remaining additions in 2021 related to investments in property assets, both under development and operation, for an amount of 263,660 thousand euros, including 11,937 thousand euros in capitalised finance costs.

In 2021, an office building was disposed of for a total sales price of 27,200 thousand euros, which resulted in a loss of 1,567 thousand euros, including indirect sale costs, being recognised in the consolidated income statement. Furthermore, assets amounting to a total of 1,023 thousand euros were derecognised.

In 2021, – properties were reclassified to the “Assets classified as held for sale” heading in the condensed consolidated statement of financial position, for a total of 61,503 thousand euros.

9.2 Movements 2020

In 2020, the Parent exercised one of the purchase options on a floor of a building in Madrid for a total amount of 5,086 thousand euros, including expenses, resulting in a derecognition of the advance recorded in 2019 for 500 thousand euros.

The remaining additions in 2020 related to investments in property assets, both under development and operation, for an amount of 197,352 thousand euros, including 10,047 thousand euros in capitalised finance costs.

On 2 July 2020, the Parent acquired 50% of the share capital of the subsidiary Wittywood, S.L., which entailed an addition in the scope of consolidation of 4,157 thousand euros.

Disposals in 2020 for a total amount of 146,800 thousand euros resulted in a profit of 8,478 thousand euros, including indirect costs of disposal. The operations carried out were the sale of a flat and a property in Madrid, two properties in Barcelona and a hotel in Almería.

In 2020, assets amounting to 439 thousand euros were recognised due to being replaced.

In 2020, 3 properties were reclassified to the "Assets classified as held for sale" heading in the condensed consolidated statement of financial position, for a total of 277,492 thousand euros.

9.3 Changes in value of investment property

The "Changes in value of investment property" heading in the consolidated income statement includes the results from the revaluation of investment property, which gave rise to a profit of 441,134 thousand euros in 2021 (loss of 77,682 thousand euros in 2020) (Note 19.7), respectively, according to valuations by independent experts at 31 December 2021 and 2020 (Note 4.4).

9.4 Capitalised borrowing costs

The details of borrowing costs plus cost of investment property is shown in the following table (Note 19.8):

Thousands of Euros

	Amount capitalised during the period	Average interest rate
2021		
Inmobiliaria Colonial, SOCIMI, S.A.	5,879	2.28%
SFL subgroup	6,058	1.45%
Total 2021	**11,937**	
2020		
Inmobiliaria Colonial, SOCIMI, S.A.	4,570	2.22%
SFL subgroup	5,477	1.43%
Total 2020	**10,047**	

9.5 Other disclosures

The total surface area (above and under-ground) of investment property and projects in progress is as follows:

Total surface area (sqm) of investment property

	Investment property		Assets under construction (**)		Total	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Barcelona (*)	332,666	365,412	55,879	47,196	388,545	412,608
Madrid	601,938	592,013	196,643	210,391	798,581	802,404
Rest of Spain	16,901	63,150	23,557	23,557	40,458	86,707
Paris (*)	341,634	344,291	79,687	84,489	421,321	428,780
	1,293,139	**1,364,866**	**355,766**	**365,633**	**1,648,905**	**1,730,499**

(*) For 2021 and 2020, 100% of the surface area of the properties whose companies have been consolidated using the full consolidation method is included.
(**) They do not include 20,276 sqm of surface area of the subsidiary Peñalvento, since the asset is classified under "Inventories" (Note 11), and the areas of 8,347 sqm and 39,879 sqm, relating to 2021 and 2020, respectively, of property assets recorded under "Assets classified as held for sale" (Note 23).

As at 31 December 2021, the Group has pledged an asset to secure a mortgage loan with a carrying amount of 169,961 thousand euros, as security for a debt of 75,700 thousand euros (Note 14.7). At 31 December 2020, the corresponding balances were 1,176,881 thousand euros and 272.780 miles de euros, respectively.

In September 2021, the SFL subgroup made an early repayment of three loans with mortgage guarantee for a total outstanding amount of 195,520 thousand euros (Note 14.7).

10. Non-current financial assets

The movements in this heading of the consolidated income statement were as follows:

Thousands of Euros

	31 December 2020	Increase	Withdrawals	31 December 2021
Deposits and guarantees given	29,047	–	(2,751)	26,296
Total financial assets at amortised cost	**29,047**	**–**	**(2,751)**	**26,296**

Thousands of Euros

	31 December 2019	Increase	Withdrawals	31 December 2020
Deposits and guarantees given	33,585	1,496	(6,034)	29,047
Total financial assets at amortised cost	**33,585**	**1,496**	**(6,034)**	**29,047**

Long-term deposits and guarantees basically comprise deposits made with the official bodies in each country for deposits collected from lessees, in accordance with prevailing legislation.

11. Inventory

The composition of this heading of the consolidated statement of financial position is as follows:

Thousands of Euros

	31 December 2021	31 December 2020
Opening balance	**52,409**	**48,196**
Additions	8,280	4,213
Closing balance	**60,689**	**52,409**

Inventories relate to the office building that the Group is developing for a third party. The Group received a total of 28,287 thousand euros in payments on account (Note 16).

The financial cost capitalised in 2021 amounted to 467 thousand at an average interest rate of 2.28% (460 thousand euros at an average rate of 2.22% in 2020).

Developments in progress were valued using the dynamic residual method, which was deemed the best approach. This method begins with an estimate of the income yielded by the developed and fully leased property; from this value, development, planning, construction and demolition costs, professional fees, permit and marketing costs, borrowing costs and development profit, among other items, are then deducted, in order to arrive at an implied price which a developer might pay for the asset under development.

12. Trade and other receivables

The detail of heading of current assets of the consolidated statement of financial position is as follows:

Thousands of Euros

	31 December 2021		31 December 2020	
	Current	Non-current	Current	Non-current
Trade receivables for sales and services	17,306	–	12,945	–
Trade receivables for property sales	849	–	648	–
Accrual of lease incentives (Note 12.3)	20,817	55,377	21,690	59,803
Other receivables (Note 12.4)	89,104	–	90,380	–
Other assets	3,029	–	138	26,832
Impairment of receivables				
Trade receivables from sales and services	(7,875)	–	(10,635)	–
Other receivables (Note 12.4)	(85,473)	–	(85,473)	–
Total trade and other receivables	**37,757**	**55,377**	**29,693**	**86,635**

12.1 Trade receivables for sales and services

This mainly includes the amounts receivable from customers, fundamentally from the Group's rentals business, that are billed monthly, quarterly or yearly with no significant overdue amounts as at 31 December 2021 and 2020.

At year-end 2021 and 2020 there are no significant unprovisioned past due balances.

12.2 Trade receivables for property sales

This mainly includes the receivable amounts from the sale of assets.

12.3 Accrual of lease incentives

This includes the amount of the incentives in the operating lease agreements (grace periods, etc.) that the Group offers its customers, which are recognised in the consolidated income statement during the minimum operating lease term.

In 2021, 547 thousand euros relating to the accrual of rental incentives for a property classified as held for sale was transferred to "Assets classified as held for sale" in the consolidated income statement (2020: 5,823 thousand euros) (Note 23).

12.4 Other receivables

At 31 December 2021 and 2020, "Other receivables" mainly included amounts owed by Nozar, S.A., resulting from the cancellation of the purchase agreements entered into in July 2007 as a result of failing to comply with the conditions precedent, and including accrued interest.

Nozar, S.A. is currently involved in bankruptcy proceedings; consequently, at 31 December 2021 and 2020, the consolidated statement of financial position included an impairment loss for the entire amount of this company's trade receivables.

13. Equity

13.1 Share capital

At 31 December 2020 and 2019, the share capital comprised 508,114,781 shares with a par value of 2.5 euro each, which had been fully subscribed and paid.

On 28 June 2021, the extraordinary general meeting of shareholders of the Parent Company resolved to authorise the board of directors, in accordance with the provisions of article 297.1 b) of the Corporate Enterprises Act, to increase the share capital by means of non-monetary contributions and exclusion of the pre-emptive subscription right corresponding to the process of the agreements reached between the subsidiary Société Foncière Lyonnaise, S.A. and the parent (hereinafter SFL) and Predica Prévoyance Dialogue du Crédit Agricole (hereinafter Predica):

> On 5 August 2021, a capital increase was registered in the commercial register of the Parent Company through the issue of 22,494,701 new shares with a par value of 2.50 euros per share, plus a share premium, amounting to a total of 201,553 thousand euros according to the share price. The capital increase was fully subscribed by Predica, through the non-monetary contribution of 2,328,644 shares in the subsidiary SFL. The exchange ratio of Predica's contribution has been set at 9.66 Colonial shares.

> On 6 September 2021, a takeover bid for all the shares of SFL held by shareholders other than Colonial and Predica was registered in the commercial register of the Parent Company for mixed consideration in cash and shares. The exchange equation of the bid was set at 46.66 euros and five shares of Colonial, with a par value of 2.50 euros each, for each SFL share. On 20 July 2021, the French financial markets authority approved the bid. On 28 June 2021, the general shareholders's meeting approved the corresponding resolution to increase capital. On 30 August 2021, the French financial markets authority announced the result of the bid, which reached 4.2% of the shares targeted. As such, the Parent Company acquired 1,801,231 shares of the subsidiary SFL, by issuing 9,006,155 new shares of the Parent Company for a par value of 2.50 euros, plus a share premium, for a total amount of 81,461 thousand euros, according to the share price, and cash payments amounting to 84,045 thousand euros.

As a result, the Company's share capital at 31 December 2021 was represented by 539,615,637 fully subscribed and paid up shares with a par value of 2.50 euros each.

Based on the notifications regarding the number of company shares to the Spanish National Securities Market Commission (CNMV), the shareholders owning significant direct or indirect interests in the Parent as at 31 December 2021 and 2020 were as follows:

	31 December 2021		31 December 2020	
	Number of shares (*)	% ownership	Number of shares (*)	% ownership
Name or corporate name of the shareholder:				
Qatar Investment Authority (**)	102,675,757	19.03%	102,675,757	20.21%
Finaccess Group	80,028,647	14.83%	80,028,647	15.75%
Inmo S.L.	29,002,980	5.37%	29,002,980	5.71%
Aguila Ltd.	28,880,815	5.35%	28,880,815	5.68%
Credit Agricole, S.A.	22,494,701	4.17%	–	–
BlackRock Inc	16,182,616	3.00%	15,343,358	3.02%
PGGM Vermongensbeheer B.V. (***)	–	–	25,438,346	5.01%

* Does not include certain financial instruments linked to shares of the Parent.
** Qatar Investment Authority is responsible for managing 21,782,588 shares of the Parent owned by DIC Holding, LLC.
*** The shareholding of PGGM Vermongensbeheer B.V. as at 31 December 2021 was reduced to under 3%.

At 31 December 2021 and 2020, Aguila Ltd. and Blackrock Inc. formally obtained financial instruments associated with the Parent's shares that, in the event the instruments are exercised, could give rise to an additional interest in the share capital of Colonial. These financial instruments do not imply, and may not imply in the future, the issuance of new shares of the Parent.

The Parent has no knowledge of other significant equity interests.

The Annual General Meeting held on 30 June 2021 resolved to authorise the Board of Directors to issue, on behalf of the Parent and on one or more occasions and for a maximum period of five years, bonds convertible into new shares of the Parent or other similar securities that may give the right, directly or indirectly, to subscribe shares of the Parent, with the express power to exclude the pre-emptive subscription right of the shareholders up to a maximum of 20% of the share capital, and to increase the capital by the amount necessary to meet the conversion. The total maximum amount of the issue or issues of the securities that may be performed under this authorisation may not exceed a combined amount of 500,000 thousand euros or its equivalent in another currency.

On 30 June 2021, the Annual General Meeting resolved to authorise the Board of Directors, in accordance with article 297.1 b) of the Spanish Companies Act, to increase the share capital through monetary contributions by up to half the amount of the share capital, within a maximum period of five years, on one or more occasions and at the time and by the amount it deems appropriate. Within the maximum amount indicated, the Board of Directors is empowered to exclude the preferential subscription right up to a maximum of 20% of the share capital.

13.2 Share premium

On 30 June 2020, the General Shareholders' Meeting resolved to distribute dividends with a charge to the share premium amounting to 22,469 thousand euros, which were paid to shareholders.

In 2021, as a result of the aforementioned capital increases, the amount of the share premium increased by 145,316 thousand euros and 58,945 thousand euros, respectively.

On 30 June 2021, the General Shareholders' Meeting resolved to distribute dividends with a charge to the share premium amounting to 111,087 thousand euros, which were paid to shareholders.

13.3 Own shares

The number of the Parent's own shares and their acquisition cost were as follows:

	31 December 2021		31 December 2020	
	No. of shares	Thousands of Euros	No. of shares	Thousands of Euros
Free tranche	7,943,007	64,745	3,131,110	22,546
Liquidity contracts	229,500	1,912	229,500	1,894
Closing balance	**8,172,507**	**66,657**	**3,360,610**	**24,440**

13.3.1 Own shares – Free tranche

The number of the Parent's own shares and their acquisition cost were as follows:

	31 December 2021		31 December 2020	
	No. of shares	Thousands of Euros	No. of shares	Thousands of Euros
Opening balance	**3,131,110**	**22,546**	**349,366**	**4,301**
2020 buyback plan	–	–	3,000,000	21,042
2021 buyback plan	5,000,000	43,439	–	–
Delivery of incentives plan shares (Note 20)	(296,337)	(2,134)	(395,116)	(4,169)
Other acquisitions	108,234	894	176,860	1,372
Other disposals	–	–	–	–
Closing balance	**7,943,007**	**64,745**	**3,131,110**	**22,546**

Parent share buyback plans

On 13 July 2021, the Parent agreed to carry out a treasury share buyback programme. The maximum number of shares to be acquired amounts to 5,000,000, equivalent to 0.93% of the share capital of the Parent at that date. On 16 November 2021, the Parent ended the share buyback programme.

On 30 June 2020, the Parent agreed to carry out a treasury share buyback programme. The maximum number of shares to be acquired amounted to 3,000,000, equivalent to 0.59% of the share capital of the Parent at that date. On 10 November 2020, the Parent ended the share buyback programme.

Deliveries of Parent shares deriving from the old long-term incentives plan

Every year, the Parent settled the obligations to comply with the previous year's plan through the delivery of shares to the beneficiaries of the Remuneration Plan, once it has assessed the degree of attainment of the indicators included therein (Note 20.1).

13.3.2 Liquidity contracts

The Parent enters into liquidity contracts to enhance the liquidity of its transactions and the regularity of its quoted share price.

The number of the Parent's own shares included in the liquidity contract and their acquisition cost were as follows:

	31 December 2021		31 December 2020	
	No. of shares	Thousands of Euros	No. of shares	Thousands of Euros
Opening balance	**229,500**	**1,894**	**229,500**	**1,878**
Liquidity contract dated 11 July 2017	–	18	–	16
Closing balance	**229,500**	**1,912**	**229,500**	**1,894**

On 11 July 2017, the Parent entered into a new liquidity contract to enhance the liquidity of its transactions and the regularity of its quoted share price as provided for under CNMV Circular 1/2017 of 26 April.

On 4 January 2022, the Parent announced the termination of this contract, being replaced by a new one signed with Banco Sabadell, S.A. The contract is valid for 12 months and can be extended.

13.4 Other reserves

The following table shows details of the consolidated statement of financial position item "Other reserves" and of the movements in these reserves during the year:

Thousands of Euros

	Legal reserve	Other reserves	Valuation of financial hedge instruments	Share-based payments	Transactions with non-controlling interests	Total
At 31 December 2019	**45,980**	**141,973**	**22,403**	**9,678**	**55,195**	**275,229**
Revaluation – gross	–	–	(44,609)	–	–	**(44,609)**
Deferred tax	–		–	–	–	**–**
Non-controlling interest in revaluation – gross	–	–	1,073	–	–	**1,073**
Deferred tax	–	–	–	–	–	**–**
Reclassification to profit/ (loss) – gross	–	–	1,676	–	–	**1,676**
Deferred tax	–	–	–	–	–	**–**
Other comprehensive income	–	–	(41,860)	–	–	**(41,860)**
Transfer to/from retained earnings	8,787	–	–	–	–	**8,787**
Transactions with owners in their capacity as such:						
Share-based payments (Note 20)	–	–	–	2,732	–	**2,732**
Transactions with non-controlling interests	–	–	–	–	–	**–**
At 31 December 2020	**54,767**	**141,973**	**(19,457)**	**12,410**	**55,195**	**244,888**

Thousands of Euros

	Legal reserve	Other reserves	Valuation of financial hedge instruments	Share-based payments	Transactions with non-controlling interests	Total
At 31 December 2020	**54,767**	**141,973**	**(19,457)**	**12,410**	**55,195**	**244,888**
Revaluation – gross	–	–	45,697	–	–	**45,697**
Deferred tax	–		–	–	–	**–**
Non-controlling interest in revaluation – gross	–	–	(114)	–	–	**(114)**
Deferred tax	–	–	–	–	–	**–**
Reclassification to profit/ (loss) – gross	–	–	(8,977)	–	–	**(8,977)**
Non-controlling interest in reclassification to profit/ (loss) – gross	–	–	1	–	–	**1**
Deferred tax	–	–	–	–	–	**–**
Other comprehensive income	–	–	36,607	–	–	**36,607**
Transfer to/from retained earnings	–	–	–	(1,094)	–	**(1,094)**
Transactions with owners in their capacity as such:						
Share-based payments (Note 20)	–	–	–	1,463	–	**1,463**
Transactions with non-controlling interests	–	–	(28)	–	(42,438)	**(42,466)**
At 31 December 2021	**54,767**	**141,973**	**17,122**	**12,779**	**12,757**	**239,398**

13.4.1 Legal Reserve

Under the Consolidated Text of the Spanish Corporate Enterprises Act, 10% of profit for each year must be transferred to the legal reserve until its balance is at least 20% of the share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. the legal reserve may only be used to set off losses until it exceeds 20% of the share capital and provided there are insufficient available reserves.

At 31 December 2021 and 2020, the legal reserve is not fully constituted

13.4.2 Other reserves

At 31 December 2021, the Parent 169,439 thousand euros of restricted reserves. This item also includes the merger reserve generated by the operations carried out in 2019, with a debit balance of 27,466 thousand euros.

13.5 Retained earnings

The changes in retained earnings are as follows:

Thousands of Euros

	2021	2020
Balance at 31 December of the previous year	**2,418,533**	**2,505,512**
Net profit for the year (Note 5)	473,842	2,387
Charge to the legal reserve	–	(8,787)
Transfer to/from other reserves	1,094	–
Components of other comprehensive income recognised directly in retained earnings:		
Capital increases	(1,223)	–
Profit/(loss) from own share transactions	125	(1,777)
Dividends	–	(79,082)
Other gains/(losses)	169	280
Balance at 31 December	**2,892,540**	**2,418,533**

Gains/(losses) on transactions with own shares relate to the deliveries of own shares to the beneficiaries of the long-term incentives plan (Note 20.1), calculated as the difference between the carrying amount of the shares delivered and the amount of the obligation assumed by the Parent (Note 4.11).

13.6 Non-controlling interests

The movement in this heading of the consolidated statement of financial position is as follows:

Thousands of Euros

	Inmocol Torre Europa, S.A.	Utopicus subgroup	Subgrupo SFL	Wittywood, S.L.	Total
Balance at 31 December 2019	**12,610**	**575**	**1,388,714**	**–**	**1,401,899**
Income for the financial year (Note 19.10)	(1,163)	(266)	61,524	335	**60,430**
Dividends and other	–	–	(32,692)	(1)	**(32,693)**
Changes in the scope of consolidation (Note 2.6)	–	–	–	4,053	**4,053**
Financial hedge instruments	–	–	(1,073)	–	**(1,073)**
Balance at 31 December 2020	**11,447**	**309**	**1,416,473**	**4,387**	**1,432,616**
Income for the financial year (Note 19.10)	275	(59)	92,871	(22)	**93,065**
Dividends and other	–	–	(27,712)	–	**(27,712)**
Changes in the scope of consolidation (Note 2.6)	–	(250)	(312,177)	–	**(312,427)**
Financial hedge instruments	–	–	113	–	**113**
Balance at 31 December 2021	**11,722**	**–**	**1,169,568**	**4,365**	**1,185,655**

The breakdown of the items included in "Dividends and others" is as follows:

Thousands of Euros

	31 December 2021	31 December 2020
Dividend paid by the SFL subgroup to non-controlling interests	(17,829)	(22,466)
Dividend paid by Washington Plaza and Parholding to non-controlling interests	(9,944)	(10,801)
Others	61	574
Total	**(27,712)**	**(32,693)**

The SFL subgroup has the following shareholders agreements with Prédica:

> SFL had two shareholder agreements in the SCI Washington and Parholding, in which SFL held 66% and 50% of their share capital, respectively.

  As a result of the transactions carried out by the Group in 2021 described in Note 2.6, SFL has acquired the non-controlling interests in these companies, thereby terminating the previous agreements, in exchange for 49% of the companies SCI Paul Cézanne, SCI 103 Grenelle, SAS Cloud and SAS Champs-Elysées, for which SFL and Prédica have signed a new shareholders' agreement.

> SFL holds the aforementioned 51%-owned subsidiaries. On the basis of the shareholders' agreement, in which the conditions for qualifying these shareholdings as controlling interests are met (the decisions that most significantly affect the companies are controlled by SFL), SFL has sole control over the four companies. As a result, the Group has fully consolidated the four companies.

13.6.1 Summarised financial information of the main subsidiaries with non-controlling interests

The following table shows summarised financial information for the main subsidiaries with non-controlling interests:

Non-controlling – Thousands of Euros

	% subsidiary	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Ordinary income	Income for the financial year	Total comprehensive income	Cash flows
SFL Group	1.7%	7,567,015	164,316	1,730,000	517,332	174,634	362,046	368,761	103,960
Inmocol Torre Europa	50%	20,354	1,633	–	404	–	(86)	(86)	(3,760)

14. Bank borrowings, other financial liabilities and issuance of bonds and other similar securities

The detail of these headings of the consolidated statement of financial position, by type of debt and maturity, is as follows:

31 December 2021 – Thousands of Euros

	Current	Non-current						
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total non-current	Total
Bank borrowings:								
Lines of credit	–	–	–	–	–	–	–	**–**
Loans	–	75,700	–	–	–	–	75,700	**75,700**
Interest	702	–	–	–	–	–	–	**702**
Debt arrangement expenses	(2,047)	(1,985)	(1,575)	(921)	(77)	–	(4,558)	**(6,605)**
Total bank borrowings	**(1,345)**	**73,715**	**(1,575)**	**(921)**	**(77)**	**–**	**71,142**	**69,797**
Other financial liabilities:								
Current accounts	–	–	–	–	–	–	–	**–**
Interest on current accounts	–	–	–	–	–	–	–	**–**
Other financial liabilities	2,474	–	–	–	–	–	–	**2,474**
Total other financial liabilities	**2,474**	**–**	**–**	**–**	**–**	**–**	**–**	**2,474**
Total bank borrowings and other financial liabilities	**1,129**	**73,715**	**(1,575)**	**(921)**	**(77)**	**–**	**71,142**	**72,271**
Bonds and similar securities issued:								
Bond issues	289,600	–	187,200	1,000,000	700,000	2,425,000	4,312,200	**4,601,800**
Interest	25,467	–	–	–	–	–	–	**25,467**
Debt arrangement expenses	(6,362)	(6,134)	(6,090)	(5,277)	(3,820)	(5,922)	(27,243)	**(33,605)**
Total bonds and similar securities issued	**308,705**	**(6,134)**	**181,110**	**994,723**	**696,180**	**2,419,078**	**4,284,957**	**4,593,662**
Issuance of promissory notes	257,000	–	–	–	–	–	–	**257,000**
Total issuance of promissory notes	**257,000**	**–**	**–**	**–**	**–**	**–**	**–**	**257,000**
Total	**566,834**	**67,581**	**179,535**	**993,802**	**696,103**	**2,419,078**	**4,356,099**	**4,922,933**

31 December 2020 – Thousands of Euros

	Current	Non-current						
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total non-current	Total
Bank borrowings:								
Lines of credit	4,352						–	**4,352**
Loans	2,081	194,999	75,700	–	–	–	270,699	**272,780**
Interest	1,247	–	–	–	–	–	–	**1,247**
Debt arrangement expenses	(2,303)	(2,132)	(1,855)	(1,385)	(985)	–	(6,357)	**(8,660)**
Total bank borrowings	**5,377**	**192,867**	**73,845**	**(1,385)**	**(985)**	**–**	**264,342**	**269,719**
Other financial liabilities:								
Current accounts	52,168	–	–	–	–	–	–	**52,168**
Interest on current accounts	27	–	–	–	–	–	–	**27**
Other financial liabilities	2,474	–	–	–	–	–	–	**2,474**
Total other financial liabilities	**54,669**	**–**	**–**	**–**	**–**	**–**	**–**	**54,669**
Total bank borrowings and other financial liabilities	**60,046**	**192,867**	**73,845**	**(1,385)**	**(985)**	**–**	**264,342**	**324,388**
Bonds and similar securities issued:								
Bond issues	249,700	289,600	306,200	493,300	1,000,000	2,000,000	4,089,100	**4,338,800**
Interest	28,420	–	–	–	–	–	–	**28,420**
Debt arrangement expenses	(5,224)	(4,991)	(4,595)	(4,335)	(3,113)	(3,306)	(20,340)	**(25,564)**
Total bonds and similar securities issued	**272,896**	**284,609**	**301,605**	**488,965**	**996,887**	**1,996,694**	**4,068,760**	**4,341,656**
Issuance of promissory notes	235,000	–	–	–	–	–	–	**235,000**
Total issuance of promissory notes	**235,000**	**–**	**–**	**–**	**–**	**–**	**–**	**235,000**
Total	**567,942**	**477,476**	**375,450**	**487,580**	**995,902**	**1,996,694**	**4,333,102**	**4,901,044**

The changes in net financial debt in 2021, which arose from cash flows and other, are detailed in the table below:

Thousands of Euros

	31 December 2020	Cash flows	31 December 2021
Loans	277,132	(201,432)	75,700
Issuance of promissory notes	235,000	22,000	257,000
Bond issues	4,338,800	263,000	4,601,800
Gross financial debt (gross nominal debt)	**4,850,932**	**83,568**	**4,934,500**
Cash and cash equivalents	(268,553)	49,611	(218,942)
Net financial debt	**4,582,379**	**133,179**	**4,715,558**

14.1 Issues of the Parent's straight bonds

The breakdown of the issues of straight bonds by the Parent is as follows:

Thousands of Euros

Issue date	Duration	Maturity	Fixed-rate coupon payable annually	Amount of the issue	31 December 2021	31 December 2020
05-06-15	8 years	06-2023	2.728%	500,000	–	306,200
28-10-16	8 years	10-2024	1.450%	600,000	187,200	493,300
10-11-16	10 years	11-2026	1.875%	50,000	50,000	50,000
28-11-17	8 years	11-2025	1.625%	500,000	500,000	500,000
28-11-17	12 years	11-2029	2.500%	300,000	300,000	300,000
17-04-18	8 years	04-2026	2.000%	650,000	650,000	650,000
14-10-20	8 years	10-2028	1.350%	500,000	500,000	500,000
22-06-21	8 years	06-2029	0.750%	625,000	625,000	–
Total issues					**2,812,200**	**2,799,500**

In June and July 2021, the Parent, under the EMTN "European Medium Term Note" programme, issued simple bonds for a nominal amount of 625,000 thousand euros, an annual coupon of 0.75%, maturing in June 2029, and an issue price of 98.969% of their nominal value.

The bond issues dated 14-10-20 and 22-06-21 were admitted to trading on the regulated market (AIAF Fixed Income Securities Market) of the Madrid Stock Exchange (CNMV) and the remaining bond issues on the regulated market (Main Securities Market) of the Irish Stock Exchange.

In June and July 2021, the Parent made an early redemption of the entire outstanding balance of the bond issue dated 05-06-15 in the amount of 306,200 thousand euros and redeemed part of the outstanding balance of the issue dated 28-10-16, in the amount of 306,100 thousand euros. The costs associated with these cancellations are presented in Note 19.8.

At 31 December 2021 and 2020, the fair value of the bonds issued by the Parent was 2.928.360 and 2.987.681 miles de euros, respectively.

14.1.1 European Medium Term Note Programme

On 5 October 2016, the Parent registered a 12-month European Medium Term Note programme for 3,000,000 thousand euros, which can be extended to 5,000,000 thousand euros, on the Irish Stock Exchange. On 18 May 2021, the CNMV approved the registration of the programme renewal in the official registers of the Parent's Euro Medium Term Note Programme.

14.1.2 Compliance with financial ratios

These straight bonds establish the obligation, at 30 June and 31 December of each year, to meet a financial ratio, whereby the value of the non-guaranteed asset of the Group in the consolidated statement of financial position at each of these dates must at least be equal to the financial debt not guaranteed. This ratio had been met at 31 December 2021 and 2020.

14.2 Issue of SFL straight bonds

The breakdown of issues of non-convertible bonds by SFL is as follows:

Thousands of Euros

Issue date	Duration	Maturity	Fixed-rate coupon payable annually	Amount of the issue	31 December 2021	31 December 2020
20-11-14	7 years	11-2021	1.875%	500,000	–	249,700
16-11-15	7 years	11-2022	2.250%	500,000	289,600	289,600
29-05-18	7 years	05-2025	1.500%	500,000	500,000	500,000
05-06-20	7 years	06-2027	1.500%	500,000	500,000	500,000
21-10-21	6.5 years	04-2028	0.500%	500,000	500,000	–
Total issues					**1,789,600**	**1,539,300**

The bonds are unsubordinated obligations, all of which rank pari passu. They are traded on the Euronext Paris exchange.

In August 2021, SFL made an early redemption of the entire outstanding balance of the bond issue dated 20-11-14, amounting to 249,700 thousand euros.

In October 2021, SFL issued new straight bonds for a nominal amount of €500,000 thousand and maturity in April 2028, with an annual coupon of 0.50% and an issue price of 99.226% of their nominal value.

At 31 December 2021 and 2020, the fair value of the bonds issued SFL was 1.836.854 and 1.615.147 miles de euros, respectively.

14.3 Issuance of promissory notes by the Parent

In December 2018, the Parent registered on the Irish Stock Exchange a commercial paper programme (European Commercial Paper)for a maximum limit of 300,000 thousand euros maturing at short term, subsequently extended to 500,000 thousand euros. This programme was renewed on 23 September 2021. As at 31 December 2021, outstanding issues amounted to 140,000 thousand euros (31 December 2020: 70,000 thousand euros).

14.4 Issuance of SFL promissory notes

In September 2018, SFL registered a short-term promissory note (NEU CP) issuance programme for a maximum amount of 500,000 thousand euros with a short-term maturity. This programme was renewed in May 2021. As at 31 December 2021, outstanding issues amounted to 117,000 thousand euros (31 December 2020: 165,000 thousand euros).

14.5 Syndicated financing of the Parent

The breakdown of the Parent's syndicated financing is provided below:

Thousands of Euros

		31 December 2021		31 December 2020	
	Maturity	Limit	Nominal amount drawn down	Limit	Nominal amount drawn down
Credit facility	11-2025	500,000	–	500,000	–
Credit facility (extendable annually for two years until 2027)	11-2025	500,000	–	500,000	–
Total syndicated financing of the Parent		**1,000,000**	**–**	**1,000,000**	**–**

In November 2020, the Parent signed a new credit line for a total amount of 1,000,000 thousand euros, structured in two tranches of 500,000 thousand euros each, maturing in 2025, extendable in the second tranche until 2027. This credit line is considered sustainable as its margin is linked to the rating obtained by the GRESB Agency.

The variable interest rate is referenced to the EURIBOR plus a spread.

14.5.1 Compliance with financial ratios

At 31 December 2021 and 2020, the Parent complied with all financial ratios.

14.6 SFL syndicated loan

The breakdown of SFL's syndicated loan is shown in the following table:

Thousands of Euros

		31 December 2021		31 December 2020	
	Maturity	Limit	Nominal amount drawn down	Limit	Nominal amount drawn down
Credit facility	06-2024	390,000	–	390,000	–
Total SFL syndicated loan		**390,000**	**–**	**390,000**	**–**

The variable interest rate is referenced to the EURIBOR plus a spread.

14.6.1 Compliance with financial ratios

At 31 December 2021 and 2020, SFL complied with the financial ratios stipulated in the respective financing agreements.

14.7 Mortgage-backed loans

The detail of the mortgage-backed loans held by the Group on certain investment properties are presented in the following table:

Thousands of Euros

	31 December 2021		31 December 2020	
	Mortgage debt	Market value of collateral	Mortgage debt	Market value of collateral
Investment property (Note 9.5)	75,700	170,400	272,780	1,189,729
Total mortgage-backed loans	**75,700**	**170,400**	**272,780**	**1,189,729**

The Parent holds and "sustainable loan" for 75,700 thousand, the margin of which will vary depending on the parent company's ESG (environmental, social and corporate governance) rating from the GRESB sustainability agency.

In September 2021, the SFL subgroup made an early repayment of three mortgage loans with a total outstanding amount of 195,520 thousand euros, which matured in July 2022. The costs associated with this cancellation are presented in Note 19.8.

14.7.1 Compliance with financial ratios

The Group's mortgage-backed loans are subject to compliance with various financial ratios. At 31 December 2021 and 2020, the Group complied with the required financial ratios.

14.8 Other loans

The Group has bilateral loans not secured by a mortgage guarantee, that were subject to compliance with various ratios. The total limits and balances drawn down are as follows:

Thousands of Euros

			31 December 2021		31 December 2020	
	Society	Maturity	Limit	Nominal amount drawn down	Limit	Nominal amount drawn down
CADIF	SFL	06.2023	175,000	–	175,000	–
BECM	SFL	07.2023	150,000	–	150,000	–
Banque Postale	SFL	06.2024	75,000	–	75,000	–
BNP Paribas	SFL	05.2025	150,000	–	150,000	–
Société Générale	SFL	10.2025	100,000	–	100,000	–
Intesa Sanpaolo	SFL	12.2026	100,000	–	–	–
Total other loans			**750,000**	**–**	**650,000**	**–**

In December 2021, SFL signed a new bilateral loan with Intesa Sanpaolo for a limit of 100,000 thousand euros, maturing in December 2026.

14.8.1 Compliance with financial ratios

All these SFL loans are subject to compliance with certain financial ratios on a half-yearly basis. At 31 December 2021 and 2020, SFL complied with the financial ratios stipulated in the respective financing agreements.

14.9 Lines of credit

At 31 December 2021, the Group did not have any drawn-down lines of credit. At 31 December 2020, it had a drawn-down balance of 4,352 thousand euros.

14.10 Other financial liabilities – Current accounts with partners

As at 31 December 2020, the subsidiary SCI Washington and the Parholding subgroup held current accounts with its shareholder amounting to 52,168 thousand euros. These current accounts bore interest (additional margin on three-month Euribor), which, as at 31 December 2020 amounted to 27 thousand euros.

Both current accounts have been closed as part of the SFL share purchase transaction (Note 2.6).

14.11 Guarantees given

At 31 December 2021, the Group has granted guarantees to government bodies, customers and suppliers in the amount of 8,845 thousand euros (9,121 thousand euros at 31 December 2020).

Of the total guarantees delivered, the main one granted, in the amount of 4,804 thousand euros, relates to commitments acquired by Asentia. Accordingly, the Parent and Asentia have an agreement in place whereby if any of the guarantees are enforced, Asentia must compensate the Parent for any losses incurred within 15 days.

14.12 Cash and cash equivalents

At 31 December 2021 and 2020, amounts of 218.942 and 268.553 miles de euros, respectively, were recognised under "Cash and cash equivalents", of which, at 31 December 2021 and 2020, 1,777 thousand euros was restricted or pledged.

14.13 Debt arrangement expenses

In 2021 and 2020, the Group recognised in the consolidated statement income 6,292 thousand euros and 5,872 thousand euros, respectively, corresponding to arrangement costs paid during the year (Note 19.8).

14.14 Loan interest

The Group's average interest rate in 2021 was 1.73% (1.88% in 2020) or 2.04% incorporating the accrual of fees (2.14% in 2020). The average interest rate on the Group's debt outstanding at 31 December 2021 (spot) was 1.40% (1.70% at 31 December 2020).

The accrued interest outstanding recognised in the consolidated statement of financial position amounted to:

Thousands of Euros

	31 December 2021	31 December 2020
Obligations	25,467	28,420
Bank borrowings	702	1,247
Other financial liabilities – Current accounts	–	27
Total	**26,169**	**29,694**

14.15 Capital management and risk management policy

Companies operating in the real estate sector need to make heavy upfront investments to ensure development of their projects and growth of their businesses through the purchase of rental properties and/or land.

The Group's financial structure requires its sources of financing to be diversified in terms of entities, products and maturity dates, in order to ensure the continuity of its companies as profitable businesses and to be able to maximise returns for shareholders.

14.16 Financial risk management policy

The Group efficiently manages its financial risks with the aim of having an adequate financial structure that allows it to maintain high levels of liquidity, minimise borrowing costs, reduce volatility due to changes in capital and ensure compliance with its business plans.

> Interest rate risk: The risk management policy is designed to limit and control the impact of interest rate fluctuations on profit and cash flows, to maintain the level of debt, and to keep overall borrowing costs at reasonable levels in accordance with the Group's credit rating.

  In order to attain these objectives, the Group enters into interest rate hedges to hedge against potential fluctuations in finance costs if necessary. The Group's policy is to arrange instruments that comply with accounting rules to be considered effective hedges and, therefore, to recognise changes in market value directly in the Group's other consolidated income. At 31 December 2021, 93% of total debt in Spain and 99% in France was hedged or at fixed rates (95% and 96%, respectively, at 31 December 2020).

> Liquidity risk: Based on the annual cash budget, the Group draws up the monthly follow-up report on its cash forecasts to manage its liquidity risk and meet its various financing needs.

The Group considers the following mitigating factors in managing liquidity risk: (i) recurring cash flow generation by the Group's core activities, (ii) its ability to renegotiate and obtain new financing on the basis of long-term business plans, and (iii) the quality of the Group's assets.

Cash surpluses may eventually rise that enable the Group to have lines of credit available but not yet drawn down or highly-liquid deposits with no risk. At 31 December 2021, the Group had sufficient lines of credit available to meet its short-term maturities. The Group does not use high-risk financial products as a method for investing cash surpluses.

> Counterparty risk: the Group mitigates this risk by using top-tier financial institutions to arrange its financing and by accessing the debt market through bond issues.

> Credit risk: the Parent analyses the exposure implied by at-risk accounts receivable on an ongoing basis, monitoring their settlements and recognising charges whenever its receivables are deemed impaired.

15. Derivative financial instruments

The following table details the financial instruments and their fair values:

	Society	Counterparty	Interest rate	Maturity	Nominal value (thousands of euros)	Fair value – Asset / (Liability)
Cash flow hedge						
Collar	SFL	Société Générale	–0.11%/–0.60%	2026	100,000	1,671
Collar	SFL	CIC	–0.25%/–0.52%	2027	100,000	2,453
Cash flow hedges on future envisaged transactions						
Swap	Colonial	Natwest	0.3460%	2033	25,000	501
Swap	Colonial	Natwest	0.3490%	2033	150,000	2,966
Swap	Colonial	CA-CIB	0.5730%	2034	85,000	561
Swap	Colonial	BBVA	0.5673%	2034	82,500	623
Swap	Colonial	CaixaBank	0.5695%	2034	82,500	551
Swap	Colonial	Société Générale	0.6190%	2035	375,000	1,933
Swap	Colonial	Société Générale	0.7075%	2034	125,000	675
Swap	Colonial	Natixis	0.7040%	2034	125,000	704
Swap	Colonial	Société Générale	0.7600%	2035	156,250	761
Swap	Colonial	Natixis	0.7570%	2035	156,250	794
Swap	Colonial	JP Morgan	0.8000%	2035	75,000	251
Swap	Colonial	Natixis	0.7900%	2035	75,000	331
Total at 31 December 2021					**1,712,500**	**14,775**

	Society	Counterparty	Interest rate	Maturity	Nominal value (thousands of euros)	Fair value – Asset / (Liability)
Cash flow hedges						
Collar	SFL	Société Générale	–0.7525% / 0%	2026	100,000	46
Collar	SFL	CIC	–0.25%/–0.52%	2027	100,000	165
Cash flow hedges on future envisaged transactions						
Swap	SFL	CA-CIB	–0.3475%	2026	100,000	(457)
Swap	SFL	CIC	–0.4525%	2026	100,000	76
Swap	Colonial	Natwest	0.0835%	2032	350,000	(6,734)
Swap	Colonial	Natwest	0.0935%	2032	110,000	(2,217)
Swap	Colonial	CA-CIB	0.0980%	2032	40,000	(782)
Swap	Colonial	Natwest	0.3460%	2033	50,000	(1,586)
Swap	Colonial	Natwest	0.3490%	2033	150,000	(4,796)
Swap	Colonial	Barclays	0.3515%	2033	100,000	(3,203)
Total at 31 December 2020					**1,200,000**	**(19,488)**

During the first half of 2021, the Parent cancelled hedging instruments for a nominal amount of 625,000 thousand euros, all of which mature in 2032 and 2033. These cancellations have entailed a transfer to the statement of consolidated comprehensive income of the amount recorded in equity, amounting to 8,912 thousand euros of income, in addition to which these cancellations are associated with 193 thousand euros of commission expenses. At the same time, the Parent arranged new financial hedging instruments for cash flow hedges of expected future transactions for a total amount of 625,000 thousand euros with maturities in 2033, 2034 and 2035.

In November 2021, the Parent arranged new financial instruments for cash flows of expected future transactions for a total amount of 712,500 thousand euros with maturities in 2034 and 2035.

In October 2021, SFL cancelled two cash flow hedges of planned future transactions, CA-CIB and CIC, both maturing in 2026. The result of the cancellations, totalling 2,521 thousand euros, will be recognised in the consolidated income statement over the life of the new bonds issued by SFL over a period of 6.5 years. As at 31 December 2021, the amount transferred from equity to consolidated comprehensive income is 65 thousand euros.

The impact on the consolidated income statement of the recognition of derivative financial instruments for 2021 and 2020 is shown in the following table:

Thousands of Euros

	2021	2020
Income from derivative financial derivatives	8,977	–
Financial derivative expense (Note 19.8)	(193)	(1,685)
Net expense for financial derivative expense	**8,784**	**(1,685)**

15.1 Hedge accounting

At 31 December 2021 and 2020, the Parent and the subsidiary SFL applied hedge accounting to different derivative financial instruments.

At 31 December 2021, the cumulative impact recognised directly in equity in the consolidated statement of financial position due to hedge accounting amounted to a credit balance of 17,122 thousand euros, after recognition of the tax impact and consolidation adjustments. At 31 December 2020, the impact recorded amounted to a debtor balance of 19,457 thousand euros (Note 13.4).

15.2 Fair value of derivative financial instruments

The fair value of the derivatives was calculated by discounting estimated future cash flows based on an interest rate curve and on assigned volatility at 31 December 2021, using the appropriate discount rates established by an independent expert.

Changes of +/– 25 basis points in the interest rate curve have an effect on the fair value of derivative financial instruments of 27,616 thousand euros and –37,493 thousand euros, respectively.

16. Trade payables and other non-current liabilities

The breakdown of these headings in the consolidated statement of financial position, by item and maturity, is as follows:

Thousands of Euros

	31 December 2021		31 December 2020	
	Current	Non-current	Current	Non-current
Trade and other payables	41,992	–	42,698	–
Payables for the purchase of properties	35,445	–	32,771	–
Advances (Note 11)	31,282	28,287	20,729	28,287
Guarantees and deposits received	3,434	59,322	2,921	57,215
Payable to Social Security	3,170	–	2,171	–
Unearned income	1,952	–	392	–
Other payables and liabilities	18,533	566	13,756	396
Total	**135,808**	**88,175**	**115,438**	**85,898**

16.1 Trade and other payables

This heading includes primarily the amounts payable by the Group for business-related purchases and associated costs.

16.2 Payables for the purchase of properties

This heading includes the amounts payable arising from acquisitions of ownership interest and/or properties. As at 31 December 2021 and 2020, the amount included in this item corresponds mainly to payments for refurbishment or renovation works on various properties in the development of SFL. The effect of the updated deferred payments is not material.

16.3 Customer advances

Non-current advances include the amount of 28,287 thousand euros on account of the price of the asset being promoted by the Group under the purchase contract subject to suspensive conditions signed by the Parent Company and a third party (Note 11).

16.4 Guarantees and deposits received

This heading includes mainly security deposits paid by lessees.

16.5 Unearned income

This heading includes the amounts received by SFL for rights of entry, which relate to the amounts invoiced by lessees to reserve a unique space, and that were recognised as income on a straight-line basis over the minimum term of the related lease agreement.

16.6 Average period of payment to suppliers and trade creditors

The table below sets forth the information on the various Spanish Group companies required by final provision two of Law 31/2014, of 3 December, amending the Spanish Limited Liability Companies Law to improve corporate governance, and amending additional provision three of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, which establishes measures to combat late payment in commercial transactions, all in accordance with that established in the resolution of 29 January 2016 issued by the Spanish Accounting and Audit Institute (ICAC) on disclosures to be included in the notes to the consolidated financial statements with regard to the average period of payment to suppliers in commercial transactions involving the various Spanish companies pertaining to the Group.

	2021	2020
	Days	Days
Average supplier payment period	29	33
Ratio of payments made	28	34
Ratio of payments pending	43	29
	Amount (Thousands of Euros)	Amount (Thousands of Euros)
Total payments made	241,885	188,575
Total payments pending	13,850	10,536

The figures shown in the foregoing table in relation to payments to suppliers relate to suppliers that because of their nature are trade creditors for the supply of goods and services and, therefore, they include the figures relating to certain line items of "Trade and other payables" in the consolidated statement of financial position.

Law 11/2013 on measures to support entrepreneurs, stimulate growth and create employment, which amended the Law on late payments (Law 3/2004, of 29 December), entered into force on 26 July 2013. The new law stipulates that the maximum payment period to suppliers as of 29 July 2013 is 30 days, unless there is an agreement between the parties which increases the maximum period to 60 days.

With regard payments made after the legally established period, note that these are primarily payments relating to works contracted and property refurbishment, which are paid within the payment terms stipulated in the contracts signed with the various contractors.

17. Provisions and contingent assets and liabilities

Changes in "Current provisions" and "Non-current provisions" in the consolidated statement of financial position are as follows:

Thousands of Euros

	Non-current			Current
	Provisions for employee benefits	Provisions for contingencies and other provisions	Total non-current	Provisions for contingencies and other provisions
Opening balance	**1,653**	**27**	**1,680**	**4,233**
Charges	1,181	–	1,181	–
Allocations against equity	36	–	36	–
Withdrawals (Note 19.4.1)	–	–	–	(526)
Other withdrawals	(20)	–	(20)	(1,006)
Amounts used	(13)	(27)	(40)	–
Transfer	(960)	–	(960)	960
Closing balance	**1,877**	**–**	**1,877**	**3,661**

17.1 Non-current provisions

17.1.1 Provisions for employee benefits

This line item includes the retirement benefits and seniority bonuses of employees of SFL (Note 4.11).

17.2 Current provisions

Current provisions include an estimate of various future risks of the Parent.

18. Tax matters

18.1 Option for the REIT Tax Regime with effect from 1 January 2017

On 30 June 2017, the Parent chose to operate within the REIT Tax Regime (Note 1).

18.2 Tax receivables and tax payables

Details of "Tax assets" and "Deferred and non-current tax assets" in the consolidated statement of financial position are as follows:

Thousands of Euros

	Current		Non-current	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Tax refunds receivable	5	–	–	–
Income tax refunds receivable	519	3,466	–	–
VAT refundable	23,033	14,468	–	–
Deferred tax assets (Note 18.5)	–	–	696	418
Total	**23,557**	**17,934**	**696**	**418**

Details of "Tax liabilities" and "Deferred and non-current tax liabilities" in the consolidated statement of financial position are as follows:

Thousands of Euros

	Current		Non-current	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Income tax payable	938	–	–	–
Other taxes payable	3,324	4,938	–	–
Exit tax payable (SFL Group)	–	5,205	–	–
VAT payable	5,274	4,581	–	–
Deferred tax liabilities (Note 18.6)	–	–	360,109	366,989
Total	**9,536**	**14,724**	**360,109**	**366,989**

18.3 Reconciliation of income tax expense

Article 29 of Corporate Income Tax Law 27/2014, of 27 November, which entered into force on 1 January 2015, established a standard tax rate of 25% for taxpayers liable for this tax.

The above-mentioned Royal Decree Law also established the limit for tax loss carryforwards at 25% of the tax base, prior to their offset, for companies whose revenue is equal to or greater than 60 million euros.

On 30 June 2017, the Parent chose to operate within the REIT Tax Regime, which is applicable effective as of 1 January 2017 (Note 1). After adhering to the REIT regime, the profit arising from REIT activities will be taxed at a rate of 0%, provided that the stipulated requirements are met (Note 4.14).

The breakdown of “Income tax expense” in the consolidated income statement is as follows:

Thousands of Euros

	2021	2020
Income tax expense	(2,750)	(10,563)
Deferred tax on the restatement of assets to their fair value (IAS 40)	7,594	7,717
Other non-primary components	(1,311)	856
Income tax expense	**3,533**	**(1,990)**

18.4 Reconciliation of income tax expense to “prima facie” tax payable

Thousands of Euros

	2021	2020
Profit from continuing operations before tax expense	563,374	64,807
	563,374	**64,807**
Taxed at the Spanish tax rate of 25% (2020: 25%)	(144,144)	(16,202)
Tax effect of amounts that are not deductible (taxable) in the calculation of taxable profit:		
Application of IAS 40 (revaluations and reversals of write-downs)	118,650	(11,799)
Impairment of goodwill	3	–
Other adjustments	13,074	16,067
Subtotal	**(12,417)**	**(11,934)**
Difference in tax rates by REIT and SIIC regime	15,674	8,272
Difference in foreign tax rates	(962)	(689)
Adjustments to current tax of prior years	258	–
Previously unrecognised tax losses now recovered to reduce current tax expense	–	4,441
Tax losses for the year not recognised for accounting purposes	980	(2,080)
Income tax expense	**3,533**	**(1,990)**

18.5 Deferred tax assets

The breakdown of the deferred tax assets recognised by the Group is as follows:

Thousands of Euros

	Recognised for accounting purposes			
	31 December 2020	Increase	Derecognitions	31 December 2021
For leases (Note 7.2)	333	195	–	528
Others	85	83	–	168
Total	**418**	**278**	**–**	**696**

18.5.1 Prior years' tax loss carryforwards

The Corporate Income Tax in force as of 1 January 2016 stipulates that previous years' tax loss carryforwards may be offset in future years without any time limit, although it generally establishes an offset limit of 70% of taxable income, with a minimum of 1 million. In the event that the revenues recognised by the Company or the tax group fall between 20 million euros and 60 million euros, the offset is limited to 50% of taxable income, while if revenues are equal to or exceed 60 million euros the offset limit is reduced to 25% of taxable income.

The tax loss carryforwards of Spanish companies accumulated at 31 December 2021 amount to 5,412,867 thousand euros.

18.5.2 Deferred tax asset for tax credit carryforwards

The Group has various deductions pending application at 31 December 2021 due to insufficient tax liability amounting to a total of 8,229 thousand euros.

18.6 Non-current deferred tax liabilities

The detail of the "Non-Current Deferred Tax Liabilities" heading on the non-current liability side of the consolidated statement of financial position is as follows:

Thousands of Euros

	31 December 2021	31 December 2020
Deferred tax liabilities	360,109	366,989
Non-current tax liabilities	–	–
	360,109	**366,989**

The breakdown of deferred tax liabilities and the changes therein are provided in the following charts:

Thousands of Euros

	31 December 2020	Increase	Derecognitions	31 December 2021
Asset revaluations	361,918	(6,694)	–	355,224
Asset revaluations (Spain)	144,652	(93)	–	144,559
Asset revaluations (France)	217,266	(6,601)	–	210,665
Deferral for reinvestment	4,595	(186)	–	4,409
Others	476	–	–	476
Total	**366,989**	**(6,880)**	–	**360,109**

18.6.1 Deferred tax liability for asset revaluations

This deferred tax liability relates mainly to the difference between the accounting cost of investment properties measured at fair value (under IFRS) and their tax cost (acquisition cost less depreciation and any impairment that may be deductible).

Asset revaluations (Spain)

This line item includes the deferred taxes associated with the Group's investment property located in Spain that would be accrued if these assets were transferred at the fair value at which they are recognised, using the effective rate that would be applicable to each of the companies taking into account applicable legislation and any unrecognised tax credits.

Following the adoption of the REIT tax regime in 2017, the movements in deferred taxes recognised, which mainly relate to the properties owned by the companies that have not opted for this regime, i.e. Wittywood, S.L. and Inmocol Torre Europa, S.A., which are wholly owned by the Parent, were recognised at an effective rate of 18.75% (tax rate of 25% with a limit on the offset of tax loss carryforwards of 25%). Consequently, in calculating its deferred tax liabilities, the Group considers applying the deferred tax asset of 48,190 thousand euros arising from the tax losses (the difference between the 25% tax rate and the effective settlement rate applied of 18.75%).

Asset revaluations (France)

Includes the amount of the deferred taxes associated with the Group's investment property located in France, which would accrue if those assets are sold. It should be noted that practically all of the assets in France are subject to the SIIC regime (Note 4.14), and therefore no additional tax would arise at the time of their sale. Only the assets of the companies forming part of the Parholding subgroup would fall outside of that tax regime at 31 December 2021 and 2020.

18.7 Years open to inspection and tax audits

The Group has the last four years open for review by the tax inspection authorities for all applicable taxes in Spain and France, except income tax of Spanish companies with tax loss carryforwards or unused tax credits, in which case the period under review for this tax is extended to ten years.

No additional material liability for the Group is expected to arise in the event of a new tax audit.

18.8 Disclosure requirements arising from REIT status, Law 11/2009, amended by Law 16/2012

The disclosure requirements arising from the status of the Parent and certain subsidiaries as REITs are included in the related notes to the individual financial statements.

18.9 Adherence to the Code of Best Tax Practices

On 10 December 2015, the Parent Company's Board of Directors agreed to adhere to the Code of Best Tax Practices. This resolution was reported to the tax authorities on 8 January 2016.

19. Income and expenses

19.1 Revenue

Revenue comprises basically ordinary rental income from contract with customers from the Group's rental properties which are concentrated in the cities of Barcelona, Madrid and Paris. The breakdown of revenue by geographical segment is shown in the table below:

Thousands of Euros

Rental segment	2021	2020
Barcelona	45,683	49,742
Madrid	94,450	106,536
Rest of Spain	1,952	2,967
Paris	174,634	182,424
Total	**316,719**	**341,669**

Revenue for 2021 and 2020 includes the effect of the lease incentives throughout the minimum term of the lease agreement (Note 4.15). Revenue also includes the accrued amounts received in connection to rights of entry (Note 16.5). At 31 December 2021, the impact of previous accruals was una disminución of the turnover for 6.500 miles de euros (in 2020, un aumento for 4.910 miles de euros).

The total minimum future lease payments receivable corresponding to the Group's non-cancellable operating leases, based on the leases currently in force at each date, without taking into account the impact of common expenses, future increases in the CPI or future contractual lease payment revisions based on market parameters, were as follows:

Thousands of Euros

	Nominal amount (*)	
	31 December 2021	31 December 2020
Within one year	*314,513*	*309,994*
Spain	126,807	133,905
France	187,706	176,089
1 to 5 years	*698,233*	*655,130*
Spain	187,602	212,970
France	510,631	442,160
More than five years	*501,738*	*454,569*
Spain	26,019	39,708
France	475,719	414,861
Total	**1,514,484**	**1,419,693**
Spain	*340,428*	*386,583*
France	*1,174,056*	*1,033,110*

(*) Nominal value without taking into account the effect of rental incentives.

19.2 Other operating income

This heading relates mainly to property services rendered. At 31 December 2021 and 2020, this amounted to 5.330 and 4.982 miles de euros thousand euros, respectively.

19.3 Personnel expenses

The breakdown of "Staff costs" in the consolidated statement of income is as follows:

Thousands of Euros

	2021	2020
Wages and salaries	25,904	18,948
Social security costs	6,757	6,006
Other employee benefit expenses	5,664	7,259
Contributions to defined benefit plans	288	246
Internal reallocation	(1,236)	(1,146)
Total staff costs	**37,377**	**31,313**
Spain	*14,638*	*16,731*
France	*22,739*	*14,582*

Personnel expenses include the accrual, in accordance with current French labour legislation, of extraordinary remuneration for certain employees of the subsidiary SFL arising from extraordinary transactions carried out in 2021 (sales of investment property and non-controlling interests) amounting to 8,128 thousand euros.

"Other employee benefit expenses" includes amounts corresponding to costs accrued in 2021 under the Parent's long-term remuneration plan (Note 20.1) and SFL's share option plan detailed in Note 20.2, totalling 3.787 miles de euros (6.342 miles de euros in 2020).

The contributions made by the Parent in 2021 and 2020 to defined benefit plans amounted to 288 and 246 miles de euros, respectively, and are recognised under "Staff costs" in the consolidated statement of comprehensive income. At year-end 2017 and 2016, there were no contributions payable to this pension plan.

Number of employees

	2021		2020		Average headcount, 2021		Average headcount, 2020	
	Men	Women	Men	Women	Men	Women	Men	Women
General and area managers	11	8	13	9	11	9	13	9
Technical graduates and middle managers	33	45	40	42	37	43	44	49
Administrative	29	95	30	89	29	92	27	83
Others	5	1	5	1	5	1	5	1
Total employees	**78**	**149**	**88**	**141**	**82**	**145**	**89**	**142**

19.4 Other operating expenses

The breakdown of "Other operating expenses" in the consolidated statement of income is as follows:

Thousands of Euros

	2021	2020
External and other expenses	18,191	18,968
Taxes other than income tax	25,914	26,968
Total other operating expenses	**44,105**	**45,936**

19.4.1 Net change in provisions

Changes during the year in operating provisions included in external services and other expenses is as follows:

Thousands of Euros

	2021	2020
Net application to operating provisions (Note 17)	(526)	(3,240)
Net charge to provisions for doubtful debts and other	1,195	1,548
Other allocations/(reversals) of provisions	(4,772)	5,872
Total net change in provisions	**(4,103)**	**4,180**

19.5 Net gain/(loss) on sales of assets

The breakdown of the Group's net gains on sales of assets (Notes 9 and 23), and their geographical distribution, is detailed as follows:

Thousands of Euros

	Spain		France		Total	
	2021	2020	2021	2020	2021	2020
Sale price	85,597	333,390	264,000	–	349,597	333,390
Asset derecognition	(84,678)	(314,579)	(262,684)	–	(347,362)	(314,579)
Derecognition grace periods	(269)	(3,580)	71	–	(198)	(3,580)
Indirect costs and other	(2,019)	(13,617)	(1,279)	–	(3,298)	(13,617)
Net gains on sales of assets	**(1,369)**	**1,614**	**108**	**–**	**(1,261)**	**1,614**

19.6 Gains/(losses) due to changes in value of assets and impairment

The breakdown, by nature, of the impairment losses recognised under "Gains/(losses) due to changes in value of assets and impairment" in the consolidated income statement is detailed in the following table:

Thousands of Euros

	2021	2020
Impairment/(Reversal of impairment) of properties for own use (Note 8)	269	1,078
Other impairment	–	(46)
Derecognitions of replaced assets (Notes 8 and 9)	(1,281)	(489)
Impairment charges and net gains/(losses) on assets	**(1,012)**	**543**

19.7 Changes in value of real estate investment

The breakdown of "Changes in fair value of investment properties" in the consolidated income statement, by type, is as follows:

Thousands of Euros

	2021	2020
Investment property (Note 9)	441,134	(77,682)
Assets classified as held for sale – Investment property (Note 23)	3,092	(1,370)
Changes in value of investment property	**444,226**	**(79,052)**
Spain	*189,049*	*(255,578)*
France	*255,177*	*176,526*

19.8 Finance income and costs

The breakdown of financial loss by type, is as follows:

Thousands of Euros

	2021	2020
Finance income:		
Interest and similar income	488	1,132
Income from derivative financial derivatives (Note 15)	8,912	–
Total finance income	**9,400**	**1,132**
Finance costs:		
Finance and similar expenses	(86,974)	(94,400)
Capitalised borrowing costs (Notes 19 and 11)	12,404	10,507
Restated finance costs (Notes 7 and 18)	(872)	(772)
Financial costs associated with loan cancellations	(2,484)	(2,493)
Finance costs associated with the repurchase of bonds	(36,088)	(26,975)
Finance costs associated with arrangement costs (Note 14.13)	(6,292)	(5,872)
Financial derivative expense (Note 15)	(128)	(1,685)
Total finance costs	**(120,434)**	**(121,690)**
Total financial loss	**(111,034)**	**(120,558)**

19.9 Related party transactions

There were no related party transactions in 2021 and 2020.

19.10 Results by company

The contribution of the consolidated companies to consolidated profit for the year was as follows:

Thousands of Euros

	Consolidated net profit		Net profit attributable to non-controlling interests		Net profit/(loss) for the year attributable to the Parent	
Company	2021	2020	2021	2020	2021	2020
Inmobiliaria Colonial, SOCIMI, S.A.	203,778	(228,062)	–	–	203,778	(228,062)
SFL subgroup	364,346	294,051	92,871	61,524	271,475	232,527
Inmocol Torre Europa, S.A.	550	(2,327)	275	(1,163)	275	(1,164)
Peñalvento, S.L.U.	(180)	(67)	–	–	(180)	(67)
Colonial Tramit, S.L.U.	–	(4)	–	–	–	(4)
Utopicus Innovación Cultural, S.L.	(1,540)	(1,439)	(59)	(266)	(1,481)	(1,173)
Wittywood, S.L.	(44)	671	(22)	335	(22)	336
Inmocol One, S.A.	(1)	(2)	–	–	(1)	(2)
Inmocol Two, S.L.	(1)	(2)	–	–	(1)	(2)
Inmocol Three, S.L.	(1)	(2)	–	–	(1)	(2)
Total	**566,907**	**62,817**	**93,065**	**60,430**	**473,842**	**2,387**

20. Share option plans

20.1 Long-term remuneration plan of the Parent

20.1.1 Former long-term remuneration plan of the Parent

On 21 January 2014, shareholders at the Parent's General Shareholders' Meeting set up a long-term remuneration plan for the Chairman and the Managing Director of the Parent and for members of the Group's Management Committee, applicable from 2014 to 2018.

The plan was extended twice, and was rendered ineffective by the adoption of the new plan.

Shares received under this plan may not be sold or transferred by beneficiaries within the first three years of receiving them, except as required to pay any taxes chargeable in this regard.

On 24 April 2021, the Parent settled the outstanding obligations relating to compliance with the plan once the Board had calculated the number of shares to be delivered to the beneficiaries of the Plan, in accordance with the level of fulfilment of indicators for 2020, which stood at 296.337 shares (Note 13.3.1). The shares were delivered to the beneficiaries on this date. Of these shares, 131,861 were delivered to members of the Board of Directors and 164,476 to members of senior management, with a market value upon delivery of 1,364 thousand euros and 1.702 thousand euros, respectively.

In 2020, the Company recognised 3,072 thousand euros (Note 19.3) under "Staff costs" in the consolidated income statement, to cover the incentives plan approved on 21 January 2014.

20.1.2 New long-term remuneration plan of the Parent

On 30 June 2021, the general shareholders's meeting of the Parent established a new long-term remuneration plan for the chairman and chief executive officer of the Company, as well as for such other directors and employees as the board of directors may determine, which shall apply for 2021 to 2025 (hereinafter referred to as "the New Plan"). The approval of this plan renders ineffective the previous plan approved on 21 January 2014 and extended for the second and last time for a period of two years at the general meeting held on 30 June 2021.

The new plan will have a duration of five years and will be divided into three overlapping annual cycles of three years each, independent of each other. The first cycle of the New Plan will correspond to the three-year period between 1 January 2021 and 31 December 2023, the second cycle of the New Plan to the three-year period between 1 January 2022 and 31 December 2024 and the third cycle of the New Plan to the three-year period between 1 January 2023 and 31 December 2025. The maximum number of shares to be delivered to the executive directors in the first cycle of the New Plan is 170,196 shares for the executive chairman of the Board of Directors of the Company and 340,392 shares for the chief executive officer of Colonial.

As a general rule, the maximum total number of shares of the Company that, in execution of the Plan, will be delivered to the beneficiaries of the Plan at the end of each cycle will be the result of dividing the maximum amount allocated to the corresponding cycle by the weighted average listed price of the Company's shares in the 30 trading days prior to 1 January 2021. In addition, the number of shares to be received will be increased by a number of shares equivalent to the amount of dividends per share distributed by Colonial to its shareholders during each cycle based on the number of shares assigned to the beneficiary in the cycle. For these purposes, the weighted average of Colonial's share price on the dividend payment dates in each of the years of the cycle will be taken as the reference value of the share.

The delivery of the Parent's shares under the first cycle of the New Plan will take place in 2024, after the audited financial statements for 2023 have been prepared. The specific date of delivery of the shares will be determined by the Board of Directors.

Shares received under this plan may not be sold or transferred by beneficiaries within the first two years of receiving them, except as required to pay any taxes chargeable in this regard.

In 2021, the Company recognised an expense of 670 thousand euros (Note 19.3) under "Staff costs" in the consolidated income statement, to cover the incentives plan approved on 30 January 2021.

20.2 Share option plans on SFL shares

The subsidiary SFL had a bonus share plan at 31 December 2021, the breakdown of which is as follows:

	Plan 5	Plan 5	Plan 5
Meeting date	20/04/2018	20/04/2018	20/04/2018
Date of Board of Directors' Meeting	15/02/2019	06/02/2020	11/02/2021
Initial target number	32,948	34,476	33,460
Initial expected %	100%	100%	100%
Initial expected number	32,948	34,476	33,460
Amount per share (euros)	€ 54.00	€ 65.38	€ 54.59
Cancelled options / exits	–452	–468	–340
Expected % at year-end	200%	100%	100%
Estimated number at year-end	64,992	34,008	33,120

Each allocation plan has been calculated based on the expected number of shares multiplied by the unit fair value of those shares. The expected number of shares is the total number of shares multiplied by the expected percentage of take-up in the grant. The resulting amount is charged on a straight-line basis over the grant period.

The fair value of the shares allocated is determined by the quoted price at the grant date, adjusted by the discounted value of future dividends paid during the acquisition period applying the Capital Asset Pricing Model (CAPM).

As at 31 December 2021, the expected closing percentage for the 2019 plan was 200%, while for the 2020 and 2021 plan it was 100%.

During the first half of 2021, 63,648 bonus shares of Plan 5 from 2018 were delivered.

At 31 December 2021 and 2020, a total of 3,869 and 3.270 miles de euros were recognised in the consolidated statement of income relating to these bonus share plans (Note 19.3).

21. Balances with related parties and associates

At 31 December 2021 and 2020 the Group did not have any balances outstanding with related parties and associates, with the exception of those detailed below.

In the context of the public tender offer for shares in the subsidiary launched by the Parent (Note 2.6), certain directors and senior management contributed their SFL shares to the proposed exchange.

22. Director and senior management compensation and other benefits

22.1 Composition of the Parent's Board of Directors

The Parent's board of directors was made up of 8 men and 3 women at 31 December 2021 and 2020.

At 31 December 2021, the composition of the Parent's Board of Directors is as follows:

Director	Position	Type of director
D. Juan José Brugera Clavero	Chairman	Executive
D. Pedro Viñolas Serra	Vice-Chairman	Executive
D. Sheikh Ali Jassim M. J. Al-Thani	Director	Proprietary
D. Adnane Mousannif	Director	Proprietary
D. Carlos Fernández González	Director	Proprietary
D. Javier López Casado	Director	Proprietary
D. Juan Carlos García Cañizares	Director	Proprietary
D. Luis Maluquer Trepat	Coordinating Director	Independent
Dña. Silvia Mónica Alonso-Castrillo Allain	Director	Independent
Dña. Ana Lucrecia Bolado Valle	Director	Independent
Dña. Ana Cristina Peralta Moreno	Director	Independent

Pursuant to Article 229 of the Spanish Limited Liability Companies Law, at the close of 2021, the directors of the Parent reported that neither they nor any parties related thereto have any direct or indirect conflict with the interests of the Parent.

22.2 Remuneration of Board members

The breakdown of the remuneration received in 2021 and 2020 by the members of the Board of Directors of the Parent, by item, is as follows:

Thousands of Euros

	31 December 2021			31 December 2020		
	Parent	Other group companies	Total	Parent	Other group companies	Total
Remuneration earned by executive directors (*):	**3,541**	**113**	**3,654**	**2,535**	**150**	**2,685**
Attendance fees of non-executive directors:	**871**	**45**	**916**	**962**	**75**	**1,037**
Attendance fees of Executive Directors (*):	**–**	**46**	**46**	**–**	**58**	**58**
Fixed remuneration of non-executive directors:	**778**	**40**	**818**	**863**	**60**	**923**
Directors' remuneration	525	40	565	575	50	625
Additional remuneration Audit and Control Committee	150	–	150	125	10	135
Additional remuneration for the Appointments and Remuneration Committee	103	–	103	163	–	163
Remuneration executive directors (*):	**–**	**50**	**50**	**–**	**70**	**70**
Total	**5,190**	**294**	**5,484**	**4,360**	**413**	**4,773**
Remuneration for executive directors (*):	3,541	209	3,750	2,535	278	2,813

(*) Does not include the amount corresponding to expenses accrued in relation to the long-term incentive plan described in Note 20.

At 31 December 2021 and 2020, the Parent had a civil liability insurance policy covering all of its directors, executives and staff, with a premium of 500 thousand euros and 357 thousand euros, respectively. The aforementioned amount includes for the insurance premium paid for both periods for civil liability insurance to cover damages caused by acts or omissions.

The shareholders at the General Shareholders' Meeting held on 28 June 2016 approved the granting of a defined-contribution scheme for executive directors covering retirement and, when applicable, disability and death. At 31 December 2021 and 2020, the Parent recognised 225 and 183 thousand euros, respectively, in this connection under "Staff costs" in the consolidated statement of income.

In addition to the matters indicated in the preceding paragraph, the Group has not granted any loans and has not taken out any pension plans or life insurance for former or serving members of the Board of Directors of the Parent.

At 31 December 2021 and 2020, two members of the Board of Directors had signed golden parachute clauses in the event of certain cases of termination or change of control, all of which were approved at the General Shareholders' Meeting.

In 2021 and 2020, there were no finalisations, modifications or early terminations of contracts outside of the normal business activities between the Parent and the members of the Board of Directors or any other person acting on their behalf.

22.3 Remuneration of senior management

The Parent's senior management team is formed by senior executives and other persons responsible for the management of the Parent, reporting to the CEO. At 31 December 2021, senior management comprised three men and two women (two men and two women at 31 December 2020).

Monetary compensation earned by senior management in 2021 amounted to 1,629 thousand euros. Furthermore, they received 988 thousand euros corresponding to the long-term incentives plan (1,369 and 1,072 thousand euros, respectively, in 2020).

At its meeting held on 27 July 2016, the Board of Directors approved the granting of a defined-contribution scheme for a member of senior management covering retirement and, when applicable, disability and death. At 31 December 2021 and 2020, the Parent recognised 63 and 63 thousand euros, respectively, in this connection under "Staff costs" in the consolidated statement of income.

At 31 December 2021 and 2020, one member of the senior management team had signed a guarantee or "golden parachute" clause in the event of certain cases of termination or change of control.

23. Assets classified as held for sale

The movements in this heading of the financial statement were as follows:

Investment property – Thousands of Euros

	31 December 2021	31 December 2020
Opening balance	**281,959**	**176,434**
Increase	180	6,680
Transfers (Notes 9 and 12.3)	62,050	283,315
Withdrawals	(320,281)	(183,100)
Changes in value (Note 19.7)	3,092	(1,370)
Closing balance	**27,000**	**281,959**

23.1.1 Movements 2021

In 2021, the Parent transferred 61,503 thousand euros from "Investment property" in the consolidated balance sheet (Note 7) and 547 thousand euros from "Trade and other receivables" corresponding to the accrual of lease incentives.

In 2021, SFL's Wagram and Percier properties, both located in Paris, were disposed of for sales of 120,500 thousand euros and 143,500 thousand euros, respectively. The Parent also disposed of a logistics asset and a property for a total sale price of 58,397 thousand euros.

Of the total number of properties disposed of, the Group recorded a loss of 595 thousand euros in the consolidated income statement, including indirect costs of sale.

23.1.2 Movements 2020

In 2020, the Parent transferred 3 properties from "Investment property" in the consolidated statement of financial position for 277,492 thousand euros and 5,823 thousand euros from "Trade and other receivables" corresponding to the accrual of lease incentives.

For the 3 properties transferred, private sales contracts were signed, one corresponding to a property in Tarragona corresponding to the Parent and two properties located in Paris corresponding to SFL.

Of the total real estate transferred, the parent company disposed of one rural property and 4 logistics assets for a total sale price of 186,590 thousand euros, which represented a loss of 7,623 thousand euros including indirect costs of sale.

23.1.3 Changes in the value of investment property classified as held for sale

The “Changes in value of investment property” heading in the consolidated income statement includes the revaluation results of assets classified as held for sale for 2021, amounting to a profit of 3,092 thousand euros, according to valuations by independent experts at 31 December 2021 (Note 4.4) (1,370 thousand euros loss for 2020).

24. Auditors’ fees

Fees incurred for auditing services in 2021 and 2020 provided to the various companies composing the Colonial Group by the principal auditor and other auditors are set forth below:

Thousands of Euros

	2021		2020	
	Principle auditor	Other auditors	Principle auditor	Other auditors
Audit services	653	284	607	245
Other verification services	166	29	126	–
Total auditing services and related	**819**	**313**	**733**	**245**
Tax advisory services	–	179	–	73
Other services	92	115	107	156
Total professional services	**92**	**294**	**107**	**229**

The principal auditor of the Colonial Group for 2021 and 2020 is PricewaterhouseCoopers Auditores, S.L.

The principal auditor’s fees for other assurance services include 166 thousand euros and relate to services provided to the Group for limited reviews, issuance of comfort letters and agreed-upon procedures reports (126 thousand euros in 2020).

As at 31 December 2021, the principal auditor’s fees for other professional services rendered to the Group amount to 92 thousand euros and correspond to the review of ESG indicators contained in the integrated Annual Report, reviews of the Green Bonds report and translations into English of regulatory information (107 thousand euros as at 31 December 2020).

The principal auditor’s fees represent less than 1% of the Group’s billings in Spain.

25. Events after the reporting period

From 31 December 2021 to the date on which these consolidated financial statements were authorised for issue, no significant events took place with the exception of:

- On 4 January 2022, the Parent Company announced the termination of the former liquidity contract signed on 10 July 2017 with Renta 4 Banco, S.A. (Note 13.3.2), which has been replaced by a new one with Banco Sabadell, S.A.
- On 17 February 2022, the Parent announced that the bondholders’ meetings have approved the conversion of all of the Group’s outstanding bonds into green bonds.
- On 22 February 2022, the Parent reached an agreement with the financial institutions participating in the 1 billion euro credit line, extending its maturity to November 2026 (Note 14.5).
- On 24 February 2022, SFL signed a pledge agreement for the purchase of a property in the centre of Paris. The final acquisition is expected to take place in the first half of 2022.

Annexes

Companies included in the scope of consolidation At 31 December 2021 and 2020, the fully consolidated subsidiaries and the information thereon were as follows:

	% shareholding					
	Direct		Indirect			
	2021	2020	2021	2020	Shareholder	Line of business
Colonial Tramit, S.L.U. Avda. Diagonal, 532 08006 Barcelona (Spain)	100%	100%	–	–	Inmobiliaria Colonial SOCIMI, S.A	Real estate
Inmocol Torre Europa, S.A. (*) Avda. Diagonal, 532 08006 Barcelona (Spain)	50%	50%	–	–	Inmobiliaria Colonial SOCIMI, S.A	Real estate
Wittywood, S.L. Avda. Diagonal, 532 08006 Barcelona (Spain)	50%	50%	–	–	Inmobiliaria Colonial SOCIMI, S.A	Real estate
Inmocol One, S.A.U. Pº de la Castellana, 52 28046 Madrid (Spain)	100%	100%	–	–	Inmobiliaria Colonial SOCIMI, S.A	Real estate
Inmocol Two, S.L.U. Pº de la Castellana, 52 28046 Madrid (Spain)	100%	100%	–	–	Inmobiliaria Colonial SOCIMI, S.A	Real estate
Inmocol Three, S.L.U. Pº de la Castellana, 52 28046 Madrid (Spain)	100%	100%	–	–	Inmobiliaria Colonial SOCIMI, S.A	Real estate
Peñalvento, S.L.U. Pº de la Castellana, 52 28046 Madrid (Spain)	100%	100%	–	–	Inmobiliaria Colonial SOCIMI, S.A	Real estate
Utopicus Innovación Cultural, S.L. (*) Príncipe de Vergara, 112 28002 Madrid (Spain)	100%	96,81%	–	–	Inmobiliaria Colonial SOCIMI, S.A	Co-working
SA Société Foncière Lyonnaise (SFL) 42, *rue* Washington 75008 Paris (France)	98,33%	81,71%	–	–		Real estate
SNC Condorcet Holding (**) 42, *rue* Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SNC Condorcet Propco (**) 42, *rue* Washington 75008 Paris (France)	–	–	100%	100%	SNC Condorcet Holding	Real estate
SCI Washington (*) 42, *rue* Washington 75008 Paris (France)	–	–	100%	66%	SFL	Real estate
SCI 103 Grenelle (*) 42, *rue* Washington 75008 Paris (France)	–	–	51%	100%	SFL	Real estate
SCI Paul Cézanne (*) 42, *rue* Washington 75008 Paris (France)	–	–	51%	100%	SFL	Real estate
SA Segpim (*) 42, *rue* Washington 75008 Paris (France)	–	–	100%	100%	SFL	Sale of real estate and provision of services

	% shareholding					
	Direct		Indirect			
	2021	2020	2021	2020	Shareholder	Line of business
SAS Locaparis (*) 42, *rue* Washington 75008 Paris (France)	–	–	100%	100%	Segpim	Sale of real estate and provision of services
SAS Maud (*) 42, *rue* Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SAS SB2 (*) 42, *rue* Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SAS SB3 (*) 42, *rue* Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SCI SB3 42, *rue* Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SAS Parholding (*) 42, *rue* Washington 75008 Paris (France)	–	–	100%	50%	SFL	Real estate
SAS 92 Champs-Elysées (*) 42, *rue* Washington 75008 Paris (France)	–	–	51%	100%	SFL	Real estate
SAS Cloud (*) 42, *rue* Washington 75008 Paris (France)	–	–	51%	100%	SFL	Real estate
SC Parchamps (*) 42, *rue* Washington 75008 Paris (France)	–	–	100%	100%	SAS Parholding	Real estate
SC Pargal (*) 42, *rue* Washington 75008 Paris (France)	–	–	100%	100%	SAS Parholding	Real estate
SC Parhaus (*) 42, *rue* Washington 75008 Paris (France)	–	–	100%	100%	SAS Parholding	Real estate

* Company audited in 2021 by PricewaterhouseCoopers.
** Company audited in 2021 by Deloitte & Associés.

At 31 December 2021 and 2020, the Group companies were audited by PricewaterhouseCoopers Auditores, S.L., with the exception of the SFL Group, which was audited jointly by Deloitte and PricewaterhouseCoopers.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Consolidated management report for the year ended 31 December 2021

1. Situation of the Group

Update on rental markets

Barcelona

Barcelona's office market continues to show a strong recovery, standing at 332,000 sqm by 2021, +240% more than in 2020. Demand in the fourth quarter of 2021 reached 99,000 sqm, +38% higher than the last quarter of 2019 (pre-pandemic). 22@ has concentrated 85% of the demand, mainly in Grade A and B+ offices. The CBD vacancy rate stands at 6.1%, however, the availability of grade A product is very limited. Prime rents once again reached an all-time high over the last decade, due to the lack of quality spaces, standing at €27.5/sqm/month.

The investment volume in 2021 reached €2 billion, the highest in the last 14 years, and +13% higher than in 2019 (pre-Covid year). The 22@ market followed by the CBD continue to account for more than 70% of transactions. Profitability on prime locations in Barcelona was 3.50%.

Madrid

Demand in the Madrid office market reached 412,000 sqm in 2021, up 22% on the previous year. Increased dynamism was observed in the fourth quarter of 2021 where 131,000 sqm were signed, almost double the figure recorded in the same quarter of 2020. In 2021, the CBD and the city centre continue to be the most sought-after areas, accounting for almost 40% of demand. Asset quality remains the main attraction for companies with 61% of demand being signed in A and B+ grade buildings. The availability rate of CBD increases due to the entry of new product to 7.4%, although the availability of Grade A CBD product stands at 3.6%. Prime rents remain stable at €36.5/ sqm/month.

The investment volume reached €655 million, of which the CBD accounts for 60% of total transactions. Profitability on prime locations in Madrid was 3.25%.

Paris

In the Paris office market, the level of take-up improved by +49% compared to the 2020 figure. Likewise, the CBD has already recovered the level of demand of 2019 (pre-pandemic record year) reaching 426,000 sqm and exceeding the 2020 figure by +55%. Unemployment in the Paris CBD fell from 3.9% in the third quarter of 2021 to 3.1%. The shortage of prime product caused prime rents to rise to €930/ sqm/year.

Investment volume in the Paris office market reached €12,663 million in 2021. Core office investment in Paris accounted for more than 60% of total investment in real estate assets in 2021. The prime yield stands at 2.50%.

Organisational structure and operation

Colonial is a benchmark REIT in the high-quality office market in Europe and has been a member of the IBEX 35, the benchmark Spanish stock market index, since the end of June 2017.

The company has a stock market capitalisation of approximately €4,000 million with a free float of around 44%, and manages an asset volume of more than €12,400 million.

The Company's strategy focuses on creating an industrial value through the creation of prime high-quality products, through the repositioning and transformation of real estate assets.

In particular, its strategy is based on the following:

> A business model focused on the transformation and creation of high-quality offices in prime locations, mainly central business districts (CBD).

> Maximum commitment to the creation of offices that meet the most demanding market requirements, with particular emphasis on efficiency and sustainability.

> A pan-European strategy, diversified in the Madrid, Barcelona and Paris office markets.

> An investment strategy combining core acquisitions and prime factory acquisitions with value added components.

> A clear industrial real estate approach to capture value creation that exceeds the market average.

Today Colonial is a leading European company that specifically focuses on areas in city centres and leads the Spanish property market in terms of quality, sustainability and efficiency in its portfolio of offices.

It has also adopted a comprehensive approach in all areas of corporate social responsibility and aspires to maximum standards of (1) sustainability and energy efficiency, (2) corporate governance and transparency, and (3) excellence in human resources and social actions, making them an integral part of the Group's strategy.

In recent years, the Colonial Group has performed significant non-core asset divestments for 2 billion euros, with double-digit premiums with respect to the valuation under way.

Likewise, to improve the Group's Prime portfolio, since 2015, Colonial has acquired over €3,900 million of CBD core properties, identifying assets with value added potential in market segments with solid fundamentals.

At the close of 2021, the Colonial Group had a robust capital structure with a solid "Investment Grade" rating. The Group's LTV (Loan to value) stood at 35.8% in December 2021.

The Company's strategy is to consolidate itself as a leader in prime office rentals in Europe, with special emphasis on the Barcelona, Madrid and Paris markets:.

> A solid capital structure with a clear commitment to maintaining the highest credit rating standards – investment grade.

> Attractive returns for shareholders based on recurring return combined with the creation of real estate value based on value added initiatives.

Staff management

Colonial professionals are the Group's main asset. At year end 2021, the Colonial Group team comprised a total of 227 employees, divided into 4 categories.

The Group headcount, and the average headcount by job category and gender for the year, is as follows:

Number of employees

	2021		2020		Average headcount, 2021		Average headcount, 2020	
	Men	Women	Men	Women	Men	Women	Men	Women
General and area managers	11	8	13	9	11	9	13	9
Technical graduates and middle managers	33	45	40	42	37	43	44	49
Administrative	29	95	30	89	29	92	27	83
Others	5	1	5	1	5	1	5	1
Total employees	**78**	**149**	**88**	**141**	**82**	**145**	**89**	**142**

2. Business performance and results

Introduction

At 31 December 2021, the Group's revenue totalled €317 million.

According to the independent appraisals carried out by CB Richard Ellis and Jones Lang Lasalle in Spain and CB Richard Ellis and Cushman & Walkfield in France, at year end, the investment property and assets classified as held for sale were revalued at €444 million. The revaluation, which was posted both in France and Spain, was the result of the increased appraisal value of the assets.

Net financial profit was (111) million euros.

Profit/(loss) before tax and non-controlling interests at the end of 2021 amounted to €563 million.

Lastly, after subtracting profit attributable to non-controlling interests €(93) million, and income tax of €4 million, the profit after tax attributable to the Group amounted to €474 million.

2021 Annual results - Return to growth

Total shareholder return of +9% reaching an NTA of €12/share.

1. Growth in Net asset value (NTA) up to €6,496 m, +13%.

Colonial closed out 2021 with an NTA (Net Tangible Assets) of €12.04/share, thus representing an increase of the year-on-year value of +7%, which, together with a paid dividend of €0.22/share, resulted in a total return for the shareholder of 9%.

In absolute terms, the net value of the assets amounts to €6,496m, an annual increase of +13%, more than €768m increase in value in one year.

This significant growth in NTA has been generated by an industrial real estate strategy with a significant component of "Alpha" returns and has been mainly due to:

1. A strong increase in value of prime portfolios in all three markets driven by strong demand for prime Grade A buildings.

2. Solid fundamentals of Colonial's assets with high occupancy levels and solid rent increases, especially the strength of the Paris portfolio.

3. Significant progress in the project portfolio, in particular the delivery and leasing of the Prime Marceau project in Paris and the Diagonal 525 project in Barcelona.

4. The acceleration of the renovation programme substantially improving rental levels as well as asset values.

5. The successful execution of the takeover bid for Société Foncière Lyonnaise on attractive terms for Colonial shareholders.

2. Increase in value of the real estate portfolio of +6% like for like

The asset value of the Colonial Group at the end of 2021 amounted to €12,436 million (€13,091 million, including transfer costs), an increase of 6% like-for-like in y-o-y terms.

The portfolios in the three cities show very solid growth, the portfolios in Paris and Barcelona have increased by +6% like for like respectively and the properties in Madrid by +7% like for like.

Overall, value growth accelerated in the second half of the year with an increase of +4% like for like for all properties.

Asset value growth is underpinned by (1) growing market demand for prime city centre properties, (2) the strong fundamentals of Colonial's portfolio with 96% occupancy and signed rents in the high end of the market and (3) the successful generation of "Alpha" real estate value through the Project Portfolio and the Renovation Programme.

€349m of Non-Core assets were divested in 2021 at a premium to valuation of 11%. More than €263m relates to the completion of two sales in Paris, which were part of last year's Alpha V programme. Colonial also divested two non-strategic assets in Spain in the second half of 2021, optimising the prime profile of the Group's portfolio.

At 31 December 2021 the exposure of Colonial's property portfolio to CBD areas was 80%, +266 bp compared to the previous year and 95% of the portfolio in operation has energy efficiency certification, an improvement of 194 bp compared to the previous year.

Including the impact of net divestments, the value of assets increased by +3% compared to the previous year.

Net result of €474m and recurrent net result of €128m

1. Net income of €474 million, €+471 million compared to the previous year

The Colonial Group ended 2021 with net profit of €474 million, €+471 million with respect to the close of last year.

The significant increase in the net result is due to:

1. A strong increase in value of prime portfolios in all three markets driven by strong demand for prime Grade A buildings.

2. The significant progress in the project pipeline and the acceleration of the renovation programme substantially improved rental levels as well as asset values.

3. The successful execution of the acquisition of a 16.6% stake in Société Foncière Lyonnaise on very attractive terms for Colonial shareholders.

4. A solid recurring net result of over €128m based on a portfolio of assets with high occupancy levels and solid rental growth, in particular in the Paris portfolio.

2. Recurring net profit of €24.6Cts/share, reaching the high end of the forecast range.

Colonial closed the year with a recurring net profit of €128m, corresponding to €24.6/share, reaching the high end of the forecast range the company communicated to the capital markets of €23-25 Cts/share.

It is worth noting the strong acceleration of the result in the fourth quarter due to the inflation increases captured by the indexation clauses of the Colonial Group's contract portfolio. The recurrent net result also reflects strict management of operating and structural costs.

Compared to the previous year, the recurring net result has decreased as it reflects the impact of the divestments of non-strategic assets as well as the acceleration of the renovation programme.

1. The execution of the divestment programme for non-strategic properties with premiums on appraisals led to a y-o-y reduction of €13 million in net earnings due to lower rent, in exchange for improving the cash flow quality of the post-sales portfolio.

2. The commencement and acceleration of the portfolio renewal programme to reposition portfolio properties with an important value creation and future cash flow potential based on a real estate transformation of assets. This programme represents a temporary rotation of tenants, which had a negative impact on EBITDA from rentals of €16 million on 2021 profit and loss.

Active management in these buildings has a temporary impact on income, in return for increasing the level of rents of the portfolio once re-let, as well as the potential for value creation in each asset.

3. Comparable recurring net profit higher than in the previous year

Excluding the impact of active portfolio management, comparable recurring net profit was €158m, +15% higher than in the previous year.

Comparable recurring net earnings of per share (recurring EPS) were €30.43, +12% higher than in the same period of the previous year.

4. Rental income of €314m, +2% like for like

Colonial closed 2021 with rental income of €315m, 8% lower than the previous year due to 1) the divestments of non-strategic assets executed in 2020 and early 2021; and 2) the acceleration of the Group's renovation programme.

On a comparable basis, rental income increased by +2% compared to the same period of the previous year.

5. EBITDA income of €293m, +3% like for like

Net income from expenses (EBITDA from rentals) increased by +3% in comparable like-for-like terms, driven by the +6% increase in the Paris portfolio.

Significant acceleration of operational fundamentals

1. More than 170,000 sqm of contracts signed: second highest figure in Colonial's history

The Colonial Group closed 2021 with 118 office rental contracts, corresponding to 170,344 sqm, exceeding the previous year by +75%.

This volume of contracts signed is the second highest in Colonial's history, second only to 2019, a year of record results in all metrics.

In financial terms (square metres formalised multiplied by rents signed), the volume of contracts doubled the volume of the previous year (+114% vs. 2020), formalising contracts for an annualised amount of rents of more than €77m.

2. Acceleration of hiring in the second half of the year increased occupancy to 96%.

The second half of the year saw an acceleration with the signing of more than 110,000m² (higher than the 12-month commercial effort of the previous year). Both the third and fourth quarters exceeded more than 50,000 sqm of signed contracts, with high volumes in the Madrid & Paris portfolios.

It is worth noting that 2/3 of the contracts signed in the fourth quarter were for new builds, mainly from the renovation programme, improving the Group's occupancy rate by more than 250 bps in one quarter to 96% (notably the high occupancy rate of the Paris portfolio of more than 98%).

3. Rent capture in the high end of the market: polarisation effect of the Grade A portfolio

In 2021, the Colonial Group signed contracts with rental prices in the high end of the market.

The maximum rent signed in the Group's portfolio reached 930 euros/m²/year in Paris, as well as 35 euros/sqm/month in Madrid and 28 euros/sqm/month in Barcelona. With these price levels, Colonial's portfolio clearly marks the "prime" reference in each of the markets in which it operates.

Colonial's portfolio allows it to attract quality demand at maximum prices, given its prime location, its high levels of quality and eco-efficiency of the properties and with carbon footprint ratios among the lowest in the market. In particular, the average carbon intensity of the properties where contracts have been signed reaches 7 $kgCO_2e$/sqm (carbon intensity of Scope 1&2), one of the most eco-efficient levels in the sector in Europe.

76% of the 170,344 sqm signed in 2021 corresponds to buildings located in the CBD areas of Madrid and Barcelona, as well as in the CBD and the central 7th arrondissement of Paris.

4. Acceleration of market rents growth in the fourth quarter

Growth in portfolio market rents, with acceleration in the fourth quarter

The Colonial Group closed the year with a +5% increase in rental prices compared to the market rent (ERV) as of December 2020. The highest growth was recorded in the Paris portfolio, where prices were +8% above the market rent as of December 2020.

Of particular note was the acceleration of growth in the last quarter of the year with an increase of +8% compared to market income. The Barcelona portfolio has registered an increase of +10% over the market return at December 2020, followed by Paris and Madrid with +9% and +5% respectively.

Solid double-digit rent increases in renovations in Barcelona

Release spreads (signed rental prices vs. previous rent) at year-end stand at +7% for 2021. These ratios highlight the reversionary potential of Colonial's contract portfolio with significant room for improvement in current rents. Noteworthy was a high release spread in the Barcelona portfolio of +24%.

5. A portfolio well positioned to capture additional growth through indexation

Colonial's contract portfolio is well positioned to capture the full impact of today's elevated index-linked indices. Almost all contracts have indexation clauses. In Madrid and Barcelona, all contracts are indexed to the consumer price index with the exception of two contracts with public administration clients where by Spanish regulation indexation cannot be applied. In Paris, 100% of the contracts are indexed to the ILAT indices (the latter for the most part) as well as to the ICC and ILC indices, all of which are currently at positive levels.

Colonial's portfolio was able to capture the high levels of indexation in all of its fourth quarter contracts. This has led to an additional increase in rental income, which has allowed the Colonial Group to close with recurring net income per share in the high end of the forecast range.

Project portfolio - additional income & value creation

1. Delivery of Diagonal 525 in Barcelona CBD and 83 Marceau in Paris CBD

The delivery in 2021 of Diagonal 525 in Barcelona CBD and Marceau in Paris prime CBD represents revenues of €11m per annum and a value creation of more than €180m over the total project cost.

Diagonal 525 – CBD Barcelona

> Naturgy's headquarters with a 10-year contract of obligatory compliance.

> Rent signed at 28/sqm/month - benchmark rent in prime Barcelona and double the rent of the previous contract.

83 Marceau – Prime CBD Paris

> 100% leased at maximum market rents.

> Goldman Sachs is the main tenant occupying 6,500 sqm on a 12-year lease.

> 2022 the first year with the full income impact (entry into operation in the last quarter of 2021).

2. Progress on projects to be delivered by 2022 with significant market shares

In 2022, more than 249,000 sqm will come into operation in Madrid and Paris with a significant impact both in terms of value creation and revenues for the Colonial Group.

Velázquez 86D – CBD Madrid

> 1,900 sqm leased retail space to date-11% of the building

> Advanced talks for half of the building.

> Delivery planned for the first half of 2022.

Miguel Ángel 23 – CBD Madrid

> Net zero building, one of the most eco-efficient buildings in Madrid.

> Advanced talks with potential customers for the whole.

> Delivery planned for the first half of 2022.

Biome – Paris City Centre (15eme Arrond.)

> 12 potential customers have already visited the asset.

> Potential interest with large demands from the audio-visual and technology sector.

> Delivery planned for the second half of 2022.

Renovations programme

The Colonial Group continues with its renovation programme of 108,000 sqm on 9 assets in its portfolio. During the second half of 2021, 35,000 sqm of leases were signed, corresponding to annual rents of €22m.

1. Acceleration of the renovation programme in Paris

The renovation programme in Paris includes 32,000 sqm. During the second half of 2021, the marketing of these areas accelerated with contracts for more than 27,800 sqm signed, representing 88% of the total renovation programme in Paris, with rents at the high end of the market.

2. Commercial acceleration in Madrid and Barcelona

In Spain, commercial activity was reactivated during the last quarter of the year, with the first pre-lettings signed in December 2021.

In Madrid, 47% of the Cedro building in Alcobendas has been leased at above-market rates and talks to lease the remaining 53% are at an advanced stage. At Ortega y Gasset, work is underway to close the lease of around 40% of the building in the first quarter of 2022.

In Barcelona, the Diagonal 530 building is already in the marketing phase, attracting prime demand in the city. Work on the main tower of Torre Marenostrum continues and will be delivered in the first quarter of 2022. At Parc Glories II, the departure of the current user has been arranged for December 2022 and repositioning work will begin during the first quarter of 2023.

Growth through acquisitions

Alpha VI Corporate Transaction and new Alpha VII acquisition programme

1. Alpha VI - Colonial takes 98.3% stake in SFL

In the first half of 2021, the Colonial Group announced its intention to strengthen its stake in its Paris subsidiary SFL through the joint acquisition of Colonial & SFL, the remaining SFL shares belonging to Predica and other minority shareholders through a mixed voluntary takeover bid. This transaction was successfully completed during the third quarter of 2021.

On 4 August 2021, a share swap took place, whereby SFL acquired from Predica the non-controlling interests in the subsidiaries SCI Washington (34%) and SAS Parholding (50%) in exchange for non-controlling interests in SCI Paul Cézanne (49%), SCI 103 Grenelle (49%), SAS Cloud (49%) and SAS 92 ChampsElysées (49%).

The agreement between Colonial and Predica was also formalised, under which shares corresponding to 5% of SFL were delivered in exchange for new Colonial shares representing 4.2% of the shareholding.

On 8 September 2021, the mixed voluntary takeover bid process for 5% of the shares held by SFL's minority shareholders was completed. The public offer launched by Colonial was very well received and finally, after the closing of these operations, Colonial's stake in SFL increased from 81.7% to 98.3%.

The transaction leads Colonial to consolidate its leadership position in the prime office sector in Europe, reinforcing its positioning on the French market, the leading European office market and, in particular, it will enable it:

1. Increase its exposure to quality offices in prime Paris real estate and in particular increased exposure to large projects in Paris with high value creation potential.

2. Simplification of the Colonial Group's shareholding structure and increase of the company's free float by approximately €400m (in NTA terms).

3. To create value for Colonial's shareholders with a positive impact on earnings per share and improving the capital structure.

2. Alpha VII - launch of new procurement programme

The Colonial Group relaunched its investment activity by acquiring 2 assets for a total value of €500m and annual rental income of more than €20m. It also recycled capital by divesting the secondary assets of Parc Cugat and Mercedes Open Parc for a total sales price of €66m and a premium over appraisal of 6%.

Acquisition of Danone's headquarters - Barcelona CBD

At the end of 2021, the Colonial Group acquired the Buenos Aires 21 asset in Barcelona.

The property has a surface area of 8,784 sqm above ground level and is located in the prime area next to Barcelona's Diagonal. The asset is the headquarters of the multinational food company Danone with a binding contract until 2029. The acquisition of the asset includes a project to renovate the façade and common areas of the building, which will improve the energy efficiency of the asset and enable it to obtain Leed Gold certification.

This acquisition shows, once again, how the Colonial Group is able to recycle capital invested in secondary areas and invest it in CBD areas, creating returns for shareholders.

Acquisition of Amundi's headquarters in the centre of Paris - 15eme Arrondissement

In February 2022, the Colonial Group through SFL reached a "promesse de vente" agreement to purchase the 91 Pasteur building of around 40,000 sqm located in the centre of Paris (15th arrondissement). The asset is the headquarters of Amundi, one of Europe's leading financial asset managers listed on Euronext.

With this investment, the Group incorporates the seventh largest office asset in Paris. This property offers a floor plan of more than 2,000 sqm, lots of light and a very efficient layout. The building was fully renovated in 2012 and limited capex investment is foreseen. It already has HQE and Breeam energy certifications.

The property is located in the heart of the 15th arrondissement of Paris, close to Montparnasse station, a market in full renovation. It is a market with excellent public transport connections that attracts high demand for office space. All the large buildings in the area already have projects approved for renovation in the next 5 years, a sign of the dynamics of this submarket

Divestitures of non-strategic assets – Parc Cugat and Las Mercedes

During the second half of 2021, the Colonial Group executed the sale of two secondary assets: the Parc Cugat office building and the Mercedes Open Park commercial asset. Both transactions have been closed at a price with a total premium of +6% over GAV.

Parc Cugat is located in the peripheral submarket of Sant Cugat del Vallés, in Barcelona, and has a limited future value creation perspective due to its secondary nature and location in an environment with a complicated path for increasing rents.

Las Mercedes Open Park is a non-core commercial asset from the acquisition of Axiare. This asset, located in a secondary commercial area in Madrid, requires investment in refurbishment, as well as active management of its tenants.

3. Launch of a new investment programme

With the execution of Alpha VI and the new organic acquisition programme Alpha VII, the company once again became a net investor in 2021 and 2022.

In the first quarter of 2021, the final part of the 2020 disposal program was formalised for €283m. Specifically, the sale of the two mature core assets in Paris were notarized: 112 Wagram and 9 Percier, as well as the retail asset Les Gavarres in Tarragona coming from the Axiare acquisition.

Leadership in ESG and Decarbonisation

1. European leadership in eco-efficient buildings

    > 95% of the assets in operation have maximum energy certificates.

    > Substantial improvement of 194 bp in one year

2. CDP: Top score the leading carbon index - Score A

    > Europe's only office real estate company with an A rating

    > Only five estate agents in Europe

    > Only 12 estate agencies worldwide

    > Part of a select group of 200 companies out of a total of more than 13,000 companies worldwide.

3. GRESB: Leading score among listed Western European office companies - Score 94/100

    > Continued improvement in GRESB, climbing more than 30 points in recent years

    > GRESB Development Benchmarking Report 97/100

4. VIGEO: Rating in the high end of the sector - A1+ score

    > Top 3% of the 4,892 companies rated worldwide

    > 4th out of 90 companies in the financial services sector - Real Estate

    > 36% increase in score in two years

5. SUSTAINALYTICS: Good ESG policy management - Score 10.1 points

    > Top 21 of the 431 listed real estate companies analysed.

    > Awarded Best Industry Rating 2022, as well as Best Regional Rating

6. MSCI: Benchmark rating for listed companies - A rating

    > Internationally top-ranked and ahead of its competitors

    > Strong score on Corporate Governance

7. FTSE4Good: Rating in the high end - 4/5 score

    > Rating above the Office Reits sector average and the Spanish average

    > 96% percentile rank in the Real Estate sub-sector BCI

A solid capital structure

1. Colonial Group converts all its current bonds into "green" bonds

In February 2022, Colonial and its French subsidiary SFL successfully converted all of the Group's bonds, for a total amount of €4,602 million, into "green bonds", following the approval of its bondholders. Colonial reached this milestone after guaranteeing the holding of a portfolio of environmentally sustainable investments with a value equal to or greater than the value of its financing. With this transaction, Colonial becomes the first IBEX-35 company to have all of its bonds rated as "green". This type of debt is intended to finance "green assets", which are assets that have a positive impact on the environment. It is the Group's intention that any bonds proposed to be issued in the future will be issued as "green bonds".

2. Liability Management

In 2021, the Colonial Group successfully executed an active management of its debt ("Liability Management"), for more than €1 billion. In particular, the following operations were carried out:

1. In June and July, Colonial issued €500 million of bonds, which were subsequently increased to €625 million. The issue matures at eight years, with a coupon of 0.75%, the lowest in the Group's history to date.

   At the same time, Colonial announced the repurchase of all of its bonds maturing in 2023, which amount to €306 million and accrue an annual coupon of 2.728%. In addition, it announced the repurchase of €306 million of its bonds maturing in 2024.

2. In August and September this year, SFL repurchased all of its bonds maturing in November 2021, with an outstanding nominal amount of €250 million and bearing a coupon of 1.88%. It also made an early repayment of a mortgage-backed loan maturing in July 2022 for a total amount of €196 million.

3. In October 2021, SFL completed a bond issue in the French market for a total amount of €500 million maturing in April 2028. The issue has a coupon of 0.5%, the lowest level in the group's history.

As at 31 December 2021, the Group's spot cost of finance is 1.4%, 30 b.p. lower than in the previous year.

3. A strong balance sheet for future growth

At year-end 2021, the Colonial Group has a solid balance sheet with an LTV of 35.8%.

The Group's available balances amounted to €2,359 million, among cash and undrawn credit facilities. This liquidity allows the Group to secure its financing needs for the coming years by covering debt maturities until 2024.

Colonial's solid financial profile allows it to maintain a BBB+ credit rating from Standard & Poor's, the highest in the Spanish real estate sector.

Solid basis for future growth from 2021 results

Earnings per share growth acceleration from 2022 onwards

Colonial closed 2021 with a return to growth and solid results in all metrics

The Group is also progressing multiple future growth initiatives:

1. Operation Alpha VI - Acquisition of SFL

> Increase of Colonial's stake in SFL from 81.7% to 98.3%, on attractive terms for Colonial shareholders.

> Increased exposure to prime assets and product in the Paris market, with strong growth profile.

> Potential financial-tax optimisations with positive medium-term impact.

2. Reversal potential in the portfolio

- Price reversal: The impact of renewing all contracts in the contract portfolio at current market prices is €20 million of additional annual rent. This impact is +11% for the Paris contracts and +19% and +10% for the Barcelona and Madrid portfolios.

- Reversion due to occupation: The impact of renting all available space in the comparable portfolio (excl. projects and the renovation programme) at current market prices (without growth & inflation) will amount to €15 million of additional annual rents.

3. Project portfolio - €79 million in annual rent

- Colonial manages a project portfolio of more than 189,000 sqm with more than €79 million in annual rents.

- 2021 deliveries: Diagonal 525 in Barcelona and 83 Marceau offer €11 million in annual rents, of which only €4.5 million were registered in 2021 as they have not been in operation all year.

- Expected deliveries of more than 49,000 sqm by 2022: with solid interest in Miguel Angel 23, Velazquez 86D and Biome progressive impacts of higher rents in 2022 with consolidation in 2023

- > 2023 deliveries: more than €44 million of additional rents of which €16 million in Louvre Saint Honoré already pre-let.

4. Renovations programme - More than €40 million of additional annuities

More than 107,000 sqm in the renovation programme of which 64,000 sqm is already pre-let as of today.

  - Delivery of more than 41,000 sqm by 2022, of which 39% is already pre-let.

  - Delivery of more than 17,000 sqm in 2023-24.

  - Recurrent analysis of new repositioning opportunities.

5. Procurement programme - More than €20m of additional short-term annuities

- Purchase of Danone's headquarters in Barcelona CBD

- Purchase of Amundi's Paris headquarters (partially in 2022).

- New medium-term acquisition programme and tactical rotation of non-core assets.

- Over €2,140m of loans available for future acquisitions & project development.

6. Capture of high levels of indexation (IPC)

- The group's contract portfolio is well positioned to capture the positive impacts of the indexation at the beginning of the year in the three markets where it operates.

- There are no cap clauses in rental contracts that could limit this effect.

7. Accelerating rental growth for Grade A assets in CBD areas

The trend of demand polarisation is driving the growth of Grade A assets in CBD.

- The Paris market offers strong rental growth for premium product given the low supply and strong demand with very positive prospects for the future.

- The Barcelona and Madrid markets offer a very attractive growth profile for Grade A product in the CBD, also reflected in the acceleration to the end of 2021.

Analyst consensus

In 2021, two analysts opened new coverage of Colonial, bringing the total number of analysts to 21. The consensus average price target is above €9.3/share.

It should also be noted that more than 60% of the 21 analysts who follow the company recommend buying Colonial shares, compared to 36% in December 2020.

3. Liquidity and capital resources

See "Capital management and risk management policy" under Note 14.15 to the consolidated financial statements for the year ended 31 December 2021.

The Average Payment Period (APP) of the Group's Spanish companies to their suppliers for 2021FY1 was 29 days. With regard payments made after the legally established period, note that these are primarily payments relating to works contracted and property refurbishment, which are paid within the payment terms stipulated in the contracts signed with the various contractors.

The Group has established two payment days per month to comply with the requirements set forth in Law 11/2013, of 26 July. Accordingly, invoices are received on the 5th and the 20th of each month and the related payments are made on the 5th and the 20th of the following month.

4. Risk management policies and objectives

Asset management is exposed to various internal and external risks and uncertainties, which may have an impact on Colonial's activities. Colonial's objective is therefore to create sustainable value by optimising the relationship between profitability and risks, which is constantly evolving in financial, environmental, social and economic areas, among others. This balance, together with a holistic and dynamic view of risk, reinforces Colonial's leadership in the sector and consolidates its long-term position. Risk management is a key aspect of Colonial's organisational culture and for this reason, the Group has developed the Colonial Risk Management and Control System (hereinafter, SCGR), establishing the bases for efficient and effective risk management throughout the organisation.

To comply with these corporate objectives, the risks to which Colonial is exposed are identified, analysed, assessed, managed, controlled and updated. To maintain an effective updated RMCS, Colonial prepares a corporate risk map, which identifies the main risks affecting the Group and assesses them in terms of impact and the probability of occurrence. This map is reviewed and updated frequently each year to obtain an integrated dynamic risk management tool, which evolves with the changes in environment in which the Company operates and the changes in the organisation itself.

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

The Board of Directors is also responsible for determining the risk control and management policy, including tax risks, identifying the Group's main risks and implementing and overseeing the internal information and control systems, in order to ensure the Group's future viability and competitiveness, while adopting the most relevant decisions for its best development. To manage this function, it has the support of the Audit and Control Committee, which performs, among others, the following functions related to risk management and control:

> Submit a report on risk policy and risk management to the Board for approval.

> Periodically review risk management and control systems to adequately identify, manage and report key risks.

> Oversee the process of preparation, the completeness and presentation of mandatory public reporting (both financial and non-financial).

Also, Colonial has formed the regulatory compliance and internal audit units as tools to reinforce this objective. The regulatory compliance unit is responsible for overseeing the adequate compliance with the regulations and laws that may affect the performance of its activities and the internal audit function is responsible for performing the supervision activities required, envisaged in its annual plans approved by the Audit and Control Committee, to assess the effectiveness of the risk management processes and of the action plans and controls implemented by the corresponding departments to mitigate said risks.

For improved risk management, Colonial differentiates in two large areas the different types of risks to which the Group is exposed based on their origin:

> External risks: risks relating 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 activity of the Company and its management team.

The main external risks facing Colonial in the attainment of its objectives include the following:

> Economic risks arising from the political and macroeconomic climate in the countries in which it operates and changes in investors' own expectations.

> Market risks, arising from changes in the sector and the business model, from the greater complexity in developing the investment/divestment strategy and from the fluctuations of the real estate market with an impact on the valuation of real estate assets.

> Financial risks, related with restrictions on capital markets, fluctuating interest rates, the impact of changes in tax regulations (mainly due to the REIT system) and those of the counterparty of the main clients.

> Environmental risks, arising from the most demanding ESG requirements, and mainly those related with the impact of climate change on the Group's activity.

The main internal risks facing Colonial in the attainment of its objectives include the following:

> Strategic risks in relation with the Group's size and diversification, with the asset portfolio breakdown and the market strategy of coworking.

> Diverse operating risks related with the maintenance of occupancy levels of properties and the level of rental agreements, with the development of projects in terms and costs, with the management of debt levels and the current credit rating, with cyberattacks or failures in reporting systems, together with those specific to the management of the organisational structure and talent.

> Risks arising from compliance with all contractual regulations and obligations applicable to it, including the tax risks related with the loss of REIT status by Colonial or its status of listed real estate investment company (LREIC) by its French subsidiary Société Foncière Lyonnaise.

Also, the global health crisis caused by COVID-19 in 2020 generated high uncertainty in many areas, especially in the economic scope, having different effects on various sectors of the business fabric. In response to this situation, the Colonial Group has implemented a series of measures to ensure and preserve the health of its employees and assets, as well as the continuity of the business. The main measures carried out in 2020 were focused on the following:

> Protection and support for all employees.

> Asset protection.

> Portfolio analysis and customer service.

> Review of the project and investment portfolio.

> Continuation of the plan to divest non-strategic assets.

> Financial measures focused on ensuring liquidity and strengthen the Group's solvency.

- Strengthening internal and external communication.

The Group has shown a high degree of resilience in the face of this crisis, in particular at the strategic, operational and financial levels. In 2020, the company reviewed its corporate risk map and analysed risk performance as a result of this crisis by identifying and monitoring risks, assessing and anticipating possible impacts, reviewing control measures and adopting the appropriate decisions in each of these areas in order to mitigate their impact and guarantee the Group's operations.

Despite all these measures, there is still a high degree of uncertainty about the impact of this crisis from an economic point of view, in particular in terms of job destruction and the destruction of the business fabric, with the consequent impact on the real estate sector.

5. Events after the reporting period

From 31 December 2021 to the date on which these consolidated financial statements were authorised for issue, no significant events took place with the exception of :

- On 4 January 2022, the Parent Company announced the termination of the former liquidity contract signed on 10 July 2017 with Renta 4 Banco, S.A. (Note 13.3.2), which has been replaced by a new one with Banco Sabadell, S.A.

- On 17 February 2022, the Parent announced that the bondholders' meetings have approved the conversion of all of the Group's outstanding bonds into green bonds.

- On 22 February 2022, the Parent reached an agreement with the financial institutions participating in the 1 billion euro credit line, extending its maturity to November 2026 (Note 14.5).

- On 24 February 2022, SFL signed a pledge agreement for the purchase of a property in the centre of Paris. The final acquisition is expected to take place in the first half of 2022.

6. Future outlook

The COVID-19 pandemic significantly affected both our domestic markets and global economy in general. However, the global economy is now beginning to recover, but still faces many challenges that are being overcome thanks to the stimulus provided by the strong deployment of expansionary economic policies and the good response of vaccines to the virus.

There is a majority opinion of a recovery of this economic impact, although there is a plurality of opinions on the speed of recovery in each country and region, which will depend mainly on the evolution of the health crisis.

At present, all international organisations are estimating significant GDP growth, with a good outlook in Europe and in the markets in which Colonial operates: Spain and France.

Barcelona and Madrid

With regard to the quality office market in Barcelona and Madrid, the fundamentals remain strong with a better outlook than in secondary areas. The demand for quality assets in prime locations has been growing, mainly due to the need to attract talent in high value-added companies, to offer the best working environment to their employees and to have the best mobility options. Rents have recovered to pre-pandemic levels and it is expected that by 2022, rents will be set gradually, depending on the quality of the properties, their location and exclusivity.

Likewise, investor appetite is expected to continue for prime office products. In a climate of low interest rates, the current spread level of real estate yields with respect to the 10-year bond stood at around 300 basis points.

Paris

Paris is one of the world's most important markets and has high liquidity.

Today the availability of office space in the best areas of the city was less than 6%. The lack of a combined product with the high demand of companies for Prime products means that consultants foresee that office rentals will remain at high levels. In this regard, at the end of the second half of 2021, prime location rentals stood at levels of 930 euros/ sqm/year.

With respect to the volume of investment, the interest of foreign capital for prime office buildings continues to be very high, with various operations under way, which will be concluded in the coming weeks. Prime yields remain stable at 2.75% and even below in one-off operations.

Future strategy

In this market context, Colonial's strategy continues to be committed to long-term value creation in the prime office sector, with the focus on quality and yields adjusted to risk, and with a strong credit rating and liquidity position.

7. Research and development activities

As a result of the nature of the Group, its business activities and structure, Inmobiliaria Colonial, SOCIMI, S.A. does not habitually carry out any R&D activities.

8. Own shares

At 31 December 2021, the Parent had 8,172,507 treasury shares with a nominal value of 20,431 thousand euros, which represents 1.51% of the Parent's share capital.

9. Other relevant information

On 10 December 2015, the Parent Company's Board of Directors agreed to adhere to the Code of Best Tax Practices. This resolution was reported to the tax authorities on 8 January 2016.

10. Annual corporate governance report and annual remuneration report

Pursuant to Article 538 of the Spanish Limited Liability Companies Law, it is hereby noted that the annual corporate governance report and annual remuneration report for 2021 are included in this Management Report in a separate section.

Alternative Performance Measures (European Securities and Markets Authority)

The following glossary of the Alternative Performance Measures includes the definition and relevance thereof for Colonial in accordance with the guidelines of the European Securities and Markets Authority (ESMA) published in October 2015 (ESMA Guidelines on Alternative Performance Measures). These Alternative Performance Measures have not been audited or reviewed by the Parent.

Alternative Performance Measure	Calculation method	Definition/Relevance
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	Calculated as "Profit from operations" adjusted by "Depreciation and amortisation charge", "Net variation in provisions", "Variations in value of investment properties" and "Gains/ (losses) due to changes in value of assets and impairment".	Indicator of the profit generating capacity of the Group, considering only its productive activity, eliminating any provisions for amortisation, debt and tax effects.
Gross financial debt (GFD)	Calculated as the sum of the items "Bank borrowings and other financial liabilities", "Issuance of bonds and other similar securities" and "Promissory notes", excluding "Interest" (accrued), "Arrangement expenses" and "Other financial liabilities" in the consolidated statement of financial position.	Relevant indicator to analyse the Group's financial position.
Net financial debt (NFD)	Calculated by adjusting in gross financial debt the item "Cash and cash equivalents".	Relevant indicator to analyse the Group's financial position.
EPRA[1] NTA (EPRA Net Tangible Assets)	Calculated based on the Company's equity, adjusting specific items according to EPRA recommendations.	Standard analysis ratio for the real estate sector, recommended by EPRA.
EPRA[1] NDV (EPRA Net Disposal Value)	Calculated by adjusting the following items in the EPRA NTA: The market value of the financial instruments, the market value of the financial debt, any taxes that would be accrued with the sale of assets at market value, applying the tax assets available to the Group, taking into account the going concern criteria.	Standard analysis ratio for the real estate sector, recommended by EPRA.
EPRA Earnings and Recurring net income	Calculated in accordance with EPRA recommendations, adjusting certain items to the net profit for the year attributable to the parent company.	Standard analysis ratio for the real estate sector, recommended by EPRA.
Market Value excluding transaction costs orGross Asset Value (GAV) excluding transfer costs	Appraisal of all the assets in the Group's portfolio carried out by external appraisers to the Group, deducting the transaction costs or transfer costs.	Standard analysis ratio for the real estate sector.
Market Value including transaction costs or GAV including transfer costs	Appraisal of all the assets in the Group's portfolio carried out by external appraisers to the Group, before deducting the transaction costs transfer costs.	Standard analysis ratio for the property sector.

(1) EPRA (European Public Real Estate Association) which recommends the standards for best practices to follow in the property sector. The calculation method of these APM has been carried out following the instructions established by EPRA.

Alternative Performance Measure	Calculation method	Definition/Relevance
Like-for-like rentals	Amount of rental income from leases included in the item "Revenue" comparable between the two periods. To obtain these, the rental income from investments or divestments made between both periods are excluded, together with those from assets included in the portfolio of projects and renovations, as well as other atypical adjustments (for example, compensation for early termination of lease agreements).	This permits the comparison, on a like-for-like basis, of the changes in the rental income of an asset or group of assets.
Like-for-like appraisal	Market Value excluding transaction costs or the Market Value including transfer costs, comparable between the two periods. To obtain these, the rental income from investments or divestments made between both periods are excluded.	This permits the comparison, on a like-for-like basis, of the changes in the market value of the portfolio.
Loan-to-Value Group or LtV Group	Calculated as the result of dividing the net financial debt between the Market Value including transaction costs of the Group's asset portfolio.	This permits an analysis of the relation between the net financial debt and the appraisal value of the Group's asset portfolio.
LtV Holding or LtV Colonial	Calculated as the result of dividing the Gross financial debt less the amount of "Cash and cash equivalents" of the Parent and the Spanish subsidiaries wholly owned thereby between the sum of the market value, including transaction costs of the asset portfolio of the Group's Parent and the Spanish subsidiaries wholly owned thereby, and the EPRA NTA of the rest of the financial investments in subsidiaries.	This permits an analysis of the relation between the net financial debt and the appraisal value of the portfolio of assets of the parent company of the Group.

The Alternative Performance Measures included in the above table are based on items in the consolidated annual financial statements of Inmobiliaria Colonial or on the breakdown of the items (sub-items) included in the corresponding explanatory notes to the financial statements, unless otherwise indicated below.

Below follows a reconciliation of those alternative performance measures whose origin does not fully derive from items or sub-items in the consolidated annual financial statements of Inmobiliaria Colonial, as provided for in paragraph 28 of the aforementioned recommendations.

EPRA NTA (EPRA Net Tangible Assets) – Millions of euros

	2021	2020
"Equity attributable to shareholders of the Parent"	**5,999**	**5,401**
Includes/excludes:		
Adjustments of (i) to (v) in relation to the interests of strategic alliances	–	–
Diluted NTA	**5,999**	**5,401**
Includes:		
(ii.a) Revaluation of investment assets	–	–
(ii.b) Revaluation of assets under development	–	–
(ii.c) Revaluation of other investments	149	64
(iii) Revaluation of finance leases	–	–
(iv) Revaluation of inventories	12	10
Diluted NTA at Fair Value	**6,160**	**5,475**
Excludes:		
(v) Deferred taxes	351	233
(vi) Market value of financial instruments	(15)	19
EPRA NTA	**6,496**	**5,727**
Number of shares (millions)	540	508
EPRA NTA per share	**12.03**	**11.27**

EPRA NDV (EPRA Net Disposal Value) – Millions of euros

	2021	2020
"Equity attributable to shareholders of the Parent"	**5,999**	**5,401**
Includes/excludes:		
Adjustments of (i) to (v) in relation to the interests of strategic alliances	–	–
Diluted NDV	**5,999**	**5,401**
Includes:		
(ii.a) Revaluation of investment assets	–	–
(ii.b) Revaluation of assets under development	–	–
(ii.c) Revaluation of other investments	149	64
(iii) Revaluation of finance leases	–	–
(iv) Revaluation of inventories	12	10
Diluted NDV at Fair Value	**6,160**	**5,475**
Excludes:		
(v) Deferred taxes	–	–
(vi) Market value of financial instruments	–	–
Includes:		
(ix) Market value of the debt	(203)	(280)
EPRA NDV	**5,957**	**5,195**
Number of shares (millions)	540	508
EPRA NDV per share	**11.03**	**10.22**

EPRA Earnings and Recurring Net Income – Millions of euros

	2021	2020
Net profit/(loss) attributable to the Group	**474**	**2**
Net profit/(loss) attributable to the Group - Cts€/share	***91.10***	***0.47***
Includes/(excludes):		
(i) Changes in value of investments, investment projects and other interests	(443)	78
(ii) Profit or loss of sales of assets, investment projects and other interests	1	(2)
(iii) Profits or losses on sales of assets held for sale including changes in the value of such assets	–	–
(iv) Tax for sale of assets	–	–
(v) Impairment of goodwill	–	–
(vi) Changes in the value of financial instruments and cancellation costs	30	31
(vii) Deferred tax for considered EPRA adjustments	(9)	(4)
(ix) Adjustments from (i) to (viii) in respect of joint ventures (unless included by proportionate consolidation)	–	–
(x) Minority interests in respect of the above items	66	27
EPRA Earnings (pre-adjustments specific to the company)	**120**	**133**
Adjustments specific to the company:		
(a) Extraordinary contingencies and charges	10	3
(b) Non-recurring profit/(loss)	–	2
(c) Tax credits	–	–
(d) Minority interests in respect of the above items	(2)	–
Recurring Net Profit (post company specific adjustments)	**128**	**138**
Average number of shares (millions)	520.1	508.1
Recurring Net Profit (post company specific adjustments) - Cts€/share	***24.59***	***27.06***

Market value excluding transaction costs or GAV excluding transfer costs – Millions of euros

	2021	2020
Barcelona	1,423	1,333
Madrid	2,518	2,441
Paris	6,633	6,616
Operating portfolio	**10,574**	**10,390**
Projects	1,843	1,556
Others	20	74
Total Market Value excluding transaction costs	**12,437**	**12,020**
Spain	4,830	4,562
France	7,606	7,458

Market Value including transaction costs or GAV including Transfer costs – Millions of euros

	2021	2020
Total Market Value excluding transaction costs	**12,436**	**12,020**
Plus: transaction costs	655	611
Total Market Value including transaction costs	**13,091**	**12,631**
Spain	4,953	4,685
France	8,138	7,946

Like-for-like Rentals – Millions of euros

	Offices			
	Barcelona	Madrid	Paris	TOTAL
Rental income 2020	**50**	**108**	**182**	**340**
Like-for-like	–	1	5	6
Projects and registrations	(2)	(2)	(6)	(10)
Investments and divestments	(3)	(4)	(6)	(13)
Others and compensation	–	(8)	–	(8)
Rental income 2021	**45**	**95**	**175**	**315**

Like-for-like Appraisal – Millions of euros

	2021	2020
Valuation at 1 January	**12,020**	**12,196**
Like-for-like Spain	292	(163)
Like-for-like France	411	300
Acquisitions and disposals	(288)	(313)
Valuation at 31 December	**12,435**	**12,020**

Loan-to-Value Group or LtV Group – Millions of euros

	2021	2020
Gross financial debt	4,935	4,851
Commitments to defer property asset purchase and sale transactions	–	–
Less: "Cash and cash equivalents"	(219)	(269)
(A) Net financial debt	**4,716**	**4,582**
Market Value including transaction costs	13,091	12,631
Plus: Own shares of the Parent valued at EPRA NTA	98	38
(B) Market value including transaction costs and the Parent's own shares	**13,189**	**12,669**
Loan to Value Group (A)/(B)	**35.8%**	**36.2%**

LtV Holding or LtV Colonial – Millions of euros

Holding Company	2021	2020
Gross financial debt	3,028	2,945
Commitments to defer property asset purchase and sale transactions	–	–
Less: “Cash and cash equivalents” of the Parent and Spanish subsidiaries wholly owned thereby	(101)	(244)
(A) Net financial debt	**2,927**	**2,701**
(B) Market Value including transaction costs	**10,036**	**8,972**
Loan to Value Holding (A)/(B)	**29.2%**	**30.1%**

ADDITIONAL INFORMATION

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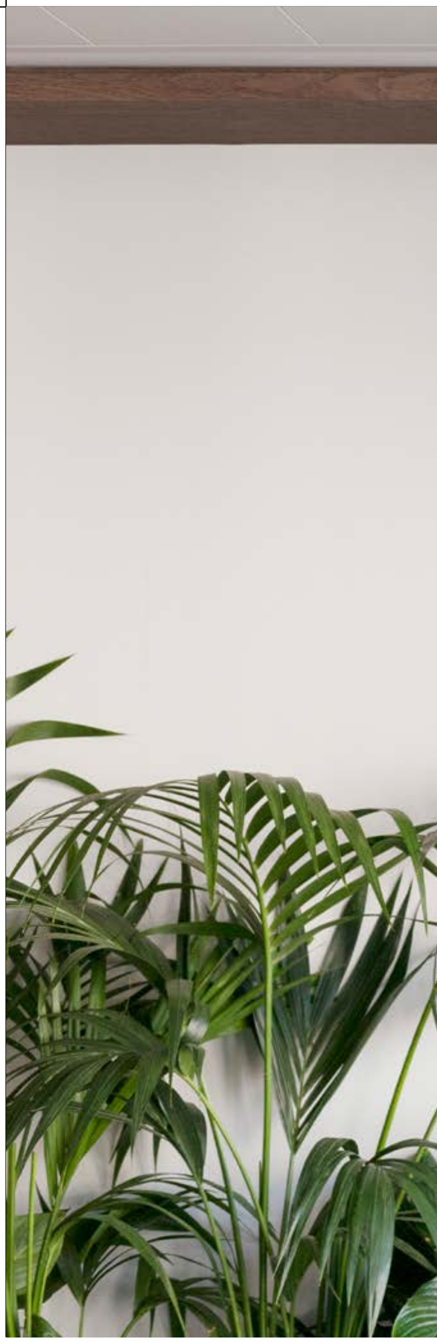
Annual Corporate Governance Report 2021



Inmobiliaria Colonial, SOCIMI, S.A.

Annual Corporate Governance Report of listed Spanish companies

A. Ownership structure

A.1. Fill out the following table on the share capital and attached voting rights at year-end, where applicable including those relating to shares with loyalty voting rights:

Indicate whether the Company Bylaws provide for double loyalty voting rights:

No

Date of last change	Share capital (€)	Number of shares	Total number of voting rights
06/09/2021	1,349,039,092.50	539,615,637	539,615,637

Indicate whether there are different types of shares with different associated rights:

No

A.2. State the direct and indirect holders of a significant stake at year-end, including directors with a significant stake:

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	0.00	5.35	0.00	1.75	7.10
BLACKROCK, INC	0.00	3.00	0.00	0.39	3.39
CREDIT AGRICOLE, S.A.	0.00	4.17	0.00	0.00	4.17
DIC HOLDING LLC	4.04	0.00	0.00	0.00	4.04
MR CARLOS FERNÁNDEZ GONZÁLEZ	0.00	14.83	0.00	0.00	14.83
INMO, S.L.	0.00	5.37	0.00	0.00	5.37
QATAR INVESTMENT AUTHORITY	0.00	19.03	0.00	0.00	19.03

Details of the indirect stake:

Name or company name of the indirect holder	Name or company name of the direct holder	% voting rights attached to the shares	% voting rights through financial instruments	% total voting rights
MR CARLOS FERNÁNDEZ GONZÁLEZ	FINACCESS INMOBILIARIA, S.L.	13.33	0.00	13.33
INMO, S.L.	TRUMRBA XXI, S.L.U.	5.37	0.00	5.37
QATAR INVESTMENT AUTHORITY	QATAR HOLDING NETHERLANDS BV	14.99	0.00	14.99
AGUILA, LTD	PARK, S.A.R.L.	5.35	0.00	5.35
BLACKROCK, INC	BLACKROCK HOLDING	3.00	0.39	3.39
CREDIT AGRICOLE, S.A.	PREDICA	4.17	0.00	4.17
MR CARLOS FERNÁNDEZ GONZÁLEZ	FINACCESS CAPITAL INVERSORES, S.L.	1.09	0.00	1.09
MR CARLOS FERNÁNDEZ GONZÁLEZ	FINACCESS CAPITAL, S.A. DE C.V.	0.41	0.00	0.41

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

Most significant changes

On 12 July 2021, Blackrock INC informed the Company that the voting rights attached to the shares had gone above 3%.

On 11 August 2021, Credit Agricole, S.A., informed the Company of the acquisition of 4.239% of voting rights through PREDICA. It also informed it of the asset swap under which Credit Agricole S.A. now owns 100% of the voting rights in Credit Agricole Assurances. Predica is a wholly owned subsidiary of Credit Agricole Assurances.

On 16 September 2021, Carlos Fernández González informed the Company that the number of voting rights had dropped from 18.384% to 14.831%.

On 17 September 2021, Qatar Investment Authority informed the Company that, as a result of a share capital increase carried out by Inmobiliaria Colonial, SOCIMI, S.A., Qatar Investment Authority's shareholding (held indirectly through Qatar Holding Netherlands BV) had fallen below the 15% threshold (i.e. it had dropped to 14.991%).

A.3. Provide details of the stake, regardless of its percentage, held at year-end by those members of the Board who hold voting rights attached to shares in the company or through financial instruments, excluding the directors identified in section A.2 above:

Name or company name of the director	% voting rights attached to the shares		% voting rights through financial instruments		% total voting rights	Of the % of total voting rights that may be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR JUAN JOSÉ BRUGERA CLAVERO	0.08	0.00	0.00	0.00	0.08	0.00	0.00
MR PEDRO VIÑOLAS SERRA	0.10	0.00	0.00	0.00	0.10	0.00	0.00
MR LUIS MALUQUER TREPAT	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR JAVIER LÓPEZ CASADO	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS SILVIA MÓNICA ALONSO-CASTRILLO ALLAIN	0.00	0.00	0.00	0.00	0.00	0.00	0.00

% of total voting rights held by members of the Board of Directors	15.02

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	% total voting rights that may be transferred through financial instruments
MR LUIS MALUQUER TREPAT	MS MARTA MALUQUER DOMINGO	0.00	0.00	0.00	0.00

All the directors reported on in this section have voting rights on company shares, although in some cases this stake is less than 0.01% of the share capital of Inmobiliaria Colonial, SOCIMI, S.A.

Details of the total percentage of voting rights represented in the Board of Directors:

% of total voting rights represented in the Board of Directors	41.15

Shareholdings held by significant shareholders that have Board representation but do not have direct director status:

- Aguila, LTD: 7.1%
- Qatar Investment Authority: 19.03%

A.4. Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant stakes, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities, except for those reported in section A.6:

Related name or corporate name	Type of relationship	Brief description
No data		

A.5. Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant shareholdings, and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities:

Related name or corporate name	Type of relationship	Brief description
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 Plaza Europa, 34, L'Hospitalet de Llobregat.

A.6. Describe the relationships, unless insignificant for both parties, between the significant shareholders, or their representatives, on the Board, and the directors, or their representatives, when the administrators are a legal entity.

Explain, where appropriate, how the significant shareholders are represented. In particular, specify any directors who have been appointed to represent significant shareholders, those whose appointment was promoted by significant shareholders, or those who were related to significant shareholders and/or entities in their group, indicating the nature of such relationship. Indicate, in particular, the existence, identity and position, if any, of members of the Board, or directors' representatives, of the listed company who are also members of the governing body, or their representatives, in companies with a significant stake in the listed company or in group companies of such significant shareholders.

Name or company name of the related director or representative	Name or company name of related significant shareholder	Company name of the significant shareholder's group company	Description of the relationship/position
MR JAVIER LÓPEZ CASADO	GRUPO FINACCESS S.A.P.I. DE C.V.	GRUPO FINACCESS S.A.P.I. DE C.V.	Colonial's proprietary Director proposed by Grupo Finaccess S.A. P.I. de C.V.
MR CARLOS FERNÁNDEZ GONZÁLEZ	GRUPO FINACCESS S.A.P.I. DE C.V.	GRUPO FINACCESS S.A.P.I. DE C.V.	Colonial's proprietary director proposed by Grupo Finaccess S.A.P.I. de C.V., of which he is Chairman of the Board of Directors and Managing Director
MR JUAN CARLOS GARCÍA CAÑIZARES	AGUILA, LTD	BEVCO LUX, S.A.R.L	Director
MR JUAN CARLOS GARCÍA CAÑIZARES	AGUILA, LTD	AGUILA, LTD	Colonial's proprietary director proposed by Aguila Ltd.
MR JUAN CARLOS GARCÍA CAÑIZARES	AGUILA, LTD	PARK, S.A.R.L.	Director
MR JUAN CARLOS GARCÍA CAÑIZARES	AGUILA, LTD	SNI INTERNATIONAL HOLDINGS, S.A.R.L.	Director
MR SHEIKH ALI JASSIM M.J. AL-THANI	QATAR INVESTMENT AUTHORITY	QATAR INVESTMENT AUTHORITY	Colonial's proprietary director proposed by Qatar Investment Authority
MR SHEIKH ALI JASSIM M.J. AL-THANI	QATAR INVESTMENT AUTHORITY	26 CHAMPS ELYSEES	Director
MR SHEIKH ALI JASSIM M.J. AL-THANI	QATAR INVESTMENT AUTHORITY	AL NURAN BANK	Director
MR SHEIKH ALI JASSIM M.J. AL-THANI	QATAR INVESTMENT AUTHORITY	HAPPAG LLOYD	Director
MR SHEIKH ALI JASSIM M.J. AL-THANI	QATAR INVESTMENT AUTHORITY	RAYYAN ISLAMIC BANK	Director
MR ADNANE MOUSANNIF	QATAR INVESTMENT AUTHORITY	QATAR INVESTMENT AUTHORITY	Colonial's proprietary director proposed by Qatar Investment Authority
MR ADNANE MOUSANNIF	QATAR INVESTMENT AUTHORITY	ELYPONT	Director

A.7. Indicate whether the company has been notified of any shareholders' agreements pursuant to Articles 530 and 531 of the Spanish Limited Liability Companies Law. If so, provide a brief description and list the shareholders that are party to the agreement:

Yes

Parties to the shareholders' agreement	% of the share capital affected	Brief description of the agreement	End date of the agreement, if any
DIC HOLDING LLC, QATAR HOLDING NETHERLANDS BV, INMOBILIARIA COLONIAL, SOCIMI, S.A.	10.47	QH and DIC lock-up clauses: For 6 months following the closing date, QH and DIC may not transfer the shares of Colonial except in the case of any transfer of shares of Colonial to a company in their Group. Transfer of shares after the initial period: after the initial period, any transfer by QH and/or DIC of Colonial's shares shall be carried out in an orderly manner and in accordance with normal commercial practice in Spanish listed companies and with applicable Spanish stock exchange regulations. Prohibition of transfer of shares to a competitor: QH and DIC shall be entitled to transfer their shares in Colonial to any counterparty without restriction, except in the extraordinary case of a transfer to a competitor in the context of a block sale or bilateral negotiation. Reported to the CNMV as a Regulatory Announcement on 14/11/2018, with record number 271533.	The obligations provided for in Clauses "Transfer of shares after the Initial Period" and "Share transfer prohibition to a Competitor" of this Agreement shall remain in force until the earlier of (i) the end of a 4 year period as from the Completion Date; and (ii) the entry into an agreement by the Parties to terminate the effect of said Clauses.
INMOBILIARIA COLONIAL, SOCIMI, S.A. AND PREDICA PRÉVOYANCE DIALOGUE DU CRÉDIT AGRICOLE ("PREDICA"), CRÉDIT AGRICOLE ASSURANCES'S PERSONAL INSURANCE AFFILIATE	4.17	Predica may not transfer the shares in Colonial for 6 months unless the transfer is to a company in its group. For 9 months after the closing date, Predica shall refrain, and endeavour to ensure that its representatives refrain, from acquiring or offering to acquire, attempting, proposing or agreeing to acquire, announcing its intention to acquire, taking part in, supporting, negotiating, fostering or facilitating the acquisition, by means of a purchase offer, bid or exchange, business combination or in any other way, in relation to Colonial securities if this would cause Predica to hold more than 5% of the share capital or voting rights of Colonial. Predica may not, within 12 months, be involved in negotiations in relation to, or foster or facilitate: any hostile transaction relating to Colonial or any hostile attempt to gain voting power against Colonial's management team. Reported to the CNMV as "Other Relevant Information" on 4/08/2021, with record number 11242.	Lock-up: 04/02/2022 Standstill: 04/05/2022 and 04/08/2022 Transfer ordered on: 04/08/2022

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable:

No

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

A.8. Indicate whether any individual or legal entities currently exercise control or could exercise control over the company pursuant to Article 5 of the Securities Market Law. If so, identify them

No

A.9. Fill out the following tables on the company's treasury shares:

At year-end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
8,172,507		1.51

(*) Through:

Name or company name of the direct holder of an ownership interest	Number of direct shares
No data	

Explain the significant changes that occurred during the year:

Explain the significant changes

As part of the long-term incentive plan approved at the General Meeting of Shareholders of 21 January 2014, in April 2021 a total of 188,103 of the company's treasury shares were delivered to the beneficiaries of the plan, including the executive Directors.

On 14 July 2021, a Share Buyback Programme was launched as part of the share buyback plan approved by the General Meeting of Shareholders of the Company held on 29 June 2017. The programme, which ended on 16 November 2021, entailed the purchase of 5 million shares representing 0.93% of Colonial's share capital.

A.10. Give details of the applicable conditions and current timeline for the general meeting to authorise the board of directors to issue, buy back or transfer treasury shares.

The General Meeting of Shareholders of Colonial held on 29 June 2017 granted authorisation to the Board of Directors, under item five of the agenda, for the derivative acquisition of treasury shares. With respect to the terms and conditions of the authorisation: i) the nominal value of the shares acquired, directly or indirectly, in addition to those already held by the Company and its subsidiaries, may not exceed 10% of the share capital subscribed or any maximum amount that may be legally established; ii) the minimum price or consideration for acquisition shall be €0.01 per share and the maximum price or consideration for acquisition shall be the equivalent of the listing price of treasury shares acquired on an official regulated secondary market at the time of acquisition; iii) the procedure for acquisition may be purchase/sale, swap or any other method against payment, as circumstances advise, and iv) the duration of the authorisation is 5 years. The authorisation granted expressly provides that the shares acquired may be used in whole or in part for delivery or transfer to the directors, executives or employees of the Company or Group companies, directly or as a result of their option rights, within the scope of the Company's share price-based remuneration systems.

With regard to the authorisation to issue shares, the General Meeting of Shareholders of Inmobiliaria Colonial, SOCIMI, S.A. held on 30 June 2021 authorised the Board of Directors, in accordance with article 297.1b) of the Spanish Limited Liability Companies Law, to increase the 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 may deem appropriate. Within the maximum amount specified, the Board of Directors was given the power to disapply preemptive rights up to a maximum 20% of the share capital.

In addition to the foregoing, the General Meeting of Shareholders of Inmobiliaria Colonial, SOCIMI, S.A. of 30 June 2021 authorised the Board of Directors to issue, on behalf of the company, once or several times, for a maximum five-year period, new bonds that can be converted into company shares or other similar securities giving their holder the direct or indirect right to subscribe for company shares, with the express option to disapply shareholders' preemptive rights up to a maximum 20% of the share capital and to increase the share capital by the amount necessary to cater for the conversion.

As part of the long-term incentive plan consisting of the award of shares in Inmobiliaria Colonial, SOCIMI, S.A. approved at the General Meeting of 30 June 2021, it was resolved to authorise the Board of Directors to acquire the Company's treasury shares under the terms, and subject to the limits, established by law in order to cover the implementation of the Plan.

A.11. Estimated floating capital:

	%
Estimated floating capital	44.43

A.12. Give details of any restrictions (statutory, legal or otherwise) on the transfer of securities and/or voting rights. In particular, detail the existence of any kinds of restrictions that could hinder the company takeover through the purchase of its shares in the market, as well as any prior authorisation or communication rules that, with regard to the purchase or transfer of financial instruments in the company, would be applicable under the industry regulations.

Yes

Description of the restrictions

Section A.7 of this annual corporate governance report summarises the terms of the shareholders' agreements between Colonial and the companies Qatar Holding LLC and DIC Holding, as well as of the shareholders' agreement between Colonial and Predica Prévoyance Dialogue du Credit Agricole. These shareholders' agreements were reported to the CNMV as relevant information on 14 November 2018 (under record number 271533) and 4 August 2021 (under record number 11242), respectively.

A.13. Indicate whether the general meeting has resolved to adopt neutralisation measures to address a takeover bid by virtue of the provisions of Law 6/2007.

No

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

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

No

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

B. General meeting

B.1. Indicate and state, if any, the differences with respect to the minimums stipulated in the Spanish Limited Liability Companies Law (LSC) with regard to the quorum required for the constitution of the general meeting.

No

B.2. Indicate and, as applicable, describe any differences between the company's system of adopting corporate resolutions and the framework established in the Spanish Limited Liability Companies Law (LSC):

No

B.3. Indicate the rules governing amendments to the company's bylaws. In particular, indicate the majorities required to amend the bylaws and, if applicable, the rules for protecting shareholders' rights when the bylaws are amended.

Under the Company Bylaws, in order 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. Furthermore, a vote in favour by more than 50% of the share capital present in person or by proxy shall be sufficient to adopt resolutions with an absolute majority, whereas a vote in favour by two thirds of the share capital present in person or by proxy at the General Meeting shall be necessary when, on second call, the shareholders present represent 25% or more of the subscribed capital with voting rights, but less than 50%.

B.4. Indicate the attendance figures for the general meetings held during the year and those of the two previous fiscal years:

	Attendance information				
			% distance voting		
Date of the General Meeting	% attendance	% attendance by proxy	Electronic voting	Other	Total
14/06/2019	0.34	77.22	0.00	7.81	85.37
Of which floating capital:	0.34	35.55	0.00	0.27	36.16
30/06/2020	0.30	83.81	0.00	0.15	84.26
Of which floating capital:	0.00	29.59	0.00	0.15	29.74
28/06/2021	20.89	26.40	0.00	28.72	76.01
Of which floating capital:	0.00	26.40	0.00	2.80	29.20
30/06/2021	0.69	53.77	0.00	27.95	82.41
Of which floating capital:	0.00	27.88	0.00	6.49	34.37

B.5. Specify if there have been any items on the agenda at the General Meetings held during the year that, for whichever reason, were not adopted by the shareholders.

No

B.6. Indicate whether the bylaws contain any restrictions with respect to a minimum number of shares required to attend general meetings or to vote remotely:

Yes

Number of shares required to attend general meetings	500
Number of shares needed to vote remotely	1

In order to facilitate the exercise of the right to vote remotely with respect to the resolutions of the General Meetings, Colonial does not require a number of shares necessary to vote remotely. Article 19 of Colonial's Bylaws provides that shareholders may attend and vote at the General Meetings of Shareholders, in person or by proxy, where such shareholders, alone or as a group, hold at least five hundred shares, which must be entered in the shareholders register five days before the date scheduled for the General Meeting and provided they furnish proof of the foregoing by showing, at the registered office or the entities specified in the call notice, the relevant authentication certificate or the attendance card issued by Colonial or any entities responsible for keeping the shareholder register or any other method allowed by the current legislation.

In this regard, the Company's Board of Directors may enable, for each General Meeting, remote attendance by the shareholders and proxies by electronic means concurrently. In such event, the Board of Directors will establish the terms, forms and means set for shareholders and proxies to exercise their rights, in accordance with the laws, the Company Bylaws, and the Regulations of the General Meeting. All this will be included in the notice of the meeting.

And for the purpose of ensuring adequate exercise of voting rights, shareholders may vote at the General Meeting or grant proxy by remote means (i.e. by post, electronically or any other remote media, provided that the shareholder's identity is guaranteed and, where appropriate, electronic communications are secure). Shareholders who vote remotely will be considered as present for the purposes of quorum of the Meeting (Art. 12 of the Regulations of the General Meeting). The exercise of remote voting rights has been indicated and duly informed to shareholders in the notice of the General Meeting.

B.7. Indicate if there is a rule establishing that certain decisions, other than those established by law, that involve the purchase, disposal, contribution to another company of key assets, or other similar corporate operations, should be put to the vote at the General Meeting of Shareholders.

No

B.8. Indicate the address and method for accessing corporate governance content on the company's website, as well as other information on general meetings that must be made available to shareholders on the Company website.

https://www.inmocolonial.com/accionistas-e-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	11

On 30 June 2020 the following stopped being directors of the Company: Mr Javier Iglesias de Ussel Ordís and Mr Carlos Fernández-Lerga Garralda. As no substitutes were appointed at the following General Meeting of the Company, the number of directors has been established at 11.

C.1.2 Fill in the following table with the Board members' particulars:

Name or corporate name of the director	Representative	Category of the director	Position on the board	Date of first appointment	Date of last appointment	Appointment procedure
MS ANA CRISTINA PERALTA MORENO		Independent	DIRECTOR	14/06/2019	14/06/2019	RESOLUTION: GENERAL MEETING OF SHAREHOLDERS
MS SILVIA MÓNICA ALONSO-CASTRILLO ALLAIN		Independent	DIRECTOR	24/01/2019	14/06/2019	RESOLUTION: GENERAL MEETING OF SHAREHOLDERS
MR JAVIER LÓPEZ CASADO		Proprietary	DIRECTOR	24/05/2018	24/05/2018	RESOLUTION: GENERAL MEETING OF SHAREHOLDERS
MR CARLOS FERNÁNDEZ GONZÁLEZ		Proprietary	DIRECTOR	28/06/2016	30/06/2020	RESOLUTION: GENERAL MEETING OF SHAREHOLDERS
MS ANA LUCRECIA BOLADO VALLE		Independent	DIRECTOR	14/06/2019	14/06/2019	RESOLUTION: GENERAL MEETING OF SHAREHOLDERS

Name or corporate name of the director	Representative	Category of the director	Position on the board	Date of first appointment	Date of last appointment	Appointment procedure
MR PEDRO VIÑOLAS SERRA		Executive	CEO AND VICE-CHAIRMAN	18/07/2008	24/05/2018	RESOLUTION: GENERAL MEETING OF SHAREHOLDERS
MR JUAN JOSÉ BRUGERA CLAVERO		Executive	CHAIRMAN	19/06/2008	24/05/2018	RESOLUTION: GENERAL MEETING OF SHAREHOLDERS
MR LUIS MALUQUER TREPAT		Independent	INDEPENDENT LEAD DIRECTOR	31/07/2013	24/05/2018	RESOLUTION: GENERAL MEETING OF SHAREHOLDERS
MR JUAN CARLOS GARCÍA CAÑIZARES		Proprietary	DIRECTOR	30/06/2014	24/05/2018	RESOLUTION: GENERAL MEETING OF SHAREHOLDERS
MR SHEIKH ALI JASSIM M.J. AL-THANI		Proprietary	DIRECTOR	12/11/2015	30/06/2020	RESOLUTION: GENERAL MEETING OF SHAREHOLDERS
MR ADNANE MOUSANNIF		Proprietary	DIRECTOR	28/06/2016	30/06/2020	RESOLUTION: GENERAL MEETING OF SHAREHOLDERS

Total number of directors	11

Indicate any resignations from the Board of Directors during the reporting period, whether due to resignation or by resolution of the General Meeting:

Name or company name of the director	Category of director at date of departure	Date of last appointment	Date of departure	Special committees the director was a member of	Indicate whether the director left before the end of their term in office
No data					

Reason for departure if it occurs before the end of the term in office and other remarks; information on whether the director has sent a letter to the other members of the board and, in the case of the removal of non-executive directors, an explanation or opinion of the director removed by the general meeting

The reason for the resignation of Mr Carlos Fernandez-Lerga Garralda and Mr Javier Iglesias de Ussel Ordis is that 12 years have elapsed since they were first appointed as independent directors of Colonial, i.e., the maximum period stipulated in regulations for a director to be considered independent. Therefore, in accordance with the commitment made at the meeting of the Board of Directors held on 30 June, Mr Carlos Fernandez-Lerga Garralda and Mr Javier Iglesias de Ussel Ordis submitted their resignation as directors of the Company.

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

Executive directors

Name or company name of director	Position in the company organisation chart	Profile
MR PEDRO VIÑOLAS SERRA	Vice-Chair and CEO	He is a graduate in Business Management and MBA from ESADE and Universidad Politécnica de Cataluña, and holds a Diploma in Business Management from Universidad de Barcelona, where he also studied Law. In 1990, Pedro Viñolas began to work as Director of the Research Department at the Barcelona Stock Exchange, of which he later became Deputy Managing Director, where he remained until 1997. He then took up duties as Managing Director of FILO, S.A., a listed real estate company, where he remained until 2001. Subsequently, until July 2008, he was Partner and CEO at the Riva y García Financial Group. He has been Chairman of the Urban Land Institute in Spain and a member of the Board of Directors of the Riva y García Financial Group. He was also Chairman of the Spanish Institute of Financial Analysts in Catalonia from 1994 to 2000. He is currently a member of the Board of Directors of Société Foncière Lyonnaise and sits on its Executive Committee. He is a member of the Board of Trustees of ESADE, a member of the Board of Directors of Bluespace, S.A., and a member of the Board of Directors of the European Public Real Estate Association (EPRA).
MR JUAN JOSÉ BRUGERA CLAVERO	Chairman	Chairman of Inmobiliaria Colonial, SOCIMI, S.A. since 2008, and previously held the position of CEO from 1994 to 2006. Chairman of Société Foncière Lyonnaise since 2010. Previously he was Chief Executive Officer of Mutua Madrileña, CEO of SindiBank and Deputy General Manager of Banco de Sabadell. Other positions: He has been Chairman of the Board of Trustees of the Universidad Ramón Llull (URL); Chairman of the ESADE Foundation, Panrico, Holditex and the Círculo de Economía in Barcelona, and director of El Periódico de Catalunya. He is an Industrial Technical Engineer and holds an MBA from ESADE. PDG from IESE and Honorary Doctorate from the University of Rhode Island.

Total number of executive directors	2
% of the total board	18.18

External proprietary directors

Name or company name of director	Name or company name of the significant shareholder represented or proposing appointment	Profile
MR JAVIER LÓPEZ CASADO	GRUPO FINACCESS S.A.P.I. DE C.V.	He joined Finaccess as International Director of Asset Management in November 2010. Since 2012, he has been CEO of Finaccess Advisors LLC. Since 2014, he has also been responsible for Finaccess Estrategia S.L. in Spain, as well as Chairman of Finaccess Value since 2021. Prior to joining Finaccess, he worked as Senior Vice-President for Santander Private Banking in Miami. He previously held different posts in Banco Santander's International Private Banking area in Madrid and Miami. He worked at the Santander Group from 1996 to 2010. Before joining Banco Santander, he worked as a lawyer in Madrid. He has 22 years' experience in financial markets and is a member of Grupo Finaccess' Board of Directors, the International Investment Committee and the Audit Committee of Finaccess Advisors LLC. He is Chairman of SOLTRA S.L., a company working on the promotion, education and rehabilitation of people with different capacities in order to achieve full social integration, which currently has 400 employees. He also sits on the board of trustees of several Foundations in Spain and Mexico. Furthermore, as part of his membership of the Board of Directors of Inmobiliaria Colonial, SOCIMI, S.A., he has been a director and member of its Audit Committee since 2018. He holds a Law Degree from Universidad San Pablo CEU in Madrid, an MBA from the University of Miami and a Master's Degree in Legal and Tax Consultancy for Construction and Real Estate Companies from Universidad Politécnica of Madrid.
MR CARLOS FERNÁNDEZ GONZÁLEZ	GRUPO FINACCESS S.A.P.I. DE C.V.	An industrial engineer, he has followed senior management programmes at Instituto Panamericano de Alta Dirección de Empresa. For more than 30 years he has held positions of substantial responsibility, complexity and skills in the management of companies in various sectors. He was CEO (1997-2013) and Chairman of the Board of Directors (2005-2013) of Grupo Modelo. Between his appointment as CEO and 2013, this Group became the leading beer company in Mexico, the seventh group in the world and the largest beer export company in the world. Furthermore, he has been a Director in international and national companies, including Anheuser Busch (USA), Emerson Electric Co. (USA), Televisa Group (Mexico), Crown Imports, Ltd. (USA), Inbursa (Mexico) and Mexico Stock Exchange. Likewise, he was also a member of the international advisory board of Banco Santander, S.A. (Spain), Director of Grupo Financiero Santander México S.A.B de C.V. and, until October 2019, Director of Banco Santander, S.A. (Spain). He is currently the Chairman of the Board of Directors and general manager of Grupo Finaccess S.A.P.I. de C.V. – of which he is a founder – that operates in Mexico, the United States, Europe, China, Australia and New Zealand. In addition to Inmobiliaria Colonial, SOCIMI, S.A., he is also a Proprietary Director at AmRest Holdings, S.E. and Restaurant Brands New Zealand Limited.

External proprietary directors

Name or company name of director	Name or company name of the significant shareholder represented or proposing appointment	Profile
MR JUAN CARLOS GARCÍA CAÑIZARES	AGUILA, LTD	Industrial Engineer. He has also attended management programmes at IMD Switzerland, and holds an MBA granted jointly by the New York University Stern School of Business, London School of Economics and HEC Paris. He is an investment banker who has been responsible for more than $35 billion in mergers, acquisitions and financing of acquisitions over a period of 25 years. He was Vice-Chair of Planning for Bavaria, one of Latin America's leading breweries, where he was responsible for the $4 billion international brewery acquisition programme and for the subsequent $8 billion merger with SABMiller plc, creating the world's second largest brewery. In recent years, he led negotiations on behalf of the Santo Domingo Group for the conversion of its holding in SABMiller into a share in Anheuser Busch Inbev following the merger of the two, an operation which was finalised in 2016. Before joining the Santo Domingo Group, he was co-founder and Main Partner of Estrategias Corporativas, an investment bank firm in Latin America. He is currently the Managing Director of Quadrant Capital Advisors, Inc. in New York (a Santo Domingo Group investment company 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 & Surrey S.A.R.L. in Luxembourg, Bavaria, S.A. and Valorem, S.A. in Colombia and the Genesis Foundation in the United States.
MR SHEIKH ALI JASSIM M.J. AL-THANI	QATAR INVESTMENT AUTHORITY	A Qatar national. He has been working for more than 30 years with the Government of Qatar mainly in the fields of trade, finance and real estate. Since 2007, he has been a Senior Advisor on Strategy and Investments. Until 2016, he was Vice-Chair, member of the Board of Directors and of the Executive Committee of Housing Bank for Trade and Finance of Jordan (listed company and the second most important bank in Jordan). He was a member of the Board of Directors and Vice President of the United Arab Shipping Company in Dubai, UAE, from 2003 until 2016. Since 2007, he has been Vice President of LQB - Libyan Qatari Bank and in 2009 he was appointed Chairman and Managing Director of Qatar Navigation (having been a member of the Board of Directors of this listed company in Qatar since 2003). This holding company operates in sea transport and real estate. Since 2012, he has been a member of the Board of Directors of QADIC-Qatar Abu Dhabi Investment Company, a company specialising in real-estate investments and private equity. In November 2015, he was appointed Director of Socièté Foncière Lyonnaise (SFL).
MR ADNANE MOUSANNIF	QATAR INVESTMENT AUTHORITY	He has both French and Moroccan nationalities and is currently working at Qatar Investment Authority – QIA – the sovereign investment fund of Qatar. In recent years, he has taken part, on behalf of QIA, in most of its real-estate operations in Europe and America, including the acquisition of the Canary Wharf Group in London and the acquisition of the Virgin Megastore building in the Champs Elysees of Paris. He also took part, representing QIA, in acquiring a stake in Société Foncière Lyonnaise and in Inmobiliaria Colonial in Spain. Previously, he'd worked for several years for the Morgan Stanley Real Estate Investing funds in Europe. He has a master's degree in business creation and Finances by the ESCP Europe Business School and a university degree in Civil Engineering.

Total number of proprietary directors	5
% of the total board	45.45

External independent directors

Name or company name of director	Profile
MS ANA CRISTINA PERALTA MORENO	Ms Ana Peralta is currently an independent director of BBVA and Grenergy Renovables, S.A., a renewable energy company listed on the stock exchange, where she chairs the Audit and Control Committee and is a member of the Appointments and Remuneration Committee. 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. From 2009 to 2012 she sat on the Management Committee at Banco Pastor, where she worked as General Manager of Risk. From 2012 to 2018 Ms Ana Peralta divided her time between a post as Senior Advisor with Oliver Wyman Financial Services and was a member of several boards of directors. She was an independent director at Banco Etcheverría, at Deutsche Bank, SAE and also at Lar Holding Residencial. She holds a degree in Economics and Business Administration from the Madrid Complutense University and a Master's Degree in Financial Management from CEF (1991), and studied the PMD Programme (Program for Management Development) at Harvard Business School (2002) and the PADE programme at the IESE business school (2016).
MS SILVIA MÓNICA ALONSO-CASTRILLO ALLAIN	Holds a degree in Political Sciences from the Sciences Po University (Paris) and a Master's Degree in Spanish and Latin American Studies from the Paris-Sorbonne University. By civil service examination, she became a teacher of Spanish studies in France. She has been teaching and researching for 25 years (1984-2009) in a number of French academic institutions: University of Toulouse, Sciences Po and the ESSEC Business School. Author of several books on history and contemporary Spanish politics. Ms Alonso-Castrillo worked for the French Embassy in Singapore as a science and culture advisor, before being appointed regional director of INSEAD. She supervised the development of two campuses in Singapore: the French Lycée and INSEAD (1996-1999). Upon her return to Europe in 2000, she worked for 15 years with ESSEC, managing international development and fundraising for the business school, which also opened a campus in Singapore. In 2007, she founded in Madrid the consulting firm Sociedad de Estudios Hispano Franceses, S.L., which she led until 2019. Since 2013, Ms Alonso-Castrillo has run the family farm in the Loire Valley of France. She has served on the Board of the College de Bernardins (Paris) and on the Executive Committee of the Fondation pour les Sciences Sociales (Paris). Since 2017 she has been a member of the board of directors of KOIKI HOME, S.L.
MS ANA LUCRECIA BOLADO VALLE	She holds a degree in Pharmacy from the Madrid Complutense University, and also a Master's Degree in Business Administration (MBA) from IE Business School. In the course of her professional career, Ms Ana Bolado Valle has held various management positions at Santander Group (1986-2017), managing important business areas both wholesale and retail, digital transformation projects and key areas for the Group such as Corporate Human Resources Division between 2005 and 2010. She has also been Director of Parques Reunidos Servicios Centrales, S.A. Currently Ms Ana Bolado Valle is a proprietary director of Metrovacesa, S.A., appointed at the proposal of Banco Santander, S.A., Caceis Group and Caceis Bank. With regard to the latter organisation, Ms Ana Bolado is a member of the following committees: Strategy, Audit, Risks and Compliance and Appointments and Remunerations. Furthermore, she is a Senior Advisor for Fellow Funders – an equity crowdfunding platform to support the funding of start-ups and SMEs – and a member of the Instituto de Consejeros y Administradores (ICA, Institute of Directors and Administrators) and of Women Corporate Directors.
MR LUIS MALUQUER TREPAT	He holds a degree in Law from the University of Barcelona and a Diploma in International Institutions from the University of Geneva. Throughout his career, he has advised various national and international organisations in the specialist field of financial, banking and real estate law through his firm. He also has taught financial and banking law at various institutions, such as the Barcelona Chamber of Commerce, and he was a director of the European Society for Banking and Financial Law (AEDBF Paris). He is the founding partner of Despacho Maluquer Advocats, SCP, and is a board member and secretary to a number of companies, including Société Fonciére Lyonnaise, where he sits on the board. He was Chairman of the Argentinian Chamber of Commerce in Spain until 2019 and is currently a member of its Governing Board.

Total number of independent directors	4
% of the total board	36.36

List any independent directors who receive from the company or group any amount or payment other than standard director remuneration, or who maintain or have maintained during the period in question a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior officer of an entity which maintains or has maintained this relationship.

If applicable, include a statement from the board detailing the reasons why it believes this director may carry out duties as an independent director.

Name or company name of the director	Description of the relationship	Reasoned statement
No data		

Other external directors

Identify the other external directors and explain why these directors may not be considered proprietary or independent directors, and what their connection is with the Company, its officers or its shareholders:

Name or company name of the director	Reasons	Company, officer or shareholder to which this person is linked	Profile
No data			

Total number of external directors	N.A.
% of the total board	N.A.

Indicate any changes in the status of each director that may have occurred during the year:

Name or company name of the director	Date of change	Prior category	Current category
No data			

C.1.4 Fill out 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			
	2021	2020	2019	2018	2021	2020	2019	2018
Executive					0.00	0.00	0.00	0.00
Proprietary directors					0.00	0.00	0.00	0.00
Independent directors	3	3	3	1	75.00	75.00	50.00	25.00
Other External Female Directors					0.00	0.00	0.00	0.00
Total	3	3	3	1	27.27	27.27	23.08	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 Law on Audits of Accounts, should at least report about the policy they have established to ensure gender diversity.

Yes

If this is the case, describe the diversity policies, their targets, measures, and the way they have been implemented and their outcome in the fiscal year. Also indicate the specific measures taken by the Board of Directors and the Appointments and Remuneration Committee to ensure a balanced and diverse ratio of directors.

Should the company not have a diversity policy in place, explain the reasons for it.

Description of policies, targets, measures and way they have been implemented, as well as their outcome

In recent years, the Company has approved a Selection and Diversity Policy that specifies strict parameters for its application and has been developing specific planning for the implementation of this policy, which has had the positive result of tripling the number of female directors in 2019, with this number being maintained throughout 2021. Thus, this Selection and Diversity Policy, applicable to the appointment and re-election of candidates to the Board of Directors, is based on the principles of diversity and balance in the composition of the Board of Directors, within the general objective of providing effectiveness and professionalism to the operation of this body and increasing the quality of corporate management. In accordance with the Selection and Diversity Policy, the selection of candidates for directorship will require a prior analysis of the company's needs, which will be carried out by the Board of Directors, based on a report by the Appointments and Remuneration Committee (ARC). In this process, individuals will be sought who meet the requirements of professional and personal qualifications and honesty, as well as capacity, set out in the Policy. Upon recruiting such candidates, the Board will make sure that the selection processes foster diversity in age, gender, disability, education and work experience in the Board of Directors. In relation to diversity, and after the last modification made in 2020, the Policy has among its objectives that by the end of 2022 the number of female directors should represent at least 40% of the total number of members of the Board of Directors. Likewise, the Policy also includes as a target that the appointment of Directors should meet the general criteria on the composition of the Board of Directors, in particular, having a balanced number of executive, proprietary and independent Directors, subject to the principles and recommendations listed in the GGC. In 2020, at the proposal of the ARC, a request to modify the Diversity Policy was submitted to the Board for approval to align the policy with the new recommendations of the Good Governance Code for listed companies, approved by the Spanish Securities Market Commission (CNMV) in June 2020. In addition to the above-mentioned modification regarding gender diversity, one of the most significant changes worth highlighting is the inclusion of age as a criterion for the selection of directors. No vacancies on the Board of Directors arose in 2021. However, as provided in the Selection and Diversity Policy, the ARC carried out the annual verification of compliance with the policy and submitted its conclusions to the Board of Directors. As a result, the number of directors on the ACC was increased in 2021 with a new female member being appointed to the committee.

C.1.6 Explain any measures that may have been agreed by the appointments committee to prevent any implicit bias in selection procedures to hinder the selection of female directors, and for the company to deliberately strive to include women with the professional profile sought as candidates, and that will ensure a balanced ratio of women and men. Also indicate whether these measures include encouraging the company to have a significant number of female senior officers:

Explanation of the measures

The Board of Directors of Colonial, pursuant to its internal policies and, in particular, the aforementioned policy on Selection and Diversity, has maintained, as an objective for fiscal year 2021, the promotion of the presence of women on the Board. This task was already carried out during fiscal year 2019 with the appointment by the General Meeting of three new independent female directors, all within the framework of the Company's internal policies, aligned with international standards and recommendation 14 of the Code of Good Governance, while also ensuring cultural diversity and the presence of members with international knowledge and experience on the Board. As to the ARC's actions, as provided in the Selection and Diversity Policy, in 2021 the ARC verified compliance with the said policy and reported its conclusions to the Board of Directors. Furthermore, although no vacancies on the Board of Directors arose during the year, leaving the percentage of female Board members unchanged since 2020, the percentage of female members on its delegated committees has been gradually increasing to the point of always accounting for at least 40% of their members as provided in the recommendation of the Unified Good Governance Code for 2022, and all the delegated committees are chaired by women.

When, despite any measures adopted, there are few or no female directors or senior officers, explain the reasons:

Explanation of the reasons

There were no vacancies in, or appointments to, the Board of Directors in 2021. Notwithstanding the foregoing, the weight of women on the Board of Directors has been gradually increasing to the point that the Audit and Control Committee, the Appointments and Remuneration Committee and the Sustainability Committee are now all chaired by women. Furthermore, the female directors on the above-mentioned committees account for 40% of their members in the case of the ACC and the ARC, and 60% in the case of the Sustainability Committee.

C.1.7 Explain the conclusions of the Appointments Committee on the verification of compliance with the policy aimed at fostering an appropriate composition of the Board of Directors.

As part of the verification of compliance with Colonial's Selection and Diversity Policy, in 2021 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. Pursuant to the above, and with the aim of continuing to promote a diverse composition that is able to meet the needs of the Board of Directors, the ARC resolved to propose the appointment of Ms Ana Bolado Valle to the Audit and Control Committee and analysed the classification of the members of the Board of Directors in accordance with the corporate documents, the Spanish Limited Liability Companies Law and the corporate governance recommendations.

C.1.8 Explain any reasons for which proprietary directors have been appointed at the behest of shareholders accounting for less than 3% of share capital:

Name or company name of the shareholder	Justification
No data	

Provide details of any rejections of formal requests for board representation from shareholders whose shareholding is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If so, explain why these requests have not been granted.

No

C.1.9 Indicate the powers, if any, including in relation to the issue or buyback of shares, 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 officers at other companies forming part of the listed company's group:

Name or company name of the director	Group company name	Position	Does the member have executive functions?
MR PEDRO VIÑOLAS SERRA	Société Foncière Lyonnaise	Vice-Chairman and Director	NO
MR PEDRO VIÑOLAS SERRA	Inmocol One, S.A.U.	Natural person representing the sole director, Inmobiliaria Colonial, SOCIMI, S.A.	YES
MR PEDRO VIÑOLAS SERRA	Inmocol Torre Europa, S.A.	Director	NO
MR PEDRO VIÑOLAS SERRA	Inmocol Two, S.L.U.	Natural person representing the sole director, Inmobiliaria Colonial, SOCIMI, S.A.	YES
MR PEDRO VIÑOLAS SERRA	Inmocol Three, S.L.U.	Natural person representing the sole director, Inmobiliaria Colonial, SOCIMI, S.A.	YES
MR PEDRO VIÑOLAS SERRA	Colonial Tramit, S.L.	Natural person representing the sole director, Inmobiliaria Colonial, SOCIMI, S.A.	YES
MR PEDRO VIÑOLAS SERRA	Utopicus Innovación Cultural, S.L.	Director	NO
MR JUAN JOSÉ BRUGERA CLAVERO	Société Foncière Lyonnaise	Chairman of the Board of Directors	NO

Name or company name of the director	Group company name	Position	Does the member have executive functions?
MR LUIS MALUQUER TREPAT	Société Foncière Lyonnaise	Director	NO
MR SHEIKH ALI JASSIM M.J. AL-THANI	Société Foncière Lyonnaise	Director	NO

C.1.11 Provide details of the positions of director or equivalent, or representative thereof, held in other companies, whether or not they are listed companies, by directors or representatives of directors who are members of the Board of Directors of the company:

Identification of the director or representative	Company name, whether or not it is a listed company	Position
MR CARLOS FERNÁNDEZ GONZÁLEZ	AmRest Holdings, S.E.	DIRECTOR
MR CARLOS FERNÁNDEZ GONZÁLEZ	Restaurant Brands New Zealand Limited	DIRECTOR
MR CARLOS FERNÁNDEZ GONZÁLEZ	Centros de Conocimiento Tecnológico, S.A. de CV	DIRECTOR
MR CARLOS FERNÁNDEZ GONZÁLEZ	Estudia Más, S.A.P.I. de C.V. (antes Promotora de Crédito Educativo, S.A.P.I. de C.V.)	DIRECTOR
MR CARLOS FERNÁNDEZ GONZÁLEZ	Prepárate, S.A. de C.V.	DIRECTOR
MR CARLOS FERNÁNDEZ GONZÁLEZ	Fundación CEPA González Díez	CHAIRMAN
MR CARLOS FERNÁNDEZ GONZÁLEZ	Grupo Finaccess S.A.P.I. de C.V.	CHAIRMAN AND CEO
MR CARLOS FERNÁNDEZ GONZÁLEZ	Grupo Far-Luca, S.A. de C.V.	CHAIRMAN
MR CARLOS FERNÁNDEZ GONZÁLEZ	Finacprom, S.A. de C.V.	CHAIRMAN
MR CARLOS FERNÁNDEZ GONZÁLEZ	Fundacion Antonino y Cinia, A.C.	CHAIRMAN
MR CARLOS FERNÁNDEZ GONZÁLEZ	Finaccess Filantropía, A.C.	DIRECTOR
MR JAVIER LÓPEZ CASADO	Fundación Cerezales Antonio y Ciria	DIRECTOR
MR JAVIER LÓPEZ CASADO	Grupo Finaccess S.A. de C.V.	DIRECTOR
MR JAVIER LÓPEZ CASADO	Fundación Residencia Vegaquemada	DIRECTOR
MR JAVIER LÓPEZ CASADO	Fundación Antonino y Cinia Ac	DIRECTOR
MR JAVIER LÓPEZ CASADO	Fundación SOLTRA	CHAIRMAN
MR JAVIER LÓPEZ CASADO	Finaccess Estrategia, S.L.	CHAIRMAN
MR JAVIER LÓPEZ CASADO	Soltra, S.L.	CHAIRMAN
MR JAVIER LÓPEZ CASADO	Finaccess Value Agencia A.V.	CHAIRMAN
MR JAVIER LÓPEZ CASADO	Cinia de México, S.A. de C.V.	CHAIRMAN
MR JAVIER LÓPEZ CASADO	Finaccess Advisors LLC	CEO
MR JUAN CARLOS GARCÍA CAÑIZARES	Valorem S.A.	DIRECTOR
MR JUAN CARLOS GARCÍA CAÑIZARES	Valorem S.A. (Colombia)	DIRECTOR
MR JUAN CARLOS GARCÍA CAÑIZARES	SNI International Holdings S.a.r.l.	DIRECTOR
MR JUAN CARLOS GARCÍA CAÑIZARES	Park S.A.R.L.	DIRECTOR
MR JUAN CARLOS GARCÍA CAÑIZARES	Bavaria, S.A	DIRECTOR
MR JUAN CARLOS GARCÍA CAÑIZARES	Bevco Lux S.A.R.L.	DIRECTOR
MR JUAN CARLOS GARCÍA CAÑIZARES	Samson and Surrey S.a.r.l.	DIRECTOR
MS ANA LUCRECIA BOLADO VALLE	Metrovacesa, S.A.	DIRECTOR

Identification of the director or representative	Company name, whether or not it is a listed company	Position
MS ANA LUCRECIA BOLADO VALLE	Unicaja Banco, S.A.	DIRECTOR
MS ANA LUCRECIA BOLADO VALLE	Caceis Group	DIRECTOR
MS ANA LUCRECIA BOLADO VALLE	Caceis Bank	DIRECTOR
MS ANA CRISTINA PERALTA MORENO	Banco Bilbao Vizcaya Argentaria, S.A.	DIRECTOR
MS ANA CRISTINA PERALTA MORENO	Grenergy Renovables, S.A.	DIRECTOR
MS SILVIA MÓNICA ALONSO-CASTRILLO ALLAIN	Koiki Home, S.L.	REPRESENTATIVE OF THE DIRECTOR PHITRUST PARTENAIRES EUROPE, S.A.S.
MR PEDRO VIÑOLAS SERRA	Blue Self Storage, S.L.	DIRECTOR
MR SHEIKH ALI JASSIM M.J. AL-THANI	26 Champs Elysees	DIRECTOR
MR SHEIKH ALI JASSIM M.J. AL-THANI	Al Nuran Bank	CHAIRMAN
MR SHEIKH ALI JASSIM M.J. AL-THANI	Happag Lloyd	DIRECTOR
MR SHEIKH ALI JASSIM M.J. AL-THANI	Rayyan Islamic Bank	DIRECTOR
MR ADNANE MOUSANNIF	Elypont	DIRECTOR
MR LUIS MALUQUER TREPAT	Vitek, S.A.	SOLE DIRECTOR
MR LUIS MALUQUER TREPAT	Filux, S.A.	SOLE DIRECTOR
MR SHEIKH ALI JASSIM M.J. AL-THANI	Qatar Insurance and re-insurance co.	DIRECTOR

Based on the information available to the Company, all the positions reported, except for those held in non-profit organisations, are directly or indirectly remunerated.

In addition to the above:

> MR Carlos Fernández González is a Trustee of the company Endeavor España.

> MR Javier López Casado is a Protector in the company Diluma Trust.

> MR Javier López Casado is Treasurer of Fundación CEPA González Díez.

> MR Juan Carlos García Cañizares is Managing Director of Quadrant Capital Advisors, Inc.

Indicate any other remunerated activities of any kind carried out by the directors or their representatives, other than those set forth in the above table.

Identification of the director or representative	Other remunerated activities
MR LUIS MALUQUER TREPAT	Maluquer Advocats, S. Civil Profesional

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

Yes

Explanation of the rules and identification of the document where they are established

Colonial, in view of its internal principles of organisation and the proper functioning of its administrative and management structure, and in the company's best interests, establishes in its Regulations of the Board of Directors that directors may not sit on more than four boards of directors of Spanish listed companies other than Colonial. However, the Executive Directors of the Company may not sit on more than two boards of directors of listed companies other than Inmobiliaria Colonial or Group companies. The Board of Directors may dispense with this ban in exceptional circumstances.

It should also be pointed out that Board Regulations establish that they must carry out their functions and meet the obligations imposed on them by law, the Company Bylaws and other internal regulations with the diligence of an orderly entrepreneur, in due consideration of the nature of the post and the functions assigned to them; their dedication must be appropriate at all times, and they must take the necessary measures for proper management and control of the Company.

C.1.13 Specify the amounts of the following items regarding the global remuneration of the Board of Directors:

Remuneration accrued by the Board of Directors during the fiscal year (thousands of euros).	7,229
Amount of funds accumulated by current directors under long-term savings schemes with vested economic rights (thousands of euros)	1,122
Amount of funds accumulated by current directors under long-term savings schemes with non-vested economic rights (thousands of euros)	
Amount of funds accumulated by former directors under long-term savings schemes (thousands of euros)	

The remuneration accrued by the Board of Directors during the fiscal year matches the group's total remuneration.

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

Name or corporate name	Position(s)
MR ALBERTO ALCOBER TEIXIDO	Business Manager
MR CARLOS ESCOSA FARGA	Head of Internal Audit
MS NURIA OFERIL COLL	Head of the Legal Department
MS CARMINA GANYET CIRERA	Corporate General Manager
MR JUAN MANUEL ORTEGA MORENO	Head of Sales and Chief Investment Officer

Number of women in senior management	2
Percentage of total members of senior management	40.00

Total remuneration of senior management (thousands of euros)	2,939

In accordance with section C.1.13 above, this figure includes the total remuneration for the senior management team at group level.

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

Yes

Description of changes

The aim of the amendments made to certain articles of the Regulations of the Board of Directors was to: (i) adapt them to the amendments made to Law 5/2021 of 12 April, which amends the consolidated text of the Spanish Limited Liability Companies Law, passed by Royal Decree Law 1/2010 of 2 July, and other financial rules regarding encouraging shareholders' long-term involvement in listed companies; (ii) adapt them to the Code of Good Governance for Listed Companies, which was revised by the Spanish Securities Market Commission on June 2020; (iii) govern the operations of the Sustainability Committee; and (iv) add technical improvements and clearer wording.

C.1.16 Indicate the procedures for the selection, appointment, re-election and removal of directors. Give details of the competent bodies, the formalities to be fulfilled and the criteria to be used in each of the procedures.

In order to meet the highest standards in the selection of candidates for directors, based on knowledge and experience in the sector and in the management of listed companies, Colonial has developed its procedures for the selection, appointment, re-election and removal of directors, which are regulated in the Regulations of the Board of Directors, through the Selection and Diversity Policy, approved by the Board at the proposal of the ARC. In accordance with this policy, the Board of Directors will first analyse the Company's and the Group's needs, with the support of appropriate advisors, and, in any case, will base its analysis on the appointment proposed by the Appointments and Remuneration Committee or its report on the matter. The directors are appointed by the General Meeting or, in the event of early vacancies, by the Board, exercising its power to co-opt. The ARC makes proposals for the appointment or re-election of independent directors. In all other cases, the Board is responsible for making proposals. Proposals must be accompanied by a supporting report from the Board that assesses the competence, experience and merits of the proposed candidates, which will be attached to the minutes of the General Meeting or the Board meeting.

The proposal for the appointment or re-election of any non-independent director should also be preceded by an ARC report. In order for the shareholders at the General Meeting to have the information necessary for the appointment of directors, from the publication of the call notice and until the General Meeting is held, the Company must continuously post on its corporate website the following information, at least, on the persons proposed for appointment, ratification or re-election as Board members: their identity, CV and category to which each belongs, and the aforementioned proposal and reports and ARC explanatory report containing the findings of the analysis performed beforehand of the Board's needs. 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 office as set forth in the Company Bylaws, except where just cause is found by the Board, based on a report by the ARC. 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 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. In addition, the Board of Directors may propose the removal of other directors prior to the expiry of the statutory period for which they were appointed for exceptional and justifiable reasons as approved by the Board following 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 the notification of the departure as other significant information and the 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 pursued by Colonial in the fulfilment of its corporate governance functions, extending the requirements applicable to listed companies by regulation or recommendation of good practices, 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 2020 fiscal year was satisfactory. Nevertheless, and in order to fulfil the Company's aim, the recommendations for improvement proposed for 2021 included, among others, further developing the corporate ESG strategy and the directors' refresher training plan, as well as greater monitoring of Utopicus' activities.

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, Secretary to the Board and Independent Lead Director. In this regard, questionnaires were sent to all directors for these evaluations, covering various matters and collecting general recommendations for improvement. Once the responses had been received, the ARC prepared the related reports evaluating the Board of Directors, Sustainability Committee, Chairman, CEO, Independent Lead Director and Secretary to the Board, 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 Independent Lead 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 annual 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 Independent Lead Director and the Secretary to the Board, with the consultant maintaining its independence at all times 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 directors must place their post at the disposal of the Board of Directors and tender their resignation, if the latter deems it appropriate following a report from the ARC, in the following cases: 1. When they become subject to any incompatibility or prohibition established by law. 2. When they cease to discharge the executive functions associated with their appointment as directors or when the reasons for their appointment cease to exist. Specifically, proprietary directors shall tender their resignation when the shareholder they represent sells off the entire shareholding in Colonial or when the number of shares held requires a reduction in the number of proprietary directors. In cases in which, notwithstanding what had been previously envisaged, the Board of Directors considers that there are reasons justifying the Director remaining in office, the impact that the new circumstances may have on the qualification of the Director will be taken into account. 3. When they have been seriously reprimanded by the ARC for having infringed any of their duties as directors. 4. When their remaining 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, directors must inform the Board and, if appropriate, resign, in the event of any situations that affect them, regardless of whether or not they are related to their performance in the Company, that could affect the Company's reputation. In particular, they must inform the Board of any criminal case in which they are involved and under investigation as well as of any procedural events in such case. If the Board of Directors is informed or otherwise made aware of any of the situations mentioned in the preceding paragraph, the Board shall examine the case as soon as possible and, based on the specific circumstances, shall decide, after receiving a report from the ARC, whether to take any action. Likewise, Colonial informs its independent directors of the legal time limit of 12 years so that, once this period has elapsed, appropriate steps can be taken to comply with the applicable legislation.

C.1.20 Are qualified majorities other than those prescribed by law required for any type of decision?

No

If applicable, describe the differences.

C.1.21 State whether there are any specific requirements, apart from those relating to the directors, to be appointed chairman of the Board of Directors.

No

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

No

C.1.23 Indicate whether the Bylaws or the Board regulations set a limited term of office or other stricter requirements for independent directors other than those established by the regulations:

No

C.1.24 Indicate whether the Bylaws or Board regulations stipulate specific rules to delegate votes on the Board of Directors to other directors, the procedures thereof and, in particular, the maximum number of proxy votes a director may hold. Also, indicate whether there is any limit as to the categories in which it is possible to delegate votes, beyond the limits provided in law. Also indicate whether there is any limit as to the categories in which it is possible to delegate votes, beyond the limits provided in law.

In order to establish a set of operating rules for the Board that allow the effective performance of its functions within the framework of the governance requirements applicable to the Company under both its internal rules and the legislation, the Regulations of the Board of Directors allow, in accordance with the Spanish Limited Liability Companies Law, to confer representation in writing specifically for each meeting, and only in favour of another member of the Board. However, non-executive directors may only assign proxy to another non-executive director.

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 for this purpose shall also include proxies appointed with specific instructions.

Number of Board meetings	12
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	2

Indicate the number of meetings of the various Board Committees held during the fiscal year:

Number of executive committee meetings	1
Number of appointments and remuneration committee meetings	9
Number of audit committee meetings	11
Number of sustainability committee meetings	4

Due to the recent creation of the Sustainability Committee in December 2020, no meetings were held during the year.

C.1.26 Indicate the number of meetings held by the Board of Directors during the fiscal year and the attendance data of its members:

Number of meetings where at least 80% of directors attended in person	11
% of attendance in person out of the total votes during the fiscal year	98.00
Number of meetings with attendance in person, or by proxy with precise instructions, of all the directors	11
% of votes cast with attendance in person, or by proxy with precise instructions, out of the total votes during the year	100.00

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

Yes

Identify, where applicable, the person(s) who certified the company's individual and consolidated annual financial statements to be drawn up by the board:

Name	Position
MS ANGELS ARDERIU IBARS	Chief financial officer

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to ensure that the Board of Directors can present the company's annual financial statements to the General Meeting of Shareholders in compliance with accounting standards.

In accordance with the Regulations of the Board of Directors, the Audit and Control Committee shall ensure that the Board of Directors submits the financial statements to the General Meeting of Shareholders without limitations or reservations in the audit report. In any exceptional cases where such reservations exist, the Chairman of the Audit and Control Committee and, in exceptional circumstances, the auditors also, shall give a clear account of the contents and scope of these limitations or reservations to the shareholders. In any case, based on the functions granted to it in this regard by Board Regulations, the Audit and Control Committee constantly monitors the process of preparing the individual and consolidated financial statements to prevent them from being prepared with reservations in the audit report. In any case, there were no reservations in the year ended 31 December 2021.

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

No

If the secretary is not a director, fill out 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.

The obligations of the ACC include the obligation to preserve the independence of the external auditor in the performance of its duties. Furthermore, the ACC will: (i) should the external auditor resign, examine the circumstances that led to such resignation; (ii) ensure that the external auditor's compensation for his/her work does not compromise his/her integrity or independence; (iii) supervise that the Company reports as additional information to the Spanish Securities Market Commission (CNMV) the change of auditor alongside a statement on the likeliness of a disagreement on the contents with the outgoing auditor; and (iv) ensure that the Company and the external auditor adhere to the current regulations on the provision of non-audit services as well as the limits on the auditor's business concentration and, in general, all the other rules on auditor independence. It is also a function of the ACC to establish the necessary relations with the external auditor in order to receive information on any matters that might jeopardise the auditors' independence, for examination by the Committee, any other matters related to the accounts audit process and, when appropriate, to authorise non-prohibited services on the terms provided in current legislation relating to independence and to communicate with the auditors as provided for in the financial audit legislation and auditing standards. In any case, each year, the external auditors shall be required to furnish a statement of their independence with respect to the Company or entities related directly or indirectly thereto, as well as detailed and separate information on any manner of additional services of any kind provided and the related fees received from these entities by the external auditor or entities related thereto in accordance with the governing accounts audits. The ACC shall also issue, prior to the audit report, an annual report expressing an opinion on whether the independence of the auditors or audit companies has been compromised. This report shall, in any case, contain the evaluation of the provision of each and every additional service referred to in the preceding section, considered individually and as a whole, other than legal audit services in relation to the rules on independence or in accordance with the audit regulations. Additionally, the ACC has an authorisation procedure of the external auditor's services other than the prohibited ones. Likewise, the Regulations of the Audit and Control Committee, in line with Technical Guide 3/2017 on audit committees of public interest entities of the CNMV of 27 June 2017, establishes the procedure and specific criteria that the Committee must follow to preserve, among other aspects, the independence of the external auditors.

C.1.31 Indicate whether the company changed its external auditors during the fiscal year. If so, identify the incoming auditor and the outgoing auditor:

No

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

No

C.1.32 Indicate whether the auditing firm performs other non-audit work for the company and/or its group and if so, state the amount of the fees received for such work and the percentage that this amount represents out of the fees billed to the company and/or its group for auditing work:

Yes

	Company	Group companies	Total
Amount for non-audit work (thousands of Euros)	196	62	258
Amount for non-audit work/Amount for audit work (in %)	70.25	16.58	39.51

Of this, €166,000 was for audit-related services provided to the Group involving limited reviews, the issue of comfort letters and agreed-upon procedure reports on ratios linked to finance contracts and an agreed-upon procedure report on net asset value and net cashflow. The rest – €92 million – involves fees for other professional services to review the Green Bonds Report and the ESG indicators in the Integrated Annual Report and carry out reviews of English translations of various items of compulsory information.

C.1.33 Indicate whether the audit report for the annual financial statements of the previous fiscal year included any qualified opinions. Indicate the reasons given by the chairman of the audit committee to the shareholders of the General Meeting to explain the contents and scope of the qualified opinions.

No

C.1.34 Indicate the number of consecutive years that the current audit firm has been auditing the Company's individual and/or consolidated annual financial statements. Likewise, indicate for how many years the current firm has been auditing the annual financial statements as a percentage of the total number of years over which the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	5	5
Number of years audited by the current audit firm/ number of years the company or its group has been audited (in %)	14.29	14.29

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

Details 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, under the Regulations of the Board of Directors, the Chairman, with the collaboration of the Secretary, ensures that the directors have, beforehand and sufficiently in advance, the necessary information for the deliberation and adoption of resolutions on the matters to be discussed at each meeting, unless the Board of Directors has convened or has been called on an exceptional basis for reasons of urgency. Likewise, any director may, at the request of the Chairman, Managing Director, or Secretary, request and examine the books, records, documents and other background information on corporate transactions, and may also obtain the necessary supplementary information from any interlocutors deemed appropriate. Lastly, the Company shall establish suitable channels for directors to obtain the advice they need to carry out their duties including, if necessary, external advise at the Company's expense. In this regard, in view of the functions of the Board Chairman, the directors shall send the Chairman requests for external assistance when they deem this necessary. Furthermore, the Regulations of the Board of Directors stipulate that the committees may resort to external advice when deemed necessary for their roles, following the same procedure as set forth above.

C.1.36 Indicate and, where appropriate, provide details of whether the company has established rules requiring directors to report and, where applicable, resign in the event of any circumstances that may affect them, whether or not related to their performance at the company, that could jeopardise the company's credit or reputation:

Yes

Explain the rules

Board Regulations stipulate that directors must tender their resignation to the Board of Directors and resign if the latter deems it appropriate subsequent to a report from the ARC when their continuation as a Board member may adversely affect the operation of the Board or jeopardise the credit or reputation of the Company for any reason. In particular, the directors must inform the Board of any criminal proceedings in which they are an accused party and of the subsequent progress of the proceedings. In any event, if a director is prosecuted or has 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 shall decide, in view of the particular circumstances, whether or not the director should remain in office, providing reasonable reasons in the Annual Corporate Governance Report.

C.1.37 Indicate, unless special circumstances have arisen and been recorded in the minutes, whether the Board has been informed or has otherwise become aware of any circumstances affecting a director, whether or not related to their performance at the company, that could jeopardise the company's credit or reputation:

No

C.1.38 Detail any significant resolutions taken by the company which will come into force, are amended or terminated in the event of a change of control of the company following a takeover bid and the effects thereof.

As of 31 December, the Company had a €1 billion credit facility, split into two tranches of €500 million each, maturing in 2025 and with the possibility of extending the second tranche to 2027. As of 31 December, the full amount of both tranches was available. In addition, the Company has a bilateral loan for €75.7 million that also provides for acceleration in the event of a change of control. Both loans are based on sustainability and related to recognising the impact of Colonial's sustainability strategy through the GRESB (*Global Real Estate Sustainability Benchmark*) sustainability rating.

In addition, several issues of fixed-income securities have been carried out, providing for the early maturity of the debentures, at bondholders' option, in the event of a change of control leading to the loss of the Investment Grade rating. The total amount of the issues is €2.8122 billion.

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 managers, officers and employees that provide for indemnities or guarantee or golden parachute clauses in the event of resignation, unfair dismissal or termination of the contractual relationship as a result of a takeover bid or other operations.

Number of beneficiaries	3
Type of beneficiary	**Description of the agreement**
Chairman of the Board, CEO and Corporate General Manager	Chairman: He will receive additional remuneration by way of severance payment in the event of unjustified removal or non-renewal or a substantial reduction of his functions. This shall also accrue: (a) if he leaves or resigns from his position due to a change of control in the Company or to a significant change in the composition of the Board; (b) if the terms of his contract are amended without his consent; and (c) in any other cases that may be established by the Board of Directors. The severance payment will be calculated taking into account two years of his fixed remuneration (€750,000) and target annual variable remuneration (100% of his fixed remuneration), excluding any other amounts already received and the rights derived from the long-term incentive in force at the time. Under the current Long Term Incentive Plan approved at the Ordinary General Meeting of 30/06/2021, if during the term of the plan he is removed from office without just cause, the General Meeting fails to extend his term of office or his functions are significantly modified (including losing his executive status), he will be entitled to an early settlement of the plan as follows: (a) if the event that gave rise to the early settlement of the plan takes place within the first 18 months of one of the plan's three cycles, he shall be entitled to receive the target number of shares to which he is entitled in that cycle pro rata for the number of days between the first day of the cycle in which the event took place and the effective date of termination, failure to extend his term or significant change to his functions; (b) if the event that gave rise to the early settlement of the plan takes place in the second half of a cycle's target measurement period, he shall be entitled to receive the target number of shares to which he is entitled for that cycle. He will lose his right to the delivery of shares in the event of justified dismissal, except for objective causes, termination of his contract with just cause or resignation, and in the event of a breach of contract in respect of confidentiality, non-solicitation of services or competition. On 28/02/2020 the Board of Directors resolved to terminate the Chairman's executive duties and for him to remain as non-executive Chairman under the "other external" category from 30/04/2022. Therefore, as provided in his contract and the Remuneration Policy, he will receive €3 million corresponding to two years' gross fixed and variable annual remuneration. From 01/05/2022, he will hold the position of non-executive Chairman without the right to any compensation for termination of his contractual relationship. CEO: He will receive additional remuneration by way of severance payment in the event of unjustified removal or non-renewal or a substantial reduction of his functions. This shall also accrue: (a) if he leaves or resigns from his position due to a change of control in the Company or to a significant change in the composition of the Board; (b) if the terms of his contract are amended without his consent; and (c) in any other cases that may be established by the Board of Directors. The severance payment will be calculated taking into account two years of his fixed remuneration (€750,000) and target annual variable remuneration (100% of his fixed remuneration), excluding any other amounts already received and the rights derived from the LTIP in force at the time.

Type of beneficiary	Description of the agreement
	Under the current LTIP approved at the Ordinary General Meeting of 30/06/2021, if during the term of the plan he is removed from office without just cause, the General Meeting fails to extend his term of office or his functions are significantly modified (including losing his executive status), he will be entitled to an early settlement of the plan as follows: (a) if the event that gave rise to the early settlement of the plan takes place within the first 18 months of one of the plan's three cycles, he shall be entitled to receive the target number of shares to which he is entitled in that cycle of the plan pro rata for the number of days between the first day of the cycle in which the event took place and the effective date of termination, failure to extend his term or significant change to his functions; (b) if the event takes place in the second half of a cycle's target measurement period, he shall be entitled to receive the target number of shares to which he is entitled for that cycle. In addition, he will lose his right to the delivery of shares for justified dismissal, except for objective causes, termination of his contract with just cause or resignation, and in the event of a breach of contract in respect of confidentiality, non-solicitation of services or competition. Corporate General Manager: If she is dismissed by the Company (with the obligation to give three months' notice) and/or due to a change of control of the Company, she shall receive an amount of gross compensation equal to: (a) twice the annual fixed remuneration in force as at the date on which the contract comes to an end; plus (b) the sum of the amounts of variable remuneration received by her in the two years leading to the date on which the contract comes to an end (in the event of a change of control, provided that the contract comes to an end within three months following the change of control). The severance payment shall be calculated excluding any amounts already received and any rights arising from her participation in the LTIP in force at any given time. In the event of dismissal on disciplinary grounds or unfair dismissal, the same severance pay shall apply as in the case of dismissal by the company. Finally, as a beneficiary of the LTIP approved at the Ordinary General Meeting of Shareholders of 30/06/2021, it is envisaged that she will lose her right to the delivery of shares in the event of justified dismissal except for objective causes, termination of her contract with just cause or resignation on her own initiative, and in the event of a breach of contract in respect of confidentiality, non-solicitation of services, or competition. In these cases, she will lose any rights to shares that have been granted.

Indicate whether, beyond the assumptions envisaged in the legislation, these contracts must be reported to, and/or authorised by, the governing bodies of the company or its group. If this is the case, specify the procedures, assumptions foreseen and nature of the bodies in charge of their approval or their communication:

	Board of Directors	General Meeting
Body which authorises the clauses	√	

	Yes	No
Is the General Meeting informed of the clauses?		√

C.2. Board Committees

C.2.1 Give details of all board committees, their members and the proportion of executive, proprietary, independent and other external directors that form them:

Executive committee

Name	Position	Category
MR CARLOS FERNÁNDEZ GONZÁLEZ	MEMBER	Proprietary
MR PEDRO VIÑOLAS SERRA	MEMBER	Executive
MR JUAN JOSÉ BRUGERA CLAVERO	CHAIRMAN	Executive
MR LUIS MALUQUER TREPAT	MEMBER	Independent
MR JUAN CARLOS GARCÍA CAÑIZARES	MEMBER	Proprietary
MR ADNANE MOUSANNIF	MEMBER	Proprietary

% of executive directors	33.33
% of proprietary directors	50.00
% of independent directors	16.67
% of other external directors	0.00

Explain the functions delegated or conferred to this Committee other than those already described in section C.1.9, and describe the procedures and rules of its organisation and operation. For each of these functions, indicate the more relevant actions during the fiscal year and how it effectively carried out each of the functions conferred to it in accordance with the law, Company Bylaws, or other corporate agreements.

The Executive Committee shall be made up of at least three and not more than eight members. The Chairman and Secretary to the Committee shall be the Chairman and Secretary to the Board of Directors. The Executive Committee may appoint from among its members a Deputy Chairman who shall act as Chairman in the event of absence. The Board of Directors shall appoint the members of the Executive Committee, ensuring that its membership structure reflects the various types of directors in a similar manner to that of the Board. To be valid, the appointment of directors who constitute the Executive Committee shall require a vote in favour by two thirds of the members of the Board and shall not be effective until it has been entered in the Commercial Registry. The members of the Executive Committee shall cease to be members when they cease to be directors or when so resolved by the Board. 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 affected director shall refrain from participating in the transaction to which the conflict refers. The votes of the directors who are affected by such a conflict of interests and who must abstain shall be deducted for the purposes of calculating the necessary majority of votes. In the event of a tie, the matter shall be submitted to the Board of Directors. Through its Chairman, the Executive Committee shall report to the Board on the business transacted and the resolutions adopted by the Committee. In 2021, the Committee met once in order to consider two divestment proposals.

Sustainability committee

Name	Position	Category
MS ANA CRISTINA PERALTA MORENO	MEMBER	Independent
MS SILVIA MÓNICA ALONSO-CASTRILLO ALLAIN	CHAIRWOMAN	Independent
MS ANA LUCRECIA BOLADO VALLE	MEMBER	Independent
MR LUIS MALUQUER TREPAT	MEMBER	Independent
MR ADNANE MOUSANNIF	MEMBER	Proprietary

% of executive directors	0.00
% of proprietary directors	20.00
% of independent directors	80.00
% of other external directors	0.00

Explain the functions 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 in accordance with law, Company Bylaws, or other corporate agreements.

The Sustainability Committee was created by a resolution of the Board on 17 December 2020. Its functions include:

(i) Evaluate and periodically review the environmental and sustainable development policies approved by the company's Board of Directors, and ensure that the company's practices in environmental and sustainable development are in accordance with said policies.

(ii) Evaluate and monitor the proposals for incorporating the company into the most widely recognised international sustainability indices.

(iii) Advise the Board of Directors on environmental and sustainable development matters in accordance with internationally accepted best practices.

(iv) Analyse the draft bills, voluntary initiatives and recommendations in environmental and sustainable development matters and their possible effects on the company's activities, as well as report on the possible impact on the company of European regulations and national, regional and local legislation on environmental and sustainable development matters, in order to be able to take the appropriate decisions.

(v) Analyse the indices and measurement instruments commonly accepted in international practice to assess and measure the positioning of the company in environmental and sustainable development matters, as well as offer recommendations for improving the company's positioning.

(vi) Issue the reports and carry out the actions that correspond to it in environmental and sustainable development matters. The Committee performed the following functions during 2021:

> Analysing, assessing and driving the Company's environmental and sustainable development policies and practices.

> In particular, analysing the desirability of, and if appropriate, considering the possibility of, adapting the ESG indices used by the Company.

> Analysing and, if applicable, validating, the content and approach of the annual integrated non-financial report on ESG matters, establishing the quantitative and qualitative goals, as well as monitoring them and analysing the impact of the annual integrated report on the market and on the comparison between the Company's results and those of its competitors.

> Encouraging the provision of sustainability training and refresher courses for directors, establishing a training programme for this purpose.

> Analysing the possibility of adhering to new ESG initiatives such as, among others, those relating to the Company's commitment to using renewable energies, assessing the possibility of complying with certain decarbonisation targets, and establishing a decarbonisation plan for the Company (such as aiming for all its buildings in operation to have an energy rating and implementing an energy KPI measurement system for all such buildings).

> Overseeing the implementation of the Company's current three-year plan to reduce its carbon footprint asset by asset (decarbonisation plan).

> Reporting favourably on the degree of compliance with the decarbonisation goals for the Company's assets in the short and long terms until the goal of reaching carbon-neutral emissions by 2050 has been achieved.

> Analysing sustainable finance trends, such as green, climate and ESG bonds, proposing the conversion of the Company's entire debt into green bonds, and overseeing actions to ensure that the Company complies with all necessary requirements in relation to ESG matters.

> As to welfare matters, monitoring the implementation and progress of the Company's equality plan by establishing an equality committee, as well as improving the employee assessment system and obtaining good results in the "Great Place to work" survey.

Appointments and remuneration committee

Name	Position	Category
MS SILVIA MÓNICA ALONSO-CASTRILLO ALLAIN	MEMBER	Independent
MS ANA LUCRECIA BOLADO VALLE	CHAIRWOMAN	Independent
MR LUIS MALUQUER TREPAT	MEMBER	Independent
MR JUAN CARLOS GARCÍA CAÑIZARES	MEMBER	Proprietary
MR ADNANE MOUSANNIF	MEMBER	Proprietary

% of executive directors	0.00
% of proprietary directors	40.00
% of independent directors	60.00
% of other external directors	0.00

Explain the functions, including, if applicable, those additional to those provided for by law, conferred to this committee, and describe the rules and procedures of its organisation and operation. For each of these functions, indicate the more relevant actions during the fiscal year and how it effectively carried out each of the functions conferred to it in accordance with law, the Company Bylaws or other corporate agreements.

In order to adequately fulfil its obligations and functions, the internal regulations have reinforced certain legal provisions on the ARC. The ARC comprises a minimum of 3 and a maximum of 8 directors, all of them non-executive directors, appointed by the Board, with the number of independents as determined by law. The ARC shall appoint from among its members (i) a chairman, who, in any case, shall be an independent director, and (ii) a secretary, or it may designate the Secretary to the Board. The ARC may appoint a deputy chairman, who shall also be an independent director. The members of the ARC shall leave office when they cease to be directors or when the Board so resolves.

The main activities carried out by the ARC in 2021 pursuant to its duties include, among others:

> Coordinating and submitting to the Board its assessment reports in relation to the Board of Directors, the Committee and the Sustainability Committee and the performance of the Chairman of the Board, the CEO, the Independent Lead Director and the Secretary to the Board, with the advice of Spencer Stuart, as well as all the recommendations and suggestions for improvements made by the directors in the assessment forms.

> Refocusing the directors' refresher and training plan. Training/refresher courses for directors covering the following matters were held during the year: (i) new models and trends in ESG-related construction processes; (ii) the reform made by Law 5/2021 of 12 April, amending the consolidated text of the Spanish Limited Liability Companies Law; (iii) new NAV calculation formulas according to EPRA; (iv) the situation of the real estate market; and (v) the current macroeconomic situation.

> Examining the qualifications of the members of the Board of Directors in accordance with their corporate documents, the Spanish Limited Liability Companies Law and the corporate governance recommendations.

> Sending the proposed schedule for the Committee's annual meetings to all the directors.

> Proposing to the Board of Directors the appointment of Ms Ana Bolado Valle as member of the Audit and Control Committee.

> Analysing the degree of compliance with corporate governance recommendations in accordance with the Annual Corporate Governance Report.

> Reviewing the succession plan for the Chairman of the Board of Directors and the CEO, and starting to analyse the process for replacing the executive chairmanship of the Board with a non-executive chairmanship.

> Analysing and, if appropriate, drawing up, a competency matrix of the members of the Board of Directors that is included in the corporate social responsibility report.

> Taking note, with no objections, of the amendments to the Company Bylaws and the Regulations of the Board of Directors proposed by the Audit and Control Committee to adapt the relevant articles to the new wording of the Spanish Limited Liability Companies Law, as well as taking note of the Company's Equality Plan.

> Issuing a favourable report and proposing to the Board of Directors approval of the Annual Report on Directors' Remuneration.

> Analysing and discussing, with Willis Towers' advice, and finally proposing to the Board of Directors, a new remuneration policy for directors for the years 2021-2023.

> Analysing, discussing and amending the 2021 variable remuneration targets to assess the performance of the Management Committee.

> Proposing, based on the achievement of the indicators and certain milestones, the number of shares to be allocated to the beneficiaries of the share allocation plan approved at the General Meeting of Shareholders on 21 January 2014.

> Ensuring that the remuneration policy finally established by the Company was being complied with and, in particular, tabling a proposal to the Board of Directors concerning variable compensation for the Chairman and CEO.

> Issuing a favourable report on the fixed and variable remuneration of the Company's management team as proposed by the CEO.

> Proposing to the Board of Directors, with Willis Towers' advice, a new long-term incentive plan repealing the existing long-term incentive plan approved at the General Meeting of Shareholders of 21 January 2014, to be subsequently submitted for approval to the Ordinary General Meeting of Shareholders of the Company. As well as reporting favourably on the Regulations of the Company's Long-Term Incentive Plan for approval by the Board of Directors.

> Reporting favourably on the Chairman, the CEO, the Corporate General Manager and the management team's contracts.

Audit committee

Name	Position	Category
MS ANA CRISTINA PERALTA MORENO	CHAIRWOMAN	Independent
MR JAVIER LÓPEZ CASADO	MEMBER	Proprietary
MR LUIS MALUQUER TREPAT	MEMBER	Independent
MS ANA LUCRECIA BOLADO VALLE	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	25.00
% of independent directors	75.00
% of other external directors	0.00

On 16 November 2021 it was reported by means of a Disclosure of Other Significant Information that the Board of Directors of Colonial had resolved to appoint, at the proposal of the Appointments and Remuneration Committee, Ms Ana Bolado Valle, an independent Director of the Company, as a new member of the Audit and Control Committee.

Explain the functions, including, if applicable, those additional to those provided for by law, conferred to this committee, and describe the rules and procedures of its organisation and operation. For each of these functions, indicate the more relevant actions during the fiscal year and how it effectively carried out each of the functions conferred to it in accordance with law, the Company Bylaws or other corporate agreements.

The ACC comprises a minimum of 3 and a maximum of 8 non-executive directors, appointed by the Board, with the number of independent directors determined by the Law at any given time, and at least one director appointed on the basis of their knowledge and experience in accounting and/or auditing.

The ACC members shall have relevant technical knowledge in relation to the Company's sector of activity. The ACC shall appoint a Chairperson (independent director), who shall be replaced every 4 years, and may be re-elected after 1 year has elapsed from the date on which their term of office expired; and a Secretary, who may be Secretary to the Board. The members shall be relieved of their duties once their directorships expire, or when the Board agrees so. The ACC shall have the following functions, among others:

- Analyse, before presenting its findings to the Board of Directors, the process of drawing up: (i) the annual financial information for the year 2020, which includes, among others, the individual and consolidated annual financial statements and the management reports; (ii) the financial information for Q1 and Q3 of 2021; and (iii) the half-yearly financial report for the first half of the year 2021.

- Oversee the Company's various actions in relation to matters within its remit arising as a result of the COVID-19 health crisis.

- Oversee the proper operation and implementation of the internal control systems established and presented by the Company's internal auditor, as well as the risk management systems in the process of drawing up the financial information, including tax risks.

  The analysis covered, among others, the control of financial and non-financial information in ESG matters, the tax risk control system, and the risk control systems relating to the security of information systems.

- Draw up the report on the risk control and management policy that was proposed for approval by the Board of Directors.

- Oversee the updating of the corporate risk map presented by the internal auditor and the progress of the various risks and the control measures taken to mitigate them, which were then presented to the Board of Directors.

- Issue the relevant favourable report on the external auditor's independence.

- Approve the proposal to re-elect the external auditor for 2022.

- Approve the "Annual Internal Audit Plan" for 2021.

- Oversee the tax management carried out by the various areas with responsibility in this regard.

- Analyse the recommendations of the Compromiso y Transparencia foundation.

- Analyse the enhanced fiscal transparency report in the framework of the code of good tax practices.

- Analyse the map of the main tax risks, as well as the relevant controls in place.

- Provide the Board of Directors with the mandatory report on financial conditions and accounting impact and, in particular, on the proposed exchange ratio, after analysing the takeover bid for the entirety of SFL's share capital (an affiliate of the Company) made in 2021.

- Report favourably on any potential related-party transactions, in particular those involving directors and executives of the Company in the context of the Company's takeover bid for SFL (an affiliate of the Company).

- Approve the Annual Corporate Governance Report for 2020 as a preliminary step prior to the Board of Directors' approval.

- Oversee compliance with the rules of the internal codes of conduct, promoting and driving a culture of compliance with the laws and regulations applicable to the Company, as well as its corporate texts, among all members of the organisation.

- Oversee the application of the general policy on the regular reporting of economic and financial information and of non-financial and corporate information.

- Oversee the money laundering and security reports produced by an independent expert, and analyse any data protection matters that should be analysed by it.

- Monitor the preparation of the Company's anti-corruption policy.

- Oversee the non-financial information contained in the integrated annual report, paying particular attention to the ESG indicators.

- Analyse the external auditor's report on the review of the ESG indicators of the integrated annual report for 2020.

The ACC meets whenever requested to do so by at least 2 of its members, or at the behest of the Chairman, who is responsible for convening it in accordance with the Board regulations. The ACC is validly convened when the majority of its members are present or represented, adopting resolutions by majority of those present or represented. The member affected must abstain from participating in the deliberation and voting on resolutions in which the member or a person related thereto has a conflict of interest. In the event of a tie, the Chairman has the casting vote. Minutes are taken of ACC meetings and are made available to the Board.

Identify the directors who are members of the audit committee appointed with regard to their knowledge and experience in accounting, auditing or both, and indicate the date when the Chairman of the committee was appointed as such.

Names of directors with experience	Date the Chairman was appointed as such
MS ANA CRISTINA PERALTA MORENO MR JAVIER LÓPEZ CASADO MR LUIS MALUQUER TREPAT MS ANA LUCRECIA BOLADO VALLE	12/05/2020

C.2.2 Fill in the following table with the information on the number of female directors sitting on the Board Committees at the end of the last four years:

	Number of female board members							
	2021		2020		2019		2018	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	0	0.00	0	0.00	0	0.00	0	0.00
Sustainability Committee	3	60.00	3	60.00	N.A.	N.A.	N.A.	N.A.
Appointments and Remuneration Committee	2	40.00	2	40.00	1	16.67	0	0.00
Audit Committee	2	50.00	1	33.33	1	20.00	1	25.00

C.2.3 State any regulation of board committees, the location at which they are available for consultation, and any amendments made during the year. Also state whether any voluntary annual reports have been produced on the activities of each committee.

The rules governing the Board committees are set out in the Regulations of the Board of Directors, which are in turn available on the corporate website. In addition, the company has a set of Audit and Control Committee Regulations. As to the annual reports on its activities, reports on the operation, structure and functions of the Audit and Control Committee, the Appointments and Remuneration Committee and the Sustainability Committee have been produced.

The said reports will be made available to shareholders, together with the other documentation for the Colonial Ordinary General Meeting, on the Company's corporate website.

D. Related-party transactions and intracompany transactions

D.1. Explain, if applicable, the procedure and competent bodies for the approval of related-party and intra-group transactions, stating the company's criteria and general internal rules on the obligation for affected shareholders or directors to abstain and providing details of the internal reporting and periodic control procedures stipulated by the company for related-party transactions whose approval has been delegated by the Board of Directors.

In accordance with the Regulations of the Board of Directors (Art. 17) "1. Transactions concluded between the Company or Group companies on the one hand, and Directors, shareholders holding at least 10% of the voting rights in the Company or who are represented on its Board of Directors, or any other persons that must be considered related parties under international accounting standards on the other, shall be considered related-party translations (the "Related-Party Transactions").

By way of exception to the previous paragraph, the following will not be considered Related-Party Transactions: (i) transactions carried out between the Company and its fully owned subsidiaries, either directly or indirectly; (ii) the Board of Directors' approval of the terms and conditions of contracts to be concluded with Directors who are to carry out executive functions, including, if applicable, the CEO or senior officers; as well as the establishment by the Board of the specific amounts or remuneration to be paid under such contracts; and (iii) transactions carried out by the Company with its subsidiaries or investee companies, provided that no other party related to the Company has holdings in such subsidiaries or investee companies.

2. Responsibility for approving Related-Party Transactions for an amount or value of 10% or more of the total asset items in the most recent annual balance sheet approved by the Company shall lie with the General Meeting of Shareholders. In such case, the affected shareholder shall lose the right to vote unless the resolution proposal has been approved by the Board of Directors without the opposing vote of the majority of the independent Directors. All other Related-Party Transactions shall be approved by the Board of Directors, who may not delegate this power except in relation to Related-Party Transactions: (i) concluded with Group companies in the Company's ordinary course of business and under market conditions, or (ii) concluded under contracts with standard terms that are applied en masse to a large number of clients, at rates or prices established for general application by the party acting as supplier or provider of the goods or services in question, for an amount that does not exceed 0.5% of the Company's net turnover. The affected Directors or the Directors representing or related to the affected shareholders must refrain from taking part in the deliberation and voting for the relevant resolution, as provided by law.

3. The Audit and Control Committee must issue a report prior to the approval of a Related-Party Transaction by the General Meeting or the Board of Directors. In this report, the Committee must assess whether the transaction is fair and reasonable from the Company's point of view and, if applicable, from that of its shareholders other than the related party. It must also report on the budgets on which the transaction is based and on the methods used. Directors who are members of the Audit and Control Committee and are affected by the Related-Party Transaction may not be involved in the preparation of the report.

The said report will not be mandatory in relation to Related-Party Transactions whose approval has been delegated by the Board of Directors in those cases permitted by law. In such cases, the Board of Directors shall establish a periodic internal reporting and control procedure to verify that the transactions are fair and transparent and, where appropriate, to ensure compliance with the applicable legal criteria.

D.2. Provide details of each individual transaction that is either significant due to its amount or relevant due to its subject matter concluded between the company or its subsidiaries and shareholders holding at least 10% of the voting rights or with representation on the company's Board of Directors, indicating the competent body for its approval and specifying whether any affected director or shareholder abstained from voting. If the competent body was the General Meeting, state whether the proposed resolution was approved by the Board without the majority of independent Directors voting against it:

Name or company name of the shareholder or any of its subsidiaries	Stake %	Name or company name of the company or subsidiary	Amount (thousands of euros)	Approving body	Identification of the significant shareholder or director who abstained from voting	The proposal to the General Meeting, if applicable, was approved by the Board of Directors without the majority of independent Directors voting against it
No data						

Name or company name of the shareholder or any of its subsidiaries	Nature of the relationship	Type of transaction and other information required for its assessment
No data		

D.3. Provide details of each individual transaction that is either significant due to its amount or relevant due to its subject matter concluded between the company or its subsidiaries and the company's directors or officers, including transactions concluded with companies that are controlled or jointly controlled by the director or officer, indicating the competent body for its approval and specifying whether any affected director or shareholder abstained from voting. If the competent body was the General Meeting, state whether the proposed resolution was approved by the Board without the majority of independent Directors voting against it:

Name or company name of the directors or officers or their controlled or jointly controlled companies	Name or company name of the company or subsidiary	Link	Amount (thousands of euros)	Approving body	Identification of the shareholder or director who abstained from voting	The proposal to the General Meeting, if applicable, was approved by the Board of Directors without the majority of independent Directors voting against it
(1) MR JUAN JOSÉ BRUGERA CLAVERO	Société Fonciére Lyonnaise	Corporate	811	Board of Directors	Juan José Brugera Clavero	NO
(2) MR PEDRO VIÑOLAS SERRA	Société Fonciére Lyonnaise	Corporate	266	Board of Directors	Pedro Viñolas Serra	NO
(3) MR LUIS MALUQUER TREPAT	Société Fonciére Lyonnaise	Corporate	20	Board of Directors	Luis Maluquer Trepat	NO
(4) MS SILVIA MÓNICA ALONSO-CASTRILLO ALLAIN	Société Fonciére Lyonnaise	Corporate	1	Board of Directors	Silvia Mónica Alonso-Castrillo Allain	NO
(5) MR SHEIKH ALI JASSIM M.J. AL-THANI	Société Fonciére Lyonnaise	Corporate	1	Board of Directors	Sheikh Ali Jassim M.J. Al-Thani	NO

Name or company name of the directors or officers or their controlled or jointly controlled companies	Nature of the transaction and other information required for its assessment
(1) MR JUAN JOSÉ BRUGERA CLAVERO	Transfer of shares pursuant to the Takeover of the subsidiary Société Foncière Lyonnaise
(2) MR PEDRO VIÑOLAS SERRA	Transfer of shares pursuant to the Takeover of the subsidiary Société Foncière Lyonnaise
(3) MR LUIS MALUQUER TREPAT	Transfer of shares pursuant to the Takeover of the subsidiary Société Foncière Lyonnaise
(4) MS SILVIA MÓNICA ALONSO-CASTRILLO ALLAIN	Transfer of shares pursuant to the Takeover of the subsidiary Société Foncière Lyonnaise
(5) MR SHEIKH ALI JASSIM M.J. AL- THANI	Transfer of shares pursuant to the Takeover of the subsidiary Société Foncière Lyonnaise

D.4. Report on each individual intra-group transaction that is either significant due to its amount or relevant due to its subject matter concluded between the company and its parent company or other companies in the parent company's group, including subsidiaries of the listed company itself, unless no other related party of the listed company has a stake in such subsidiaries or they are fully owned, directly or indirectly, by the listed company.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens:

Corporate name of the company in the group	Brief description of the transaction and other information required for its assessment	Amount (thousands of euros)
No data		

D.5. Provide details of each individual transaction that is either significant due to its amount or relevant due to its subject matter concluded between the company or its subsidiaries and other related parties that qualify as such under the EU's International Accounting Standards that have not been included in the preceding sections.

Company name of the related party	Brief description of the transaction and other information required for its assessment	Amount (thousands of euros)
No data		

D.6. State the mechanisms established to detect, determine and resolve any conflicts of interest between the company and/or the group, directors, officers, significant shareholders or other related parties.

Under the Company Bylaws, directors shall refrain from taking part in discussions or voting on any resolutions or decisions in which the directors or any persons who are related parties may have a direct or indirect conflict of interests. The votes of the directors who are affected by such a conflict of interests and who must abstain shall be deducted for the purposes of calculating the necessary majority of votes. Excluded from the foregoing obligation to abstain are the resolutions or decisions affecting their administrator status, such as their appointment or removal for offices in the administrative body or others of analogous implications. Board Regulations also stipulate that the duty of loyalty requires that directors refrain from taking part in discussions or voting on any resolutions or decisions in which the directors or any persons who are related parties may have a direct or indirect conflict of interests. Furthermore, directors should take all necessary measures to avoid situations where their interests, on their own behalf or otherwise, may be in conflict with the corporate interests and with their duties to the Company. In particular, directors should refrain from: a) entering into 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 an image of the shareholder's equity, the financial statements or the Company's results; b) using the Company's name or relying on their appointment as directors to wrongfully influence private operations; c) making use of 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 their role, save when these are given as mere gifts or business courtesies; f) carrying out activities, on their own behalf or otherwise, that would be in actual, effective or potential competition with the Company or that would in any other way 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 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 if its purpose is to waive the prohibition on obtaining an advantage or remuneration from third parties or if it affects a transaction whose value is greater than 10% of the Company's assets. In all other cases, it may be granted by the Board of Directors provided that the members that grant it remain independent from 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 Company must also ensure that the authorised transaction does not harm its assets and liabilities and, where applicable, ensure it is carried out under market conditions and that the process is transparent. The General Meeting shall grant dispensation through an express and separate resolution.

D.7. Indicate whether the company is controlled by another listed or unlisted company, as described in Art. 42 of the Spanish Commercial Code and has, directly or through its subsidiaries, business relations with this company or one of its subsidiaries (other than the listed company) or carries out activities related to any of them.

No

E. Risk management and control systems

E.1. Describe the financial and non-financial Risk Management and Control System in place at the company, including in relation to 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 financial and non-financial 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, and the internal audit function carries out the necessary supervision tasks set forth in the annual plans to assess the efficiency of the risk management and control procedures implemented to minimise risks.

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 financial and non-financial risks (including tax risks) and, when significant, those derived from corruption (as described in Spanish Royal Decree 18/2017) that may jeopardise the business targets.

In accordance with adequate risk control and management, in order to avoid possible situations of corruption, bribery or fraudulent actions, Colonial has approved different policies that establish mechanisms and controls to prevent such situations from occurring. Furthermore, for the proper implementation of these policies and other control mechanisms, the Company divides the different types of risks to which the Group is exposed into two main areas based on their origin:

> External risks: risks related to the environment in which Colonial carries out its activity that influence and condition the company's operations.

> Internal risks: risks arising from the company's own activity and management team.

The main external risks faced by Colonial in achieving its targets include:

- Economic risks arising from the political and macroeconomic situation of the countries in which we operate and from changes to investors' own expectations.

- Market risks arising from the transformation of the sector and the business model itself, the greater complexity involved in implementing the investment/divestment strategy, and the fluctuation of the real estate market with an impact on real estate asset valuation.

- Financial risks related to restrictions in the capital markets, interest rate fluctuations, the impact of changes in tax legislation and client portfolio management.

- Environmental risks, such as those relating to the management of the crisis, those derived from more demanding ESG, and mainly those related to the impact of climate change on the Group's activity.

The main internal risks faced by Colonial in achieving its targets include:

- Strategic risks relating to the Group's size and diversification, the composition of the asset portfolio, and the strategy in the co-working market.

- Various operational risks related to lease management, the development of projects in time and within cost parameters, the management of the level of debt and loss of the current credit rating, cyberattacks or failures in information systems, as well as those inherent in the management of the organisational structure and talent.

- Risks arising from compliance with all the regulations and contractual obligations applicable to it, including tax risks concerning the loss of Colonial's SOCIMI status or its French affiliate Société Foncière Lyonnaise's loss of its real estate investment trust (SIIC) status.

E.4. State whether the company has risk tolerance levels, including tax risks.

In accordance with the framework defined in the SCGR, Colonial analyses and assesses the Group's risk level and exposure to the various risks identified in accordance with changes in its environment, in order to achieve its goals, carry out the defined strategy and preserve the Group's value.

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 financial and non-financial risks, including tax risks, which have occurred during the year.

The risks inherent in the business model and the various activities carried out by the Group are likely to materialise to some extent during each year. During 2021, the Group consolidated its great resilience to the effects of the pandemic throughout the year, leading to a lower perception of the risks to which it is exposed. In spite of its adaptability, the Group is still closely monitoring the risks that resulted in increased exposure following the emergence of COVID-19 in 2020. In relation to this, and particularly in 2021, a number of risks inherent in the Company's activity have materialised, although the Company has shown great resilience, particularly in the strategic, operational and financial arenas, and the control systems in place have worked correctly, enabling the Company to manage these risks appropriately. The main risks that materialised during the aforementioned financial year include:

The emergence of the pandemic led to great social and financial uncertainty, and its true impact in terms of the destruction of jobs and the business fabric is not yet known.

The development of the new-asset investment strategy and the execution of operations for the divestment of non-strategic assets have remained very complex.

The risks associated with the transformation of the office sector business model and its adaptation to possible changes in hybrid working models have led to greater uncertainty in capital market than in previous years.

Similarly, the management of the customer portfolio in relation to the maintenance of building occupancy and rent levels has been particularly relevant this year.

Furthermore, the sector has been affected by the global supply crisis and the rise in the prices of raw materials and fuel, with particular impact on the performance and development of the Group's construction projects.

The risks associated with climate change have led to the implementation of policies and strategies in this field, with specific actions aimed at improving the quality of buildings and the measurement of their energy consumption levels, as well as optimising their environmental impact. The adaptation to the various stakeholders' increasing non-financial reporting requirements has resulted in a review of the extent to which these are complied with and of the controls put in place to respond to the changing environment in this regard. This has also given rise to opportunities for differentiation in the sector as a result of the Group's high degree of engagement and compliance.

Debt management has remained a priority this year, and we have taken steps to strengthen the Group's financial structure and ensure its solvency and liquidity to address its medium- and long-term business plans, as well as to ensure that there are opportunities for growth and development.

Although regulatory risks are always present, they have continued to be particularly relevant during this year 2021 due to the need to comply with the legislation generated as a result of this COVID-19 crisis.

E.6. Explain any response and supervision plans in place for the company's main risks, including tax risks, as well as the procedures followed by the company to ensure that the Board of Directors can respond to coming challenges.

The risk management model implemented sets out the response and monitoring plans for the main risks based on an assessment thereof. The corporate risk map has a dynamic focus and is therefore reviewed annually in order to monitor the evolution of the risks affecting the Group and the action plans defined and implemented by each area, with the necessary controls put in place to mitigate each of the risks owned by them. 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 the residual risk to the desired level.
- Share: The likelihood or impact of a risk is reduced by transferring or sharing part of the risk to reduce the residual risk to the desired level.
- Accept: No action is taken which may affect the likelihood or impact of the risk, as the residual risk is already at the desired level.

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 threshold accepted by the Company. Risk records state: (i) the objective pursued by the action plan, (ii) description of the course of action, (iii) the owner of the risk, (iv) the cutoff date for taking action, (v) details of the action to be taken with those responsible for implementation, and start and finish dates.

Internal audit supervises the response plans that are the responsibility of the risk owners.

F. Internal risk management and control systems in relation to internal control over financial reporting (ICFR)

Describe the mechanisms that comprise the risk control and management systems in relation to internal control over financial reporting (ICFR) at your company.

F.1. The company's control environment

Provide information, stating the main features, on at least the following:

F.1.1 Which bodies and/or functions are responsible for (i) the existence and maintenance of a proper ICFR system; (ii) its implementation; and (iii) its supervision?

The Board of Directors, as stipulated in the Regulations, is ultimately responsible for the existence and updating of a suitable and effective ICFR system.

Specifically, Article 5 of the Board Regulations ("General Functions and Competences") stipulates, inter alia, the following functions:

1. Establishing the Company's general policies and strategies, approving the investment and financing policy, the strategic or business plan, the annual management targets and budgets, and the treasury share policy, as well as establishing the corporate governance policy of the Company and the Group in the dividend policy. The Board of Directors shall also establish the Company's risk management and control policy, including tax risks, identifying its main risks, and implementing and overseeing the internal reporting and control systems to ensure the future viability and competitiveness of the Company, adopting the best decisions for optimal performance.

   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.

3. Monitoring the effective functioning of the Committees created by the Board and the performance of the delegated bodies and officers 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 control and risk management policy identifying at least: (i) types of financial and non-financial risks faced by the Company, including financial and economic risks, contingent liabilities and other risks not appearing on balance sheets; (ii) a risk control and management model based on different levels, which will include a specialised risk committee whenever sectoral rules provide for it or when the Company deems it appropriate; (iii) the risk level that the Company considers acceptable; (iv) the measures planned to mitigate the impact of identified risks, should they materialise; and (v) the information and internal control systems to be used to control and manage the above-mentioned risks, including contingent liabilities and off-balance sheet risks.

2. Supervise the process of preparing and presenting the required financial information and present recommendations or proposals to the Board of Directors, directed to protecting its integrity.

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 its orientation and 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) generally ensure that the internal control systems and policies in place are effectively applied in practice. In addition, the Audit and Control Committee may establish and monitor a mechanism to report any potentially significant irregularities regarding finance, accounting, or any other areas related to the Company that may come to its attention within the Company or the Group. This mechanism must ensure confidentiality and, in any case, provide for cases in which the reporting can be made anonymously, respecting the rights of the whistleblower and the reported party.

4. Serve as a channel of communication between the Board of Directors and the Company's external auditor, assessing the results of each audit; and regularly collecting information from the accounts auditor on the audit plan and its execution.

5. Inform the Board of Directors of all matters established by law, the Company Bylaws and Board regulations beforehand, in particular regarding:

   a) The financial information that the Company must make public on a periodic basis.

Minutes shall be taken of all Committee meetings and made available to all board members.

Lastly, the Internal Audit function is responsible for drawing up the annual Internal Audit Plan and submitting it to the ACC. Such plan includes all the evidence required to prove compliance with the manuals, procedures and policies related to the ICFR. The internal auditor shall carry out these tests and report on the conclusions to the ACC, including any internal control weaknesses identified, recommendations for improvement and the general conclusions of the annual audit plan which specifically includes, among others, those related to the ICFR system.

F.1.2 Whether the following exist, especially in connection with the financial reporting process:

> Departments and/or mechanisms tasked with: (i) devising and reviewing the organisational structure; (ii) clearly defining the boundaries of responsibility and authority, with proper distribution of tasks and functions; and (iii) ensuring that sufficient procedures are in place to spread awareness of this throughout the company.

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 extent in preparing the financial information must also take responsibility for correctly carrying out the tasks, processes and controls in which they are involved.

The organisational model of Colonial's ICFR system is structured as follows:

a) Establishment of a general environment of appropriate control, setting out the main guidelines of operation of the ICFR and senior-level roles and responsibilities.

b) Identification of major risk events, which, if they occur, may materially affect financial information.

c) For risks identified in the relevant processes, specific mitigating controls are implemented to reduce these risks to acceptable levels. The operational Departments concerned are responsible for adequately implementing these procedures.

d) The Financial Department is responsible for maintaining documentation on and keeping Colonial's accounting policies and manuals up to date and maintaining an environment of general controls of the IT systems.

e) Lastly, the Internal Audit function and the ACC are responsible for overseeing ICFR in order to ensure its operational efficiency.

> Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record-keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

The Company's Board of Directors approved Colonial's Code of Ethics on 28 September 2011. This Code of Ethics reiterates Colonial's commitment to the principles of corporate ethics and transparency, and establishes a series of basic principles to which all Colonial personnel, partners and suppliers must adhere at all times, as their behaviour may affect Colonial's reputation.

Specifically, and with regard to financial information, Article 6.5 of the Code establishes the following:

“Colonial undertakes, as a guiding principle for its corporate behaviour with shareholders, investors, analysts and the market in general, to disclose true and complete information providing a true and fair view of the Company and the Group, its corporate activities and its business strategies.

This information shall always be disclosed in accordance with regulations and within the timeframes established by prevailing legislation. Corporate action and the strategic decisions of Colonial are focused on creating value for its shareholders, transparency in its management, the adoption of best corporate governance practices at its companies and the strict compliance with prevailing regulations in this matter.”

The internal and external dissemination of the Code of Ethics is the responsibility of Colonial’s Regulatory Compliance Unit, which reports to the ACC. This dissemination has been carried out in due compliance with applicable regulations, with receipt and knowledge by each and every Colonial employee assured.

The Regulatory Compliance Unit is responsible for compiling any irregularities or breaches of the Code, and informing the Human Resources department to take the necessary disciplinary action based on the fines and sanctions detailed in the collective bargaining agreement or employment legislation applicable.

The ACC is responsible for assessing the degree of compliance with the Code and preparing an annual report based on its findings.

The Board of Directors is responsible for reviewing and updating the Code of Ethics based on the report drawn up by the ACC.

> **Whistleblowing channel to report any financial and accounting irregularities to the audit committee, in addition to any breaches of the code of conduct and irregular activities within the organisation, informing, where appropriate, whether it is confidential and whether it allows for anonymous communications while respecting the rights of the whistleblower and the reported party.**

Under Article 32 of Colonial’s Board Regulations, the ACC is responsible, inter alia, for:

“In relation to information systems and internal control: ... (iv) for establishing and supervising a method that allows employees to make confidential and, if possible and appropriate, anonymous, statements on any irregularities, especially financial and accounting irregularities, that may potentially be important to the company.”

As noted in the preceding point, the Regulatory Compliance Division, which reports to the ACC, is responsible for managing any irregularities or breaches of the regulations, and specifically, of Colonial’s Code of Ethics.

To this end, Colonial has a whistleblower channel available through its website that enables employees, collaborators, directors, shareholders, suppliers, contractors and subcontractors to report any irregularities and cases of non-compliance identified in the organisation. It is presently in full and efficient operation. Colonial has informed all employees about this channel and provided them with training on how to use it.

This channel is managed by the Regulatory Compliance Division and is regularly reviewed to guarantee its confidentiality and compliance with the regulations applicable.

> **Training programmes and regular refresher courses for personnel involved in the preparation and review of financial information and the assessment of ICFR, covering at least accounting standards, audit, internal control and risk management.**

Colonial has a Training Plan covering all business areas according to the specific needs of each. However, the functional business areas themselves, under the coordination and supervision of the Human Resources department, are responsible for devising and proposing specific training plans for their areas.

For staff involved in preparing and reviewing financial information, training is structured around attending events concerning regulatory updates of financial, accounting and tax regulations, as well as receiving, distributing and analysing documentation from external advisors regarding regulatory developments.

The Regulatory Compliance Unit also provides regular training on the prevention of criminal risks in order to keep the company’s personnel up to date with prevention systems in this area. In addition, the Regulatory Compliance Unit, together with the functional areas, is responsible for identifying and distributing regulatory developments that affect Colonial, so that these can be analysed and implemented.

In the event of any regulatory changes of special relevance to Colonial's financial, accounting or tax departments, the Operations-Finance Department proposes the need for specific training to address these changes.

Also, personnel from the Internal Audit Department attended thematic courses and forums outside the Company related to the evaluation of certain internal control and risk management aspects.

F.2. Assessment of risks in relation to financial information

Report, at least, on:

F.2.1 The main characteristics of the process for identification of risks, including the risk of error or fraud, as follows:

> **Whether the process exists and is documented.**

Colonial has a Risk Management and Control System (RMCS), as indicated in section E.1 of this report.

The ACC is in charge of monitoring and controlling risks as delegated by the Company's Board of Directors. To this end, the managers of the various operating units cooperate in identifying and correcting risks 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 periodically revised and updated by Internal Audit and the Operations-Finance Departments, at the proposal of either 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 varies.

> **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 risks supported by the work done by the executives of each operating unit, which help identify and correct them.

Colonial's ICFR Organisation and Supervision Model, as well as its Internal Control and Risk Management Manual, are aligned with and form part of Colonial's general risk policy (see section E of this report), and have been approved by the CAC.

In the process of identifying risks involving financial information within the ICFR system, all the areas of risk identified in Colonial's risk map have been considered.

> **Which of the entity's governing bodies supervises the process.**

Colonial's Board Regulations and, specifically the section regarding the responsibilities of the ACC, stipulate that the responsibilities of the Committee include, among others:

"To directly supervise how the internal control and risk management functions are performed by one of the Company's officers or internal departments that has been expressly assigned the following functions: (i) to ensure the proper functioning of the control and risk management systems and, in particular, that all the important risks that affect the Company are adequately identified, managed and quantified; (ii) to actively participate in the development of a risk strategy and to take part in the important decisions concerning risk management; and (iii) to ensure that the control and risk management systems in place adequately mitigate the risks within the framework of the policy defined by the Board of Directors."

In this regard, the ACC is responsible for approving Colonial's ICFR Internal Control and Risk Management Manual.

As indicated in sections F.1.1 and F.1.2 of this report, the Internal Audit function is responsible for monitoring the ICFR system in order to ensure operational effectiveness. The internal auditor shall carry out these tests and report on the conclusions to the ACC, including any internal control weaknesses identified, recommendations for improvement and the general conclusions of the annual audit plan which specifically includes, among others, those related to the ICFR system.

F.3. Control activities

Provide information, indicating salient features, if available, on at least the following:

F.3.1 Procedures to review and authorise financial information and the ICFR system description to be published on the securities markets, stating those responsible, as well as documentation describing the flow of activities and controls (including those relating to fraud risk) for the different kinds of transactions that may have a material impact on the financial statements, including the procedure for the accounting closure and the specific review of relevant judgments, estimates, measurements and projections.

In relation to procedures for reviewing and authorising the financial information and description of ICFR to be disclosed in the securities markets, as mentioned above, the ACC is responsible for supervising the preparation and disclosure to the market of reliable financial information. 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 the Remuneration of Directors (IAR).

c) Registration document.

d) Other relevant information.

These include an internal control questionnaire that must be completed involving the Operations-Finance Department, the Corporate Development and Management Control Department, both of which report to the General-Corporate Department, through the Legal Advisory Department and, depending on the type of information, ending with the CEO, Board of Directors or the General Meeting of Shareholders itself.

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 that structures the specific mechanisms provided to keep an internal control that fosters full, reliable and relevant financial information and predicts the likelihood of irregularities and the ways to detect and repair them.

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, whereas the Organisational Model contains high-level methods and controls.

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 compliance with them results in complete and reliable financial information.

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) Taxes and levies.

g) Reporting systems, including the collection and preparation mechanisms for supporting the financial information to be issued.

h) Investments and asset acquisitions.

i) Purchases of goods and services.

j) Human resources.

All key processes are documented and 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 processes' activities.

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 is mandatory. It is, therefore, essential that all functions/departments involved monitor all the procedures established and the controls in place to ensure the reliability of Colonial's financial information. 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.

For this purpose, Colonial has software to monitor the responses to the controls defined for the key processes in each accounting period. Internal audit monitors and supervises compliance with these controls.

Any transactions with a substantial weight of critical judgements, estimates, measurements and projections are specifically monitored, as is the case with real estate asset valuations.

F.3.2 Internal control policies and procedures for the IT systems (including access security, tracking of changes, system operation, continuity and separation of duties) that support the 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, which means that Colonial's head of Systems manages the key aspects related to physical security, continuity and operation of the systems with the external supplier.

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 information is therefore exchanged by importing data as 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.

F.4. Information and reporting

Provide information, indicating salient features, if available, on at least the following:

F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the Company's operating units.

Colonial's ICFR Organisational and Monitoring Model, which has been approved by the ACC, stipulates that the Financial Department is responsible for maintaining documentary records of Colonial's accounting policies, 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 collect and prepare the financial information with consistent formats, to be implemented and used by all units in the Company or group, supporting 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 Group's financial consolidation and financial and operating budget planning.

The Group Accounting Policies Manual establishes a chart of accounts and templates of financial statements that all Group companies must follow. These 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, as well as whether the Company 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 2021 consisted of approving the Internal Audit Plan for 2021, which includes monitoring ICFR and being apprised of the related degree of implementation, compliance and effectiveness.

In order to learn about the internal control weaknesses detected in the performance of the external auditors' work, as well as relevant aspects or incidents, the ACC has held meetings with the Company's external auditors.

Lastly, the ACC has performed the following main activities relating to the financial information:

1. Review of the public financial information disclosed to the markets.

2. Analysis of the consistency of the accounting policies used as well as an analysis of the observations and recommendations received from the external auditors.

3. Review of the management report.

4. Review of the information contained in the half-yearly financial statements concerning related-party transactions.

5. Monitoring the effectiveness of relevant processes, risks and controls related to internal control systems and IFRS.

Regarding the internal audit function, Colonial's Regulations of the Board of Directors, and, specifically the section regarding the responsibilities of the ACC, stipulate that the responsibilities of the Committee include, among others:

"Regarding the information and internal control systems: [...] (iii) monitor the independence and efficacy of the internal audit function, proposing the selection, appointment, and removal of the head of internal audit, in addition to proposing the department's budget; [...]; receiving regular reports on its activities, and verifying that senior management is acting on the findings and recommendations of its reports".

In July 2009, the ACC approved Colonial's internal audit regulations. The main responsibilities of this function include periodically verifying the degree of application of the approved policies and procedures that comprise the internal control system, offering suggestions for improvement.

The ACC has already approved the Internal Audit Plan for 2022, 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:

"Relations between the Board of Directors and the external auditor shall be conducted 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. Oversee the effectiveness of the Company's internal control, the internal audit and the risk management systems, including those for taxation, and discussed with the accounts auditor any significant weaknesses detected in the internal control system during 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 on the schedule established for each year.

F.6. Other Significant Information

No additional issues to disclose have been identified.

F.7. External auditor report

Report by:

F.7.1 If the ICFR information supplied to the market has been reviewed by the external auditor, the corresponding report should be attached. If this is not the case, it should explain why.

The ACC and internal audit department performed the ICFR monitoring activities, which supplement the contributions of the external auditor regarding the identification, as appropriate, of the internal control weaknesses identified in the course of their external audit and included in the additional report to the ACC. In this regard, the latest additional report of the external auditor specifies that no internal control recommendations have been identified.

G. Extent to which the corporate governance recommendations are followed

Please indicate the extent to which the company has followed the recommendations of the Code of Good Governance of Listed Companies.

Should the Company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the Company's behaviour. General explanations are not acceptable.

1. The Bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the Company by acquiring shares on the market.

Compliant

2. When the listed company is controlled, as described in Art. 42 of the Spanish Commercial Code, by another company, whether listed or not, and has, directly or through its subsidiaries, business relations with such entity or one of its subsidiaries (other than the listed company) or carries out activities related to one of them, the listed company must accurately and publicly report the following:

a) The respective business areas and possible business relations between the listed company or its subsidiaries and the parent company or its subsidiaries.

b) The mechanisms in place to solve any conflict of interests that may arise.

Not applicable

3. During the ordinary general meeting, the Chairman of the Board should verbally inform shareholders in sufficient detail of the most relevant aspects of the Company's corporate governance, supplementing the written information circulated in the annual corporate governance report and, in particular:

a) Of the changes that have occurred since the last ordinary general meeting.

b) Of the specific reasons why the company is not following certain recommendations of the Code of Corporate Governance and, if any, the alternative rules applied to this matter.

Compliant

4. The company should draw up and implement a policy of reporting to and contact with shareholders, institutional investors within the framework of their involvement in the company, and with proxy solicitors that complies in full with regulations against market abuse and accords equitable treatment to shareholders in the same position. And that the Company should make this policy public via its website, including information on the way it has been put in practice and identifying the interlocutors or persons responsible for carrying this out.

And notwithstanding the legal obligations on sharing insider information and other types of regulated information, the company should also have a general policy regarding the reporting of economic-financial, non-financial and corporate information through the channels it deems appropriate (media, social networks or other channels) that contributes to maximising the disclosure and quality of the information available to the market, investors and other stakeholders.

Compliant

5. That the Board of Directors does not submit to the general meeting a proposal of delegation of powers to issue shares or convertible securities excluding the right to preferential purchase, for an amount above 20% of the share capital at the time of delegation.

And that when the Board of Directors approves any issue of shares or convertible securities excluding preemptive rights, the Company should immediately publish on its website the reports on this exclusion as laid down in commercial law.

Compliant

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

a) Report on the external auditor's independence.

b) Reports of proceedings of the audit committees and the appointments and remuneration committee.

c) Audit committee report on related-party transactions.

Compliant

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

The company should also have mechanisms in place that enable voting directly or by proxy through electronic means and, in the case of large-capitalisation companies, that enable them to attend and actively participate in the General Meeting, insofar as is proportionate.

Compliant

8. The Audit Committee should strive to ensure that the Board of Directors can present the company's annual financial statements to the General Meeting of Shareholders in compliance with accounting standards. In those cases where the auditor has included qualifications in the audit report, the chairperson of the Audit Committee should give a clear account of the opinion of the Audit Committee on their scope and content at the General Meeting. A summary of this opinion should be made available to shareholders when calling the meeting, along with the other Board proposals and reports.

Compliant

9. The Company should make public on its website, permanently, the requirements and procedures it will accept to prove ownership of shares, the right to attend the general meeting of shareholders and the exercise or delegation of voting rights.

And such requirements and procedures facilitate the shareholders' attendance and the exercise of their rights and are applied in a non-discriminatory manner.

Compliant

10. Where any legitimate shareholder has exercised, prior to the holding of the general meeting of shareholders, the right to complete the agenda or to submit new resolution proposals, the Company:

a) Immediately disseminates such additional items and new resolution proposals.

b) Makes public the attendance card model, or the proxy or remote voting form with the required changes so that the new items on the agenda and alternative resolution proposals can be voted on, on the terms proposed by the Board of Directors.

c) Submits all these items or alternative proposals to vote and the same voting rules are applied to them as those made by the Board of Directors, including, in particular, presumptions or inferences about the direction of the vote.

d) Announces, after the general meeting of shareholders, the breakdown of the vote on such additional points or alternative proposals.

Compliant

11. In the event that the Company plans to pay premiums to attend the general meeting of shareholders, it will previously establish a general policy on such premiums and this policy is stable.

Not applicable

12. The Board of Directors 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

13. The Board of Directors has enough members in order to implement efficient and participative proceedings, which makes it advisable that the Board should have from five to fifteen members.

Compliant

14. The Board of Directors should approve a policy seeking to promote a suitable composition of the Board of Directors, which should:

a) Be specific and verifiable;

b) Ensure that proposals for the appointment or reelection are based on a preliminary analysis of the skills required by the Board of Directors; and

c) Promote knowledge, experience, age and gender diversity. In this sense, measures that encourage a large number of female senior officers in the company will be considered to be measures that promote gender diversity.

The results of the prior analysis of the skills required by the Board of Directors should be written up in the Appointments Committee's explanatory report, to be published when calling a General Meeting of Shareholders where each director is to be ratified, appointed or re-elected.

The Appointments Committee will annually verify compliance with this policy and inform thereof in the Annual Corporate Governance Report.

Compliant

15. The proprietary directors and independent directors constitute a significant majority of the Board of Directors and the number of executive directors is kept to the minimum necessary, having regard to the complexity of the corporate group and the percentage shareholding of the executive directors in the Company's share capital.

And the number of female directors should represent at least 40% of the members of the Board of Directors by the end of 2022 and onwards, and should not be below 30% before that date.

Partially compliant

At present, female directors in the Company represent 27.27% of the total, although Colonial's Director Selection Policy's aim is for female directors to be at least 40% of the Board of Director's total before the end of 2022.

16. The percentage of proprietary directors over the total of non-executive directors is not higher than the proportion between the capital represented by such directors and the remainder of the Company's share capital.

This criterion may be reduced:

a) In large-cap companies where few shareholdings are legally considered significant.

b) In companies where there is a diversity of shareholders represented on the Board of Directors and there are no links between them.

Compliant

17. The number of independent directors represents at least half of all directors.

However, where the Company is not a large-cap or where, if it is, 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 least one third of all directors.

Explain

The company has 4 independent directors out of a total of 11, one less than the number of proprietary directors and double the number of executive directors. Thus, although the percentage of independent directors does not reach the 50% required by the recommendation, in accordance with the company's current shareholder structure it is estimated that representation of this type of directors is considerable, and thus all interests are duly represented in the management body.

18. Companies should post the following director particulars on their websites, and keep them permanently updated:

a) Professional and biographical profile.

b) Other boards of directors on which they sit, whether or not these belong to listed companies, as well as other remunerated activities in which they may be involved.

c) The category to which the director belongs, where applicable, stating, in the case of proprietary directors, the shareholder they represent or to whom they have links.

d) Date when they were first appointed as a director of the company, as well as the dates of any subsequent reappointments.

e) Their holdings of company shares and their stock options.

Compliant

19. The Annual Corporate Governance Report, with prior verification by the Appointments Committee, explains the reasons for the appointment of proprietary directors at the request of shareholders whose shareholding is less than 3% of the share capital; and reasons are given why formal requests for a seat on the board from shareholders with a stake equal to or greater than that of others, at whose request proprietary directors were appointed, have not been respected.

Not applicable

20. Proprietary directors tender their resignation when the shareholders they represent sell their entire shareholding. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant

21. The Board of Directors shall not propose the removal of any independent Director before the statutory period for which they were appointed, except where just cause is found by the Board of Directors following a report from the Appointments Committee. It shall be understood that there is just cause when the director takes up a new post or takes on new duties that prevent him/her from devoting the necessary time to the performance of the duties associated with the directorship, when the director fails to carry out the duties inherent to his/her post or when the director is involved in circumstances which cause him/her to lose his/her independent status in accordance with the provisions of the legislation applicable.

The removal of independent directors from office may also be proposed as a result of public buy-outs, mergers or other similar enterprise-level transactions implying a change in the structure of the Company's capital, where such changes in the Board are due to the proportionality criterion in Recommendation 16.

Compliant

22. Companies establish rules obliging directors to disclose information and, where appropriate, tender their resignation in cases where it is alleged they could harm the company's name and reputation and, in particular, oblige them to inform the Board of Directors of any criminal charges brought against them, as well as any subsequent legal proceedings.

When the Board has been informed of or otherwise been made aware of any of the situations mentioned in the preceding paragraph, it should study the case as soon as possible and, in light of the particular circumstances, decide, based on a report by the Appointments and Remuneration Committee, whether or not to take any action such as opening an internal enquiry, calling on the director to resign or proposing his or her termination. A reasoned account of all this should be given in the Annual Corporate Governance Report, unless there are special circumstances that justify otherwise and which shall be recorded in the minutes. This is without prejudice to the information to be disclosed by the company, where appropriate, when the relevant measures are adopted.

Compliant

23. All directors clearly express their opposition when they consider that a proposal submitted to the Board for Directors for decision could be contrary to the Company's interests. Moreover, independent and other directors in particular, who are not affected by potential conflict of interest, do the same in the case of decisions that could be detrimental to shareholders not directly represented on the Board of Directors.

And when the Board of Directors adopts significant or repeated decisions on matters with regard to which the director has expressed serious reservations and subsequently opts to resign, the ensuing conclusions drawn and reasons for the resignation are explained in the letter referred to in the following.

This recommendation also extends to the secretary to the Board of Directors, even if the secretary is not a director.

Compliant

24. Directors who give up their place before their tenure expires, through resignation or as agreed by the General Meeting, should state their reasons, or in the case of non-executive directors, their opinion on the Board's decision, in a letter to be sent to all members of the Board of Directors.

Without prejudice to the disclosure of all this in the Annual Corporate Governance Report, insofar as it is relevant for investors, the company should publish the resignation as soon as possible, including sufficient reference to the reasons or circumstances provided by the director.

Compliant

25. In addition, the Appointments and Remuneration Committee shall ensure that non-executive directors have sufficient time to properly perform their duties.

And that the Board regulations sets the maximum number of boards of which the directors may form part.

Compliant

26. The Board of Directors holds meetings as frequently as required in order to carry out its role effectively, at least eight times a year, following the programme and agenda established at the start of the financial year, with each director able to propose for inclusion alternative items not originally on the agenda.

Compliant

27. 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

28. When the directors or the Company secretary express concerns about a particular proposal or, in the case of the directors, about the Company's progress and such concerns are not resolved within the Board of Directors, this is recorded in the minutes at the request of whoever expressed such concerns.

Compliant

29. The Company shall establish suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the Company's expense.

Compliant

30. In addition, regardless of the knowledge required of the Directors to perform their duties, the Company will also offer Directors refresher programmes when circumstances so warrant.

Compliant

31. The agenda of the sessions clearly indicates the points on which the Board of Directors will adopt a decision or agreement so that directors can study or seek, in advance, the information required for its adoption.

When exceptionally, for reasons of urgency, the Chairman wants to submit to the approval of the Board of Directors any decisions or agreements not included in the agenda, this will require the express prior consent of the majority of the directors present, which will be duly recorded in the minutes.

Compliant

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

Compliant

33. The Chairman, as responsible for the effective proceedings of the Board of Directors, in addition to exercising the functions legally and statutorily assigned to him/her, prepares and submits to the Board of Directors a program of dates and issues to be addressed; organizes and coordinates the periodic evaluation of the board and, where appropriate, the chief executive officer of the Company; is responsible for the management of the board and the effectiveness of its operation; ensures that sufficient time is devoted to discussion on strategic issues, and arranges and reviews refresher programs for each director, when circumstances so require.

Compliant

34. When there is a coordinating director, the Bylaws or regulations of the Board of Directors, in addition to the powers legally entitled, attribute him/her the following: chairing the Board of Directors in the absence of the Chairman and Vice-Chairmen, if any; echoing the concerns of non-executive directors; maintaining contacts with investors and shareholders to ascertain their views in order to form an opinion about their concerns, particularly in relation to the corporate governance of the Company; and coordinate the Chair's plan of succession.

Compliant

35. The Secretary to the Board of Directors shall also ensure that the Board of Directors is aware of recommendations on good governance that apply to the Company and that are part of the Code of Good Governance for listed companies.

Compliant

36. The complete Board of Directors will evaluate, once a year, and adopt, where applicable, an action plan to correct the deficiencies identified with respect to:

a) The quality and efficiency of the Board of Director's performance.

b) The operations and the composition of its committees.

c) The diversity of Board membership and competences.

d) The performance of the Chairman of the Board of Directors and the Chief Executive Officer of the Company.

e) The performance and contribution of each Director, paying particular attention to those who are in charge of the various board committees.

The evaluation of the various committees will be based on the reports they submit to the Board of Directors, and for the latter, evaluation will be based on the one submitted by the Appointments Committee.

Every three years, the Board of Directors will be assisted to carry out the evaluation by an external consultant, whose independence will be verified by the Appointments Committee.

Business relationships that the consultant or any Company in its group have with the Company or any Company of its group should be detailed in the annual corporate governance report.

The process and the evaluated areas will be further described in the annual corporate governance report.

Compliant

37. When an Executive Committee exists, there must be at least two members who are non-executive directors, at least one of whom must be an independent director. The secretary of the Board of Directors should also act as secretary to the Executive Committee.

Compliant

38. The Board of Directors is always aware of matters dealt with and decisions adopted by the Executive Committee and all the members of the board receive a copy of the minutes of the meetings of the Executive Committee.

Compliant

39. The members of the Audit Committee, and especially its chairperson, are appointed taking into account their expertise in the field of accounting, audit or financial and non-financial risk management.

Compliant

40. To supervise the division that fulfils the internal audit duties to ensure the proper functioning of the information and internal control systems, which are functionally dependent on the non-executive Chairman of the Board or the Audit Committee.

Compliant

41. The head of the unit handling the internal audit function should present an annual work programme to the Audit Committee for its approval by the Committee or by the Board, report directly to it on its implementation, including any incidents and limitations on its scope, the outcome and follow-up of its recommendations, and submit a report on its performance at the end of each year.

Compliant

42. In addition to those as legally established, the Audit Committee is responsible for the following:

1. With regard to information systems and internal control:

   a) Supervise and assess the preparation and the integrity of the financial and non-financial information as well as the financial and non-financial risk control and management systems regarding the company and, where applicable, the group – including operational, technological, legal, social, environmental, political and reputational risks or those related to corruption – checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

   b) Monitor the independence of the unit handling the internal audit; propose the selection, appointment and removal of the head of the internal audit service; propose the service's budget; approve or propose to the Board the approval of the internal audit annual work plans, ensuring that its activity focuses primarily on the main risks the company is exposed to (including reputational risks); receive regular reports on its performance; and verify that senior management are acting on the findings and recommendations of its reports.

   c) Establish and supervise a whistleblowing mechanism whereby employees and anyone related to the company such as directors, shareholders, suppliers, contractors or subcontractors, can report any significant irregularities that they detect in their company or group, including financial or accounting irregularities. Said mechanism must ensure confidentiality and, in any case, provide for cases in which the reporting can be made anonymously, respecting the rights of the whistleblower and the reported party.

   d) Ensure that internal control policies and systems put in place are effectively implemented in practice.

2. With regard to the external auditor:

   a) Examine the circumstances behind the resignation of the external auditor, should this occur.

   b) Ensure that the remuneration for the external auditor for his or her work does not compromise his or her integrity or independence.

   c) Ensure that the Company notifies the change of auditor through the CNMV and said notification is accompanied by a statement citing any disagreements the Company may have had with the outgoing auditor and, if any, of their content.

   d) Ensure that the external auditor annually holds a meeting with the full Board of Directors to report on the work done and the evolution of the Company´s accounting and risk situation.

   e) Ensure that the Company and the external auditor adhere to current regulations regarding the provision of non-audit services as well as the limits on the auditor's business concentration and, in general, the other rules on auditor independence.

Compliant

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

Compliant

44. The Audit Committee is informed about the operations of structural and corporate changes that the Company plans to carry out, for analysis and preliminary report to the Board of Directors on their economic conditions and their accounting impact, and especially, if any, on the proposed swap equation.

Compliant

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

a) The different types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks, including those related to corruption) that the Company faces, including financial and economic risks, contingent liabilities and other risks not found on balance sheets.

b) A risk management and control model based on different levels with a specialised risk committee, whenever this is foreseen in the sectoral guidelines or when the company deems it appropriate.

c) The level of risk that the Company considers acceptable.

d) The measures foreseen to mitigate the impact of identified risks, should they materialise.

e) The information and internal control systems to be used to control and manage the abovementioned risks, including contingent liabilities or off-balance sheet risks.

Compliant

46. Under the direct supervision of the Audit Committee or, if any, of a specialised committee of the Board of Directors, there is an internal function of risk control and management exercised by a unit or internal department of the Company that has expressly attributed the following functions:

a) Ensure the proper functioning of risk management and control systems and, in particular, that all significant risks affecting the Company are adequately identified, managed and quantified.

b) Actively participate in the development of a risk strategy and take part in the important decisions concerning risk management.

c) Ensure that the risk control and management systems in place adequately mitigate risks within the framework of the policy defined by the Board of Directors.

Compliant

47. Members of the Appointments and Remuneration Committee – or both Committees if they were separate – are designated by ensuring that they have the knowledge, skills and experience appropriate to the duties that they are to perform and that most of these members are independent directors.

Compliant

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

Explain

In view of the Company's structure as at 31 December 2021, in particular the number of employees and officers, as well as its organisation and activity, it is considered appropriate to keep a single Appointments and Remuneration Committee.

49. The Appointments Committee should consult with the Company's Chairman of the Board of Directors and chief executive officer of the company, especially on matters relating to executive directors.

Any Director may request that the Appointments Committee take into consideration potential candidates to fill director vacancies if he/she feels that they are suitable.

Compliant

50. The duties of the remuneration committee must be exercised with independence and include, in addition to those indicated by law, the following:

a) Propose to the Board of Directors the standard conditions for senior officers' employment contracts.

b) Check compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy applied to directors and senior officers, as well as the remuneration systems that include shares and how they are implemented, in addition to guaranteeing that their individual remuneration is proportional to that which is paid to other directors and senior officers of the Company.

d) Ensure that no conflict of interests interferes with the independence of the external advice given to the Appointments and Remuneration Committee.

e) Verify the information on the remuneration of directors and senior officers found in various corporate documents, including the annual report on director remuneration.

Compliant

51. The Remuneration Committee should consult with the Chairman and chief executive officer of the Company, especially on matters relating to executive directors and senior officers.

Compliant

52. The rules regarding the composition and proceedings of the supervising and control committees are listed in the Board Regulations, are consistent with those applicable to the legally mandatory committees under the foregoing recommendations, and include the following:

a) They should be composed exclusively of non-executive directors, with a majority of independent directors.

b) The chairmen should be independent directors.

c) The Board of Directors should appoint the members of these committees, taking into account the knowledge, skills and experience of the directors and the responsibilities of each committee; deliberate on its proposals and reports; and, at the first plenary session of the Board following their meetings, receive an account of their activity and a report on the work carried out.

d) The committees should seek external advice when they deem it necessary to perform their duties.

e) Minutes of meetings should be taken, and copies sent to all directors.

Compliant

53. Monitoring compliance with the company's policies and regulations on environmental, social and corporate governance as well as the internal codes of conduct should be attributed to one or more committees within the Board of Directors; these committees may be the Audit Committee, the Appointments Committee, a specialised committee on social sustainability or responsibility, or any other specialised committee created specifically for such duties by the Board of Directors by exercising its powers to self-organise. Said committee should be composed solely of non-executive directors, the majority of whom should be independent and should be specifically assigned the minimum functions indicated in the following recommendation.

Compliant

54. The minimum duties mentioned above are as follows:

a) Monitor compliance with the Company's corporate governance rules and internal codes of conduct, and ensure that the corporate culture fits its purpose and values.

b) Monitor compliance with the general policy on economic-financial, non-financial and corporate reporting, as well as communications with shareholders and investors, proxy advisors and other stakeholders. Monitor the way in which the Company communicates and interacts with small and medium shareholders.

c) Periodic assessment and review of the Company's corporate governance system and environmental and social policy to ensure that they fulfil their mission of promoting its business activity and keep the legitimate interests of other stakeholders in mind.

d) Ensure that the Company's environmental and social practices match the strategy and policy set.

e) Supervising and evaluating relations with different stakeholders.

Compliant

55. That the sustainability policies on environmental and social matters identify and include at least:

a) The principles, commitments, targets and strategy regarding shareholders, employees, clients, suppliers, social and environmental issues, diversity, tax responsibility, respect for human rights and the prevention of corruption and other illegal conducts.

b) The methods or systems used to monitor compliance with the policies and the related risks and the management thereof.

c) Mechanisms used to monitor non-financial risks, including those related to ethical matters and business conduct.

d) The channels of communication, participation and dialogue with stakeholders.

e) Responsible communication practices that prevent manipulation of information and protect integrity and honour.

Compliant

56. The compensation of the directors is what is necessary to attract and retain directors with a desirable profile, to compensate them for the dedication, qualifications and responsibility that the position entails, and to ensure that to the amount does not interfere with the independence of Non-Executive Directors' decisions.

Compliant

57. Executive Directors are restricted to variable remuneration linked to the performance of the Company and to their personal performance, as is the compensation in the form of shares, stock options or rights to shares or instruments that are referenced to the value of the stock and long-term savings systems such as pension plans, retirement schemes or other social security systems.

Delivery of shares as remuneration can be contemplated for non-executive directors on condition that they hold them until they cease to be directors. The foregoing shall not apply to shares that the director needs to dispose of, if appropriate, to meet the costs related to acquisition.

Compliant

58. In the case of variable remuneration, remuneration policies should include precise limits and technical safeguards to ensure they reflect the professional performance of the recipients and not only the general progress of the markets or the company's activity sector or circumstances of this kind.

And in particular, the variable components of remunerations:

a) Should be linked to performance criteria that are predetermined and measurable, and these criteria should consider the risk taken to obtain a result.

b) Should promote the sustainability of the Company and include non-financial criteria that are suitable for creating long-term value, such as compliance with the Company's internal rules and procedures and its policies for risk management and control.

c) Should be set on the basis of a balance between fulfilling short-, medium- and long-term goals, to remunerate the results from continued performance over a sufficient period of time to appreciate their contribution to sustainable value creation, so that the elements that measure the results do not revolve solely around specific, occasional or extraordinary events.

Compliant

59. Payment of variable remuneration components should be subject to sufficient verification to ensure that predetermined performance criteria have effectively been met. Companies must include in the annual directors' remuneration report the criteria regarding the time and methods required for said verification according to the nature and characteristics of each variable component.

In addition, companies should consider introducing a malus clause based on deferring, for long enough, the payment of part of the variable components that implies their total or partial loss in the event that, prior to the time of payment, an event occurs that makes this advisable.

Compliant

60. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Compliant

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

Compliant

62. Once the shares, options or financial instruments corresponding to the remuneration systems have been allocated, the executive directors will not be allowed to transfer their ownership or exercise them until at least three years have elapsed.

There is an exception for cases when the director maintains a net economic exposure to the variation in the share price for a market value equivalent to at least twice their annual fixed remuneration through the ownership of shares, options, or other financial instruments at the time of the transfer or exercise of those share options.

The foregoing will not apply to shares that the director needs to sell to meet the costs related to their acquisition or, when supported in its assessment by the Appointments and Remuneration Committee to deal with any extraordinary situations that may arise.

Compliant

63. Contractual agreements include a clause that allows the Company to claim reimbursement of variable components of remuneration when payment has not been adjusted to the return conditions or when they have been paid based on data that are subsequently credited with inaccuracy.

Compliant

64. Payments for contract termination should not exceed an amount equivalent to two years of the total annual remuneration and they should not be paid until the Company has been able to verify that the director has met the criteria or conditions established for payment.

For the purposes of this recommendation, any payments arising from contract termination, whose accrual or payment obligation arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the Company must be considered, including any amounts from long-term savings schemes that have not been previously consolidated and amounts paid under post-contractual non-competition agreements.

Compliant

H. Other significant information

1. If there are any other relevant aspects of corporate governance at the company or at group companies that have not been set out in the other sections of this report but must be included to provide a more complete and reasoned view of the governance structure and practices of the company or its group, describe them briefly.

2. Any other information, clarification or observation related to the above sections of this report may be included in this section insofar as they are relevant and not repetitive.

Specifically indicate whether the Company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. Also state whether the Company voluntarily subscribes to other international, sectoral or other ethical principles or standard practices. If applicable, identify the code and date of adoption. In particular, it will be specified whether the Company has adhered to the Code of Good Tax Practice of 20 June 2010.

1. On 10 December 2015, the Board of Directors of the Company resolved to adhere to the Code of Good Tax Practices. This resolution was communicated to the tax authorities on 8 January 2016.

2. On 27 July 2016, as a result of an amendment to the Regulations of the Board of Directors, it was decided that the Appointments and Remuneration Committee would be responsible for supervising compliance with the rules of corporate

governance and other related matters. By virtue of the foregoing and to implement best corporate governance practices at Colonial, the Appointments and Remuneration Committee created the Corporate Governance Unit, reporting directly to the Committee and composed of the Chairman of the Appointments and Remuneration Committee and the Head of Legal Advisory at the company. Furthermore, on 17 December 2020, the Board resolved to amend the Board Regulations to align them with the new amendments to the good governance recommendations approved by the CNMV in June 2020. On the same date, the Board constituted the Sustainability Committee, whose primary duties include periodically ensuring proper compliance with the environmental and sustainable development policies approved by the Company.

3. Regarding the information on the Audit Committee in section C.2.1, other than auditing, the following non-audit service was provided by the external auditor in 2021: the independent review of ESG indicators in the Integrated Annual Report.

This annual corporate governance report was approved by the Company's Board of Directors at its meeting held on 28 February 2022.

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

No

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Colonial is a Spanish listed REIT company (SOCIMI), leader in the European Prime office market with presence in the main business areas of Barcelona, Madrid and Paris with a prime office portfolio of more than two million sqm of GLA and assets under management with a value of more than €11bn.

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