Colonial

2019

Integrated Annual Report

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UN GLOBAL COMPACT

COMMUNICATION ON PROGRESS

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

We welcome feedback on its contents.

Summary


01

01 Key Highlights

Key Highlights

+16% per year
Total shareholder return

€11.5/share (+14%)
Net Asset Value

€12,196M
Asset value, +9% like-for-like

€27.4cts/share (+23%)
Recurring net profit

€139M (+38%)
Recurring net profit

€827M (+58%)
Net profit

263,301sq m
Rent corresponding to 135 contracts

€352M
Income from rentals

98%
Sound office occupancy levels

€160M
Execution of acquisitions in prime areas

€477M
Divestitures of non-strategic assets with premium over GAV

92%
Energy certification

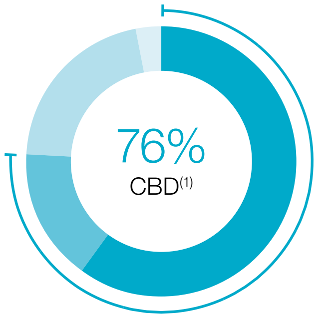
58%
Renewable energy +266bps

–59%
GHG emissions intensity (Scopes 1&2) - LFL 19/18

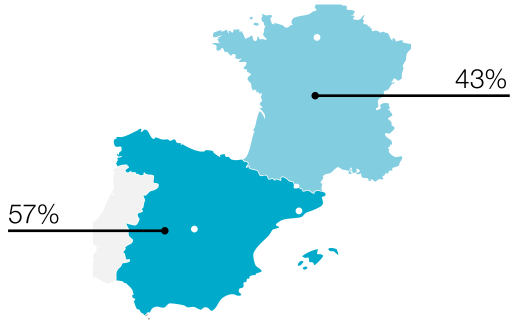
90%
Training hours

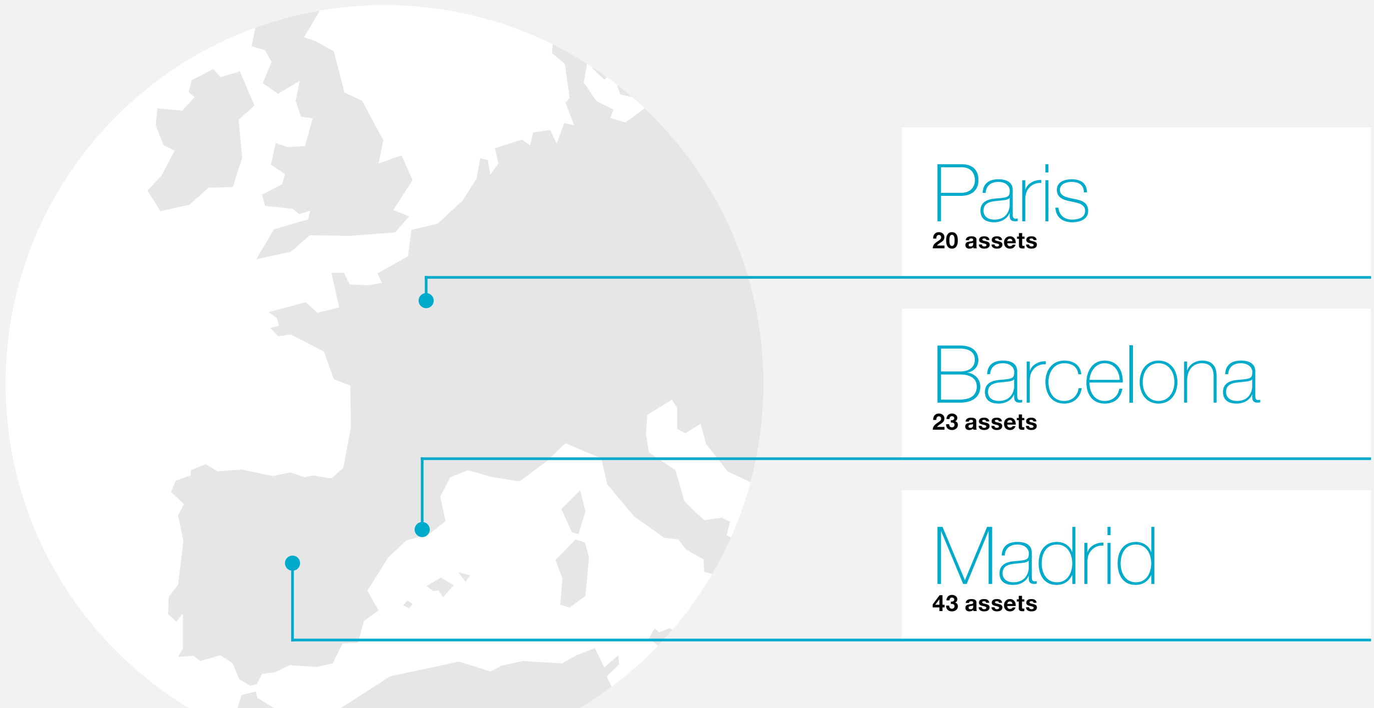
23% +140bps
Women on the board

Office valuation - by district



Valuation - by market





Note: Logistics and other centres are not included.

Rating S&P
BBB+

Highest real estate rating in Spain

LTV
36%

With a liquidity of more than €2,000m(2)

(1) CBD Barcelona includes the assets of the 22@ market segment.
(2) Cash and lines available.

EPRA Performance Measures Summary Table

As at 31 December

	12/2019		12/2018	
	€m	€ per share	€m	€ per share
EPRA Earnings	142	0.28	90	0.20
EPRA NAV	5,825	11.46	5,098	10.03
EPRA NNNAV	5,348	10.52	4,853	9.55

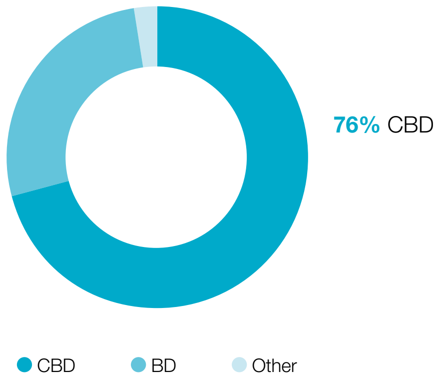
	2019	2018
EPRA Net Initial Yield	2.8%	3.0%
EPRA "topped-up" Net Initial Yield	3.2%	3.3%
EPRA vacancy rate	2.4%	4.1%
EPRA Cost ratio (including vacancy costs)	20.4%	19.5%
EPRA Cost ratio (excluding vacancy costs)	19.1%	17.9%

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

The Net Asset Value increased up to €11.5/share (+14%)

Financial Highlights	2019	2018	Var	LFL
EPRA NAV - €/share	11.46	10.03	+14%	
EPS recurring - €Cts/share	27.4	22.3	+23%	
Gross Rental Income - €m	352	347	+1%	+4%
EBITDA recurring - €m	283	280	+1%	+3%
Recurring Net Profit - €m	139	101	+38%	
Attributable Net Profit - €m	827	525	+58%	
GAV Group €m	12,196	11,348	+7%	+9%
EPRA NAV €m	5,825	5,098	+14%	

Unique exposure to Prime



Operational Highlights

EPRA Vacancy	3%
Release Spread[(1)]	+14%
Barcelona	+31%
Madrid	+9%
Paris	+7%

Rental Growth[(2)]	+6%
Barcelona	+9%
Madrid	+4%
Paris	+7%

Double-digit value creation

> **Total Shareholder Return**[(3)] **of 16%** per year

> Net Asset Value of **€11.5/share**, **+14%** *vs.* previous year

> Asset value of **€12,196m**, **+9%** like-for-like

Acceleration of bottom line results

> **Recurring EPS of €27.4Cts**, **+23%**

> Recurring earnings of **€139m**, **+38%**

> Net profit of **€827m**, **+58%**

Solid growth in Gross Rental Income

> Gross rental income of **€352m**

> Like-for-like income increase **+4%**

(1) Signed rents on renewals *vs.* previous rents.
(2) Signed rents *vs.* market rents at 31/12/2018 (ERV 12/18).
(3) Total return = increase in NAV per share + dividend paid.
(4) Disposal volume including the 2019 sale of the logistics portfolio, the Centro Norte Hotel, the Parc Central plot of land, as well as the potential exercise of the option on the rest of the logistics portfolio in 2020.
(5) Cash and undrawn credit lines.

Strong operating results

> Capturing rental price increases
+14% release spread[(1)]
+6% *vs.* ERVs at 12/18[(2)]

> Sound office occupancy levels of **98%**

> **263,301sq m** signed, corresponding to **135 contracts**

Active portfolio management

> Successful delivery of projects

> Disposal of non-strategic assets for **€477m**[(4)] with premium to GAV

Acquisition program

> Execution of acquisitions for **€160m** in prime areas

> Pipeline of acquisitions of more than **€1,000m**, with **12%** carried out to date

A strengthened balance sheet

> S&P rating of BBB+ (highest real estate rating in Spain)

> LTV of **36%** with a liquidity of more than **€2,000m**[(5)]


02

02 2019 Key Issues

2.1. Annual results

Total shareholder return of +16% based on real estate value creation

Double-digit value creation for shareholders

Colonial closed 2019 with an EPRA Net Asset Value of €11.5/share, in a year-on-year increase of +14%, which, together with the dividend paid of €0.20 per share, led to a Total Shareholder Return of +16%.

In absolute terms, the EPRA NAV amounts to €5,825m.

The outstanding value creation for the shareholders relies on an industrial real estate strategy with a high Alpha returns component. The main aspects are the following:

Successful management of the project portfolio: Projects completed as well as the signing of important pre-lettings in the project pipeline and in the renovation program.

Capturing of important rental growth thanks to excellent fundamentals in the CBD, where Colonial has a unique exposure of 76%.

A compression of prime office yields, due to an increased demand of the investment market on a framework of decreasing interest rates and scarce supply in CBD.

Significant increase in value of the real estate portfolio

The gross asset value of the Colonial Group at the close of 2019 amounted to €12,196m (€12,807m including transfer costs), **with a like-for-like increase of +9% compared to the previous year (+5% like-for-like in the second half)**.

The offices portfolio in **Barcelona**, with an excellent positioning in the CBD and 22@, reached a **like-for-like** growth of **+16% in 2019 (+7% in the second half)** with important growth in all the assets due to a combination of increases in rental prices, the successful delivery of the Pedralbes Centre and Gal·la Placídia, as well as yield compression.

Madrid increased **+6% like-for-like in 2019 (+3% in the second half)**, due to its strong positioning in the City Centre and the CBD in combination with the successful delivery and management of the Discovery, The Window and Avenida Bruselas projects in recent months, which have enabled the signing of rental contracts at prices at the high end of the market with top tier clients.

The Paris portfolio increased +9% like-for-like in 2019 (+5% like-for-like in the second half) which is underpinned by a high global appeal of the CBD market in Paris in combination with the successful pre-letting of the Louvre St. Honoré project and the Haussmann renovation program.

Significant increase in net recurring profit and net earnings per share

The Colonial Group closed 2019 with a **net profit of €827m, an increase of +€302m, up +58% compared to the previous year** and with a **net recurring profit of €139m, an increase of +€39m, up +38% compared to the previous year**.

Net recurring EPS amounted to €27.4cts per share, resulting in an increase of +23% *versus* the previous year.

The increase in the recurring net profit of +€39m (+38% *vs.* the previous year) was driven by:

1. An increase in EBITDA of +€11m (+€3m, after the adjustment of the impact of the disposal on non-strategic assets).
2. A reduction in financial costs of €13m.
3. A higher attributable profit due to the increase in the SFL stake from 59% up to 82%, (acquired at the end of 2018) which is reflected in the line of minority interests.

The disposals of non-strategic assets carried out in 2019 have resulted in an impact of lower rents on the recurring profit of €8m. Consequently, the recurring profit per share, excluding the non-strategic asset sales, would have been €29cts/share, an increase of +30% in comparable terms.

Considering the significant growth in the value of the portfolio in 2019, as well as the capital gain on the disposals and deducting all of the non-recurring impacts, the net attributable results amounted to €827m, up +58% compared to the previous year, equivalent to an increase of +€302m.

Solid revenue growth in Gross Rental Income

Colonial closed 2019 with **€352m of Gross Rental Income, up +1% compared to the previous year**. The sale of the logistics portfolio and non-core assets reflects the reduction in rent for the disposals carried out.

In like-for-like terms, the rental income from Colonial's portfolio **increased +4%** compared to the previous year.

This growth in rental income is based on a significant like-for-like increase across the portfolio in all three markets in which the Colonial Group operates.

This strong like-for-like growth is among the highest in Europe and is mainly due to the capacity of the Colonial Group to capture rental price increases, thanks to its strong positioning in the city center (CBD). **Of note is the Madrid market with an increase of +6% like-for-like**.

In terms of the breakdown of the contribution of each of the three markets of the Group's portfolio, the main aspects to highlight are the following:

> **Barcelona +2.4% like-for-like**, due to rental price increases across the entire portfolio. Worth highlighting is the increase in rents in the the Avinguda Diagonal 609, Torre BCN, Amigó 11-17, Illacuna and Vía Augusta assets, which are leading the growth in Barcelona.

> **Madrid +6% like-for-like**. This increase is mainly driven by the market rental review of current prices on the Martínez Villergas, Santa Engracia & Sagasta 31-33 assets, as well as a substantial improvement in occupancy such as in the Egeo & Jose Abascal 56 assets.

> **Paris +3% like-for-like**. Rental increases rose by €5m. This was due to an increase in prices and new leases, mainly on Cézanne Saint Honoré, Edouard, VII, Washington Plaza and Louvre St. Honoré offices.

Colonial Group rental income was impacted by the disposal of non-strategic assets. These divestments have strengthened the quality of the Group portfolio and correspond to: 1) the of the secondary office portfolio at the end of 2018, 2) the sale of the Centro Norte Hotel and 3) the sale of the logistics portfolio in 2019.

In addition, the rotation of the project portfolio as well as the start of the renovation program in Madrid, resulted in a temporary decrease in rents, specifically due to the start of the projects on the 83 Marceau asset in Paris and the Velázquez and Miguel Ángel 23 assets in Madrid.

2.2. Solid operational fundamentals in all segments

Capturing rental price increases

The Colonial Group's business has performed excellently, with take-up levels moving at a strong pace, achieving levels close to full occupancy. At the close of 2019, the Colonial Group had signed 135 rental contracts on the office portfolio corresponding to 263,301 sq m and annual rents of €93m.

Double digit release spreads:

For the contracts renewed in 2019, **the release spread** (signed rents vs previous rents) **was +14%**. Of special mention is the high release spread in the Barcelona portfolio of +31%, as well as a solid increase in Madrid of +9% and in Paris of +7%.

Strong rental growth compared to the market:

Compared with the market rent (ERV) at December 2018, **signed rents increased by +6% in 2019**.

In **Barcelona**, rents were signed at **+9% above market rent 12/18**, in the **Paris portfolio, the increase in ERVs was +7%**, and the **Madrid portfolio was up +4%**.

In the **Madrid** portfolio, it is important to highlight that the growth of **the rental prices in the Madrid CBD was +6%**, a percentage much higher than the +3% of the contracts signed outside the M30.

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

In Spain, in 2019, 207,247 sq m were signed across 94 contracts.

In the Madrid portfolio, 142,781 sq m were signed across 53 transactions. The largest transaction relates to the renewal of the entire surface area of Santa Hortensia (more than 40,000 sq m) with a multinational technology company. In addition, there are the renewals of 6,000 sq m on the Ramírez Arellano asset, 5,700 sq m on the Josefa Valcárcel 24 asset, José Abascal and Tucumán, as well as 5,200 sq m on the Alfonso XII asset.

In terms of new contracts, noteworthy is the signing in April 2019 of 100% of the project delivered at Avenida Bruselas 38 for the headquarters of MasMovil, an IBEX35 technology company. In addition, there is the signing of 8,700 sq m on the Josefa Valcárcel 40 building with a leading communication group in Spain, a deal that will result in 100% occupancy of the asset. Also noteworthy are the signing of almost 9,000 sq m on the Francisca Delgado building with various tenants, as well as the signing of more than 7,600 sq m on the new project in Castellana 163 (a surface area signed with various tenants).

In the **Barcelona office portfolio**, 64,466 sq m were signed across 41 transactions. Among the highlights is the pre-letting of the entire Diagonal 525 project, which will house the new headquarters of a prestigious company in the electric and gas industry. Also worth noting is the signing of 6,700 sq m on the Torre Marenostrum asset, as well as the signing of 4,300 sq m on the recently delivered Gal·la Placídia project.

In terms of renewals, worth mentioning is the renewal of 11,800 sq m on the Diagonal 197 asset and the 5,200 sq m on Paseo de los Tilos, both contracts with prestigious solvent clients. With respect to the signing of new contracts, highlighted are the 4,000 sq m on the Sant Cugat building, 2,400 sq m on the Diagonal 682 building and 2,400 sq m on the Berlín/Numancia building.

In the **Paris portfolio**, 56,054 sq m were signed across 41 transactions.

Of special mention is the renewal of 2,700 sq m of office space in the Louvre Saint Honoré building. In terms of new leases, worth noting is the signing of 20,000 sq m with the Cartier Foundation with a 20-year minimum fixed term. In addition, there is the signing of 3,500 sq m on the Edouard VII building, the signing of almost 12,000 sq m on the 106 Haussmann building, as well as signing of 4,800 sq m on 103 Grenelle, among others.

Solid occupancy levels

The **total vacancy of the Colonial Group's portfolio** (including all uses: offices, retail and logistics) **stood at levels of 2.7%** at the close 2019.

Noteworthy is the **office** portfolio in **Paris**, with a **vacancy rate of 1.6%**.

The **Barcelona office portfolio** has a **vacancy rate of 2%**, a ratio that remains at very low levels, in line with the high quality of the portfolio. The variation compared to the previous quarter is mainly due to the rotation of tenants within the portfolio, freeing up top quality spaces and facilitating future income reversion.

The **office portfolio in Madrid** has a **vacancy rate of 4.3%, improving by +619bps** compared to December 2018 and by +307bps compared to the third quarter of 2019. The main new leases signed were on assets such as José Abascal 56, Ramírez Arellano 15, Alfonso XII, Avenida Bruselas 38 & Francisca Delgado 11, among others. The 4% vacancy rate is concentrated mainly on portfolio assets coming from Axiare. In particular, the recently delivered Ribera de Loira project, as well as the Francisca Delgado 11 and Josefa Valcárcel 40bis assets are highlighted.

Successful delivery of projects – “real estate transformation”

PROJECT PIPELINE

During 2019, the Colonial Group successfully delivered 3 large projects: Gal·la Placídia and Pedralbes Centre in Barcelona and Avenida de Bruselas 38 in Madrid, comprising the three benchmark buildings in their area.

Gal·la Placídia is an asset located in the Barcelona CBD, acquired under the framework of the Alpha III project at the beginning of 2018, which has been completely refurbished with the aim of maximizing coworking initiatives. The asset, which is managed by Utopicus, a company of the Colonial Group dedicated to the management of flexible spaces, has attracted different international companies looking for flexibility in spaces in a CBD location, as well as the community offering and Utopicus services.

Pedralbes Centre was the other large project delivered in Barcelona during 2019. This project has enabled 1) the active space to be reorganized, increasing the GLA by +27%, 2) management costs to be optimized and 3) large commercial units to be chosen. This new approach attracted the interest of different top tier tenants, with UNIQLO, a global fashion company, deciding to pre-let the main space at a very attractive rental price.

In Madrid, the **Avenida Bruselas 38** asset was delivered, which is a project initiated by Axiare and executed by Colonial. This is a unique, top quality office building, with one of the best micro-locations in the sub-market of Arroyo de la Vega, and has led to the signing of a 7-year contract of mandatory compliance for the headquarters of a top tier technology company, resulting in 100% occupancy.

The delivery of these projects has provided significant value creation for Colonial's shareholders.

Regarding the progress of the projects, a commercial space of 16,000 sq m is being developed in Louvre Saint Honoré. In 2019, two important milestones were reached for the project: 1) a pre-let agreement was signed with the Cartier Foundation with very favorable terms and 2) the work permit was received and the project is now in the execution phase, therefore work will commence during the first half of 2020.

RENOVATION PROGRAM

The Colonial Group counts on a renovation program accelerating client rotations in the spaces to reposition them in the market and capture the maximum rents. The current program has 3 assets in Spain and 2 in France, of which worth noting is the next delivery in France:

The Haussmann 106 building with 12,000 sq m of offices in the center of Paris is already let to WeWork with a turnkey contract for a 12-year period, in effect as of 6 January 2020. This renovation has enabled an increase in the density of the occupancy and an improvement in the image of the building, key factors that have allowed for the capture of maximum market rental prices.

2.3. Active portfolio management

Completion of the Axiare integration

In 2018, a quick and efficient takeover bid was carried out on Axiare, S.A, which completed with a merger in June 2018.

In 2019, Colonial finalized the integration of this Company: (i) in June 2019 the registered goodwill was fully absorbed just one year after the merger and (ii) in August 2019, Colonial signed an agreement for the sale of 18 logistics assets, managing to successfully dispose of these non-strategic assets.

With the sale of the logistics package, Colonial has completed the integration of Axiare, consolidating its leadership in prime offices in Spain and Europe through the creation of a strong growth platform with unique exposure to the CBD in Europe.

Disposals of non-strategic assets

During 2019, Colonial signed an agreement for the sale of 18 logistics assets with a total surface area of 473,000 sq m. At the close of the year, the disposals of 11 facilities materialized immediately, totaling 314,000 sq m. Regarding the rest of the logistics assets, Colonial expects the buyer to exercise the call option on them in the first half of 2020.

In addition, during the first quarter of 2019 the disposal of the Centro Norte Hotel with a GLA of more than 8,000 sq m was executed, as well as the sale of the Parc Central plot in the last quarter of the year.

Consequently, Colonial closed the year with disposals for €477m[(1)] which has enabled 1) the optimization of the business mix, further increasing the focus on offices, which has reached 94% in terms of asset value, as well as 2) an improvement in the quality of returns with a concentration in prime offices.

Acquisition Program

In October 2019, Colonial announced that it was analysing a pipeline of acquisitions of €1,000m, of which, at the date of this report, €115m have been executed. These investments, together with the acquisition of the 45% of Torre Marenostrum in the first half of 2019, show that the Colonial Group continues executing its acquisition program, investing more than €160m in prime assets in 2019.

1 **Torre Marenostrum - Barcelona 22@**

At the beginning of 2019, an acquisition was carried out for the remaining 45% of **Torre Marenostrum** for €45m (representing a discount of 13% over NAV). Full ownership of this unique building located in the 22@ market in Barcelona, a few metres from the beach, has enabled the implementation of a renovation program, creating a “hybrid” complex which integrates an offer of traditional prime offices with more than 3,000 sq m of flexible spaces managed by Utopicus. This renovation and redistribution of space is enabling Colonial to capture important reversionary potential for reformed spaces which are already let (> 7,000 sq m).

(1) Divestment volume including the sale of the 2019 logistics portfolio, the Hotel Centro Norte, the Parc Central site, as well as the possible exercise of the option on the rest of the logistics portfolio in 2020.

Barcelona

1

45% of Torre Marenostrum
Barcelona - 22@

Value Add - Prime Factory
GLA: 22,394 sq m

Acquisition Price: €45m(1)
Capital Value: €4,508 sq m
IRR: 7%-8%
Discount on NAV: 13%

2

Parc Glòries II
Barcelona - 22@

Value Add
GLA: 17,860 sq m

Acquisition Price: €101m
Capital Value: €5,655 sq m
IRR: 6%-7%

Madrid

3

Recoletos 27
Madrid - Prime CBD

Value Add
GLA: 2,085 sq m

Acquisition Price: €14m
Capital Value: €7,194 sq m
IRR: >6%

(1) Implicit asset value of buying the NAV of the 45% stake.

2 Parc Glòries II - Barcelona 22@

In the fourth quarter of 2019, the Colonial Group acquired the **Parc Glòries II**, for an acquisition price of €101m. The building is located in Glòries, the best area of the 22@ district in Barcelona, considered to be the new technological CBD of the city.

The building has a surface area of 17,860 sq m of offices and stands out architecturally due to its very design-efficient floor plan with more than 2,500 sq m, highly sought after in the market. Parc Glòries II is 100% let to a German multinational with a short-term contract and current prices 40% below market rents. This situation highlights the high value creation potential, considering a light capex investment, once the current rents revert to market prices.

3 Recoletos 27 - CBD Madrid

In the fourth quarter of 2019 and during the start of 2020, 2,000 sq m of offices were acquired in **Recoletos 27**, a prime area of the CBD in Madrid. This acquisition corresponds to three floors of 700 sq m with great luminosity in a corner building close to Plaza Colón. The investment includes a partial renovation for a subsequent letting at maximum rental prices in the prime district of Madrid.

2.4. Leadership in ESG

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

Colonial's Corporate Strategy is based on pursuing the maximum excellence in the fields of governance, social aspects and sustainable investment.

The Colonial Group has increased its GRESB scoring by +26% with very high scores in the areas of Monitoring-EMS, Management & Risk-Opportunities. Likewise, it is important to mention that the Colonial Group's French subsidiary has received the second best GRESB rating in the offices sector in all of Europe.

MSCI, main benchmark for listed companies, has rated Colonial with AA on its ESG rating, one of the highest ratings internationally, in particular due to its very high standards in Corporate Governance.

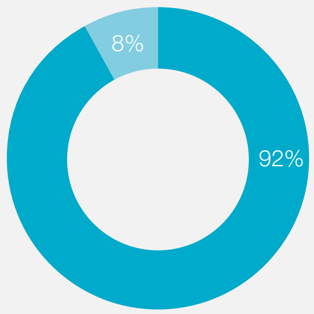
Colonial has obtained the EPRA Gold sBPR rating for the fourth consecutive year, which certifies the highest reporting standards in ESG.

Worth highlighting is that Colonial has become part of the ESG Ethibel Sustainability Excellence Europe index, managed by Vigeo Eiris, a clear reference in the financial sector. This index is made up of a group of European companies that show the best performance in the area of corporate social responsibility.

In relation to energy efficiency, BREAAM/ GRESB recognized Colonial as the number one responsible investor in Europe for having an operational portfolio, where 92% of the assets have maximum energy certificates.

Currently 92% of the office portfolio has LEED and BREEAM energy certificates. In particular, €2,011m of the assets have LEED ratings and €9,008m of the assets have BREEAM ratings. This level of certification is above the sector average.

Portfolio with LEED / BREEAM[1] - Value



(1) Office portfolio in operation.

The Colonial Group is clearly committed with climate change and in proof of this, of special mention are the two new certificates that the BIOME building in Paris will receive:

1. The BiodiverCity Excellence stamp which highlights the significant effort that has been made in the revegetation of the place.

2. The asset will be one of the first buildings in France to obtain the BBCA renovation label (Low Carbon Building) as a result of the efforts made in terms of greenhouse effect gas emissions.

ING

> Colonial's European leadership in sustainability in its sector has made it possible to obtain the first sustainable loan granted to a Spanish company in the real estate sector. Granted by ING, the loan is for an amount of 76 million euros, maturing in December 2023. Its granting is linked to the company's sustainability strategy and the interest will vary depending on the ESG rating Colonial obtains from the sustainability agency GRESB.

CaixaBank

> In May 2019, Colonial signed its second sustainable loan with CaixaBank for an amount of 75 million euros, maturing in July 2024, and the interest will vary according to the rating Colonial obtains in ESG from the sustainability agency GRESB.

> In September 2019, both loans obtained a reduction in margins thanks to the improvement in the GRESB rating, which highlights the Group's efforts in ESG matters.

> In addition, in April 2020 Colonial has signed a new sustainable loan for an amount of 200 million euros with maturity in 2022 and interest that will vary depending on Colonial's ESG rating from the sustainability agency GRESB. The institutions participating in the loan were BNP Paribas, Natixis, BBVA and CaixaBank. CaixaBank with the role of Agent Bank and Sustainability Coordinator. It should be noted that it is the third sustainable loan signed with Colonial that demonstrates the Group's commitment to ESG.

Think Tank

Colonial is part of a European Think Tank that is one of the six leading real estate companies in the office business: Coima, Astria, Gecina, NSI, Great Portland and Colonial. It was created at the end of 2017 with the aim of developing best practices in the areas of innovation and digitisation, flexible offices as well as environmental sustainability.

2.5. Digital Strategy and Co-working

At the end of 2017, Colonial acquired Utopicus, a startup founded in 2010, pioneer in the coworking sector in Spain. Since then, Colonial has driven the growth and launched different initiatives to convert Utopicus into one of the leading operators of the sector, with 14 centres under management and approximately 40,000 sq m of surface area.

During 2019, Utopicus focused its efforts in two large areas: firstly, in offering innovative content and services from the Colonial Group and secondly, in expanding its presence in Spain through the properties of the Colonial Group, offering a complementary service through accessible spaces to all corporate clients.

Accordingly, in 2018, a new concept for office buildings was launched, taking advantage of the delivery of the new offices project carried out by Colonial, "The Window". This property combines a center of Utopicus of 4,000 sq m with traditional office space. The result obtained was a success, increasing the occupancy of the building with rents higher than expected, and positioning Window as the benchmark for companies in the Fintech sector in the city of Madrid.

Throughout 2019, Colonial replicated this "hybrid" building concept in other properties of the Group and six buildings already had flexible office spaces. In particular, of special note is the center opened in the Parc Glòries building, located in the best area of the 22@ district in Barcelona. The space provides a combination of flexible uses with traditional office space and has more than 2,000 sq m of surface area for 195 workstations.

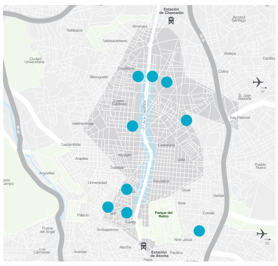
Likewise, Colonial has developed an application that, together with the prior "sensorization" of the property, will lead to an improvement in the efficiency and energy consumption of the spaces. The application measures different aspects of a building, such as the heating, air quality, lighting intensity and energy consumption, among others, always looking to increase the comfort and well-being of the Colonial Group's clients. At the close of 2019, the system had already been implemented in six of Colonial's buildings in Madrid, with the future aim of implementing it in the rest of the portfolio.

PropNet by Colonial

Centers Utopicus | Assets in operation | Openings underway

Madrid

9 centers



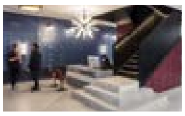
Assets in operation:

Orense

Gran Vía 4

Conde de Casal

The Window

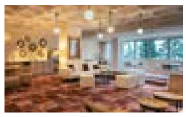


Colegiata

Openings underway:

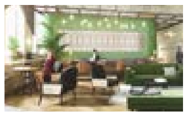
Paseo Habana

Abascal 56



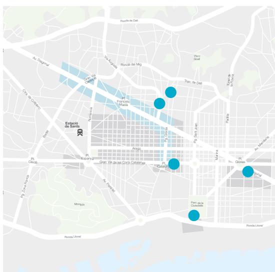
Castellana 163

Francisco Silvela



Barcelona

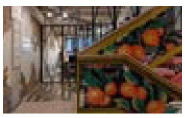
5 centers



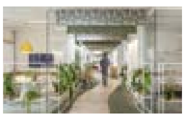
Assets in operation:

Pl. Catalunya

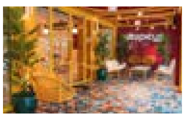
Clementina



Parc Glòries

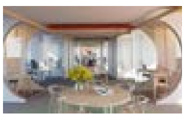


Gal·la Placídia



Openings underway:

T. Marenostrum



2.6. A solid capital structure

A strong balance sheet

At 31 December 2019, the Colonial Group had a solid balance sheet with a LTV of 36% (an improvement of 315 bps compared to the end of the previous year) with a Standard & Poor's rating of BBB+, the highest rating in the Spanish Real Estate sector.

The liquidity of the Group at the close of 2019 amounts to €2,082m. In terms of debt maturity, it is particularly noteworthy that 79% of the Group's debt will mature from 2023 onwards.

2019 was marked by the completion of the restructuring of the pending debt coming from Axiare, cancelling various bilateral loans amounting to €162m and refinancing two bilateral loans in the amount of €151m, improving margins and cancelling mortgage securities. The refinanced loans are sustainable loans as their margin will vary according to the rating that Colonial obtains with respect to ESG from the sustainability agency GRESB.

As for SFL, it has restructured a syndicate loan of €390m that has resulted in an improvement both in terms of margins as well as maturity. SFL also carried out short-term note issues throughout the year with existing issuances at the end of the year amounting to €387m.

Solid share price performance

At the end of 2019, Colonial's shares closed with a revaluation of +40%, outperforming the EPRA & IBEX35 benchmark indices.

The share price performance reflects the support of capital markets for the successful execution of the Colonial Group's growth strategy. Colonial's share price trading stands out compared to its peers as one of the securities that is trading the closest to its fundamental value.

At the beginning of 2020, key analysts in the real estate sector such as Goldman Sachs, Morgan Stanley, Bank of America and JP Morgan have updated their recommendation and target prices on Colonial, up to a range between €13 and €13.5 per share.

2.7. Growth drivers

The Colonial Group has an attractive growth profile, based on its strategy of industrial value creation with a high Alpha component in returns. In particular, the value creation is based on the following value drivers:

A. Clear leadership in prime offices: Colonial has a high-quality product with an unparalleled exposure to city center locations in Europe with 76% of the portfolio in CBD.

B. An attractive project pipeline: a portfolio of 10 projects corresponding to more than 200,000 sq m to create prime products that offer strong returns and therefore, future value creation with solid fundamentals.

At present, several projects (specifically Castellana 163, Diagonal 525 and Louvre SaintHonoré) already have pre-let agreements in favorable terms, significantly increasing the visibility of future cash flow and value creation.

C. A strong prime positioning with an asset portfolio to capitalize on the cycle: once again, 2019 has shown the capacity of the Colonial Group's contract portfolio to capture maximum market rents and obtain significant rental price increases with double-digit release spreads. In the next 24 months, 66% of the contracts in Madrid and Barcelona and 25% of the contracts in Paris will mature, generating an attractive reversionary potential to capture rental price increases.

Renovation Program

The Colonial Group counts on a renovation program that is accelerating tenant rotation in the corresponding spaces to maximize growth in rental prices. This renovation program is mainly focused on the adaptation of common areas and updating facilities, with limited investment.

The renovation program currently includes the Cedro and Ortega & Gasset buildings in Madrid, the Torre Marenostrum asset in the 22@ technological district in Barcelona and 176 Charles de Gaulle, located in the growing market of Neuilly in Paris.

D. Solid investment markets: the direct investment markets maintain high interest in prime products. In this respect, Colonial's portfolio offers interesting spreads compared to the benchmark reference rates.

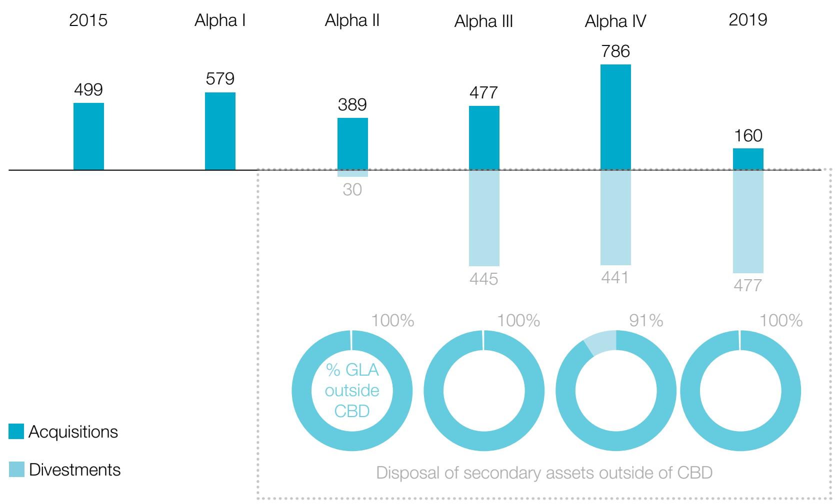
E. Financial discipline in the acquisition and disposal program: over recent years, Colonial has successfully delivered the organic acquisition targets announced to the capital markets: asset acquisitions, prioritising off-market transactions and identifying properties with value-added potential in market segments with solid fundamentals.

Since 2015, the Colonial Group has carried out significant investments and disposals.

In 2019, the acquisition program has identified and carried out investments for €160m. At the same time, non-strategic product was disposed of for €477m above valuation to optimize the quality of the portfolio returns.

In 2020, Colonial expects to continue with a selective rotation of non-strategic and/or mature assets and at the same time to carry out new acquisitions.

Net investments since 2015 - €m



Capital allocation principles

> Prioritize opportunities in prime.

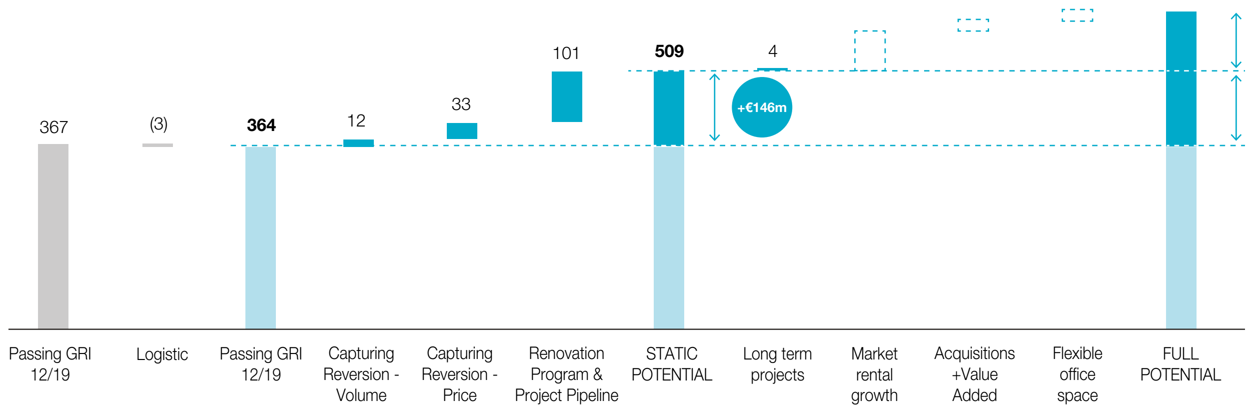
> Enhance exposure to high quality offices direct or indirectly.

> Maintain capital allocation discipline.

More than €1,000m of potential acquisitions 12% materialised YTD

Potential cash flow and future value

The asset portfolio of the Colonial Group (excluding the logistics portfolio to be disposed in 2020) has the potential to reach an annual income (passing rents) of €509m, resulting in an increase of +40% (+€146m) with respect to the current cash flow.

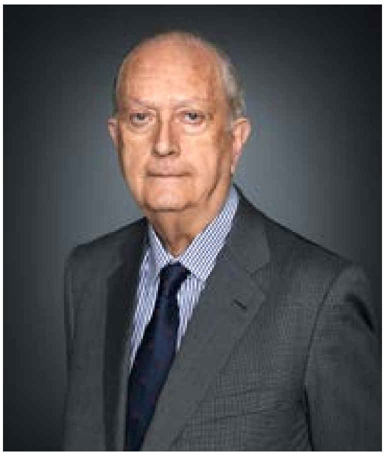


Note: Topped-up passing rental income: annualized cash GRI adjusted for the expiration of rent free periods as per EPRA BPR.


03

03 Chairman and CEO Interview

Chairman and CEO Interview



Juan José Brugera,
Chairman

Pere Viñolas Serra,
CEO

Many corporate investors are increasingly looking to governance, social and sustainable investment criteria to invest in companies like Colonial. In particular, Blackrock founder Larry Fink focused his annual letter to global CEOs entirely on aspects of sustainability and climate change. What steps is Colonial taking in this regard?

J.J. BRUGERA

Colonial aspires to be a clear leader in ESG, which is an essential element in Colonial's strategy, prioritising a long-term sustainable return based on a model where quality prevails.

In this sense, Colonial is fully committed to the United Nations (UN) 2030 Agenda on sustainable development. It established a total of 17 global goals (known as Sustainable Development Goals or SDGs) and 169 specific targets, applicable globally and to be achieved over the next 12 years.

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.

For this reason, in-depth analysis has been carried out in all areas of the company and an ESG Strategic Plan has been drawn up based on the sustainable development goals. The objective is to achieve the utmost excellence in the areas of governance, social and sustainable investment in order to provide our investors and stakeholders with maximum long-term risk-adjusted returns.

P. VIÑOLAS

I would like to add that we at Colonial have been working on clear leadership in ESG for years now. We understand that our REIT (SOCIMI) business model focused on high quality offices is fully geared towards long-term sustainable value creation.

For this reason, over the last few years we have been certifying all our properties for energy purposes. For example, in 2019 we have been recognised as the leader in Europe for responsible investment by BREEAM/ GRESB, as we had an operational portfolio with 92% of the assets with the highest energy ratings. More than 10 billion euros in assets in our portfolio have LEED/BREEAM certifications, which is above the industry average.

In addition, we have been increasing our transparency and reporting different actions in all ESG areas. As a result, we have received very high ratings in the main indices of our sector. For example, in 2019 we increased our GRESB score by +26% with very high scores in the areas of Monitoring-EMS, Management & Risk-Opportunities. It should also be mentioned that the Colonial Group's French subsidiary has obtained the second best GRESB rating in the office sector across Europe. For the 4th year running, we were also awarded the EPRA Gold sBPR classification that certifies the highest reporting standards in ESG.

Finally, thinking about the future, we have an important challenge for the coming years. The implementation of the ESG plan explained by our Chairman above will involve implementing a specific strategy to decarbonise our properties and achieve the best qualifications in social and governance aspects.

In particular, Colonial has an ambitious strategic plan for decarbonisation, with a commitment to make its entire portfolio of offices carbon neutral by 2050. It also aims to be fully aligned with the Paris Agreement, adopted in December 2015, to limit the rise in global average temperatures to below two degrees by the end of the century.

In last year's interview, we were told that 2018 was an extraordinary year of transformation, which would be a turning point for the company and an acceleration of the business plan. In terms of 2019, it seems that expectations have been met, have they not?

J.J. BRUGERA

Yes, 2018 was a transformational year with the acquisition and merger of Axiare, the execution of the Alpha III and IV projects and the sale of non-strategic assets... but the truth is that in 2019 we have once again outdone ourselves.

At the end of 2019, we proudly present the best profit in the nearly 75-year history of the company. We ended 2019 with a record profit of 827m, +58% more than the previous year.

We are growing substantially in all business and financial metrics. For example, the total return for our shareholder was +16%, of which the Net Asset Value increased by +14% over the previous year, reaching €11.5 per share.

We can be very satisfied with the 2019's results, but also, with all the work done during the year because it will surely bring us very significant returns in the future.

P. VIÑOLAS

2019 was indeed a very busy year with exceptional results. This year we have continued to focus our efforts on further improving the quality of our assets.

All this with an industrial real estate strategy with an important component of Alpha returns. Without going into too much detail, the main aspects I would like to highlight are the following:

1. The successful management of the project portfolio: Finished projects such as Pedralbes Centre and Travesera de Gràcia in Barcelona or Avenida Bruselas in Madrid, as well as the signing of important pre-lets with prestigious multinationals in the project portfolio and renewal programme.

2. The substantial improvement in the occupancy rate of the property portfolio, with the vacant property rate reaching 2.7% at the end of the year (*vs.* 4.4% in 2018).

3. Capturing significant increases in rental prices thanks to the excellent fundamentals of the CBD, where Colonial has a unique exposure of 76%.

While we are conducting this interview we are witnessing how the COVID-19 is seriously affecting the global economy and consequently Colonial's business. Where does the company stand on this challenge?

J.J. BRUGERA

Yes, the Coronavirus epidemic is significantly affecting both our domestic and global markets. Likewise, its impact on Colonial's real estate activity, as well as on the economy in general, remains uncertain and difficult to predict.

However, Colonial's portfolio and its current liquidity and solvency allow the Colonial Group to face and manage this situation in the best possible way.

We have a management team that has many years of experience and has been working together for many years. The team has already experienced several business cycles and is prepared to manage increasing levels of complexity.

P. VIÑOLAS

We certainly believe that our activities and our asset profile are especially resilient in this complex environment.

Our buildings are grade A (buildings with the highest energy efficiency possible), are located in the Central Business District (76%) and are diversified throughout 3 cities, Paris, Madrid and Barcelona. Our focus has been and continues to be the prime office sector.

In this regard, over the last 3 years we have been committed to substantially improving the quality of our portfolio, divesting non-strategic assets in secondary markets for a value of more than 1,350 million euros and acquiring prime office assets for a value of 1,423 million euros.

Our clients have a strong profile in terms of solvency and more than 80% of our main clients have an investment grade rating. Our client portfolio is highly diversified among many different sectors and includes top-level tenants, and they have a high degree of loyalty: 78% of our clients spend 5 to 10 years with Colonial assets.

With regard to new investments, we have revised our investment criteria and policies according to a more cautious approach. There have been no significant changes in our planned divestitures, and no acquisitions or investments from our investment pipeline are expected in the short term. However, we will be alert to possible opportunities that may arise from the current situation, always within the framework of maintaining high financial discipline with the aim of maintaining an investment grade credit rating.

Finally, I would like to point out that Colonial has a long-term financing profile, with 79% of the Group's debt maturing after 2023 without any significant maturity in the next 18 months. The company also has high liquidity, with available credit lines and cash exceeding €2,000m at 31 December 2019.


04

04 Strategy, trends and market

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

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

I. Mission of the Colonial Group

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

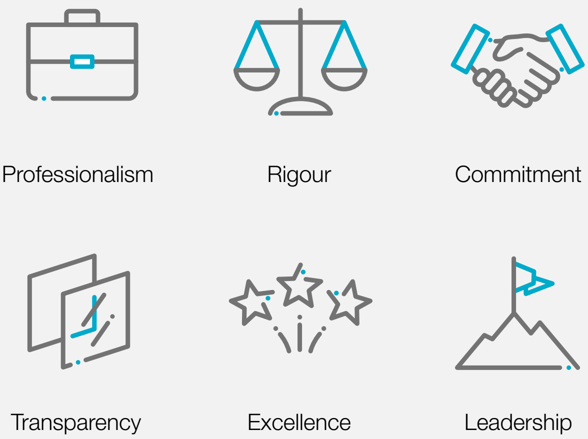
II. Vision of the Colonial Group

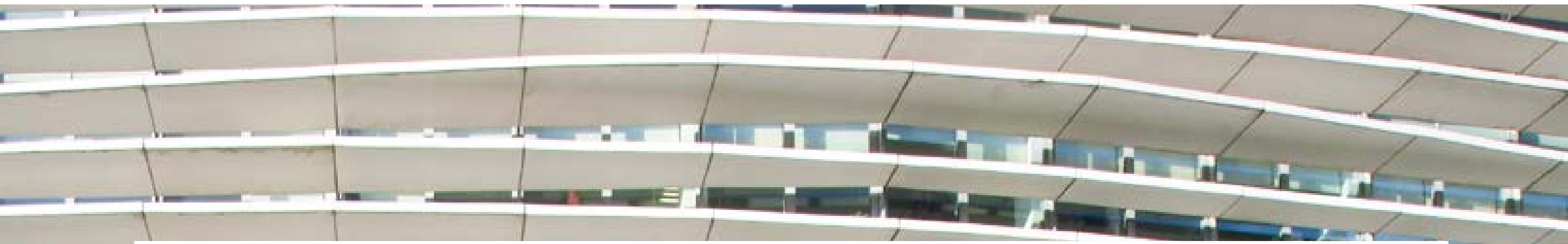
"To be leaders in the European office market, recognised for our experience and professionalism, our solidity and profitability, providing excellent and sustainable real estate solutions, adapted to the needs of clients".

III. Values

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

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





IV. Business Model & Objectives of the Colonial Group

1. Focus on top-quality prime office business that allows for maximum returns with minimum risk.

76% of our portfolio is located in prime locations in the CBD (Central Business District).

2. Pan-European leadership in the office sector.

A diversified pan-European strategy in the Barcelona (13%), Madrid (26%), Paris (59%) and logistics and others (2%) being the prime product leader in each market.

3. Commitment to offer and create the best Core office product through the active management of the buildings, aspiring to reach the highest standards of sustainability and efficiency.

92% of our office portfolio has the highest standards of Leed & Breeam energy certification.

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

We have reduced the carbon footprint intensity for Scope 1 and 2 of our portfolio by 70% like-for-like from the base year 2015 and have approved a demanding strategic reduction plan for the next 5 years.

5. To increase loyalty, satisfaction and commitment to our clients by offering the best solutions.

57% of our client portfolio has been associated with the Colonial Group for more than 10 years, developing their business strategies in our buildings.

6. To develop one of the best teams in the sector through the attraction and retention of talent and the continuous training of our employees.

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

7. Highest standards in Corporate Governance at national & international levels.

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

8. Utmost financial discipline to ensure attractive and sustainable long-term risk-adjusted returns.

> Profitability based on the generation of stable income cash flow from the prime portfolio in combination with value creation through real estate transformation (renovations & development projects) and consequently new prime product creation.

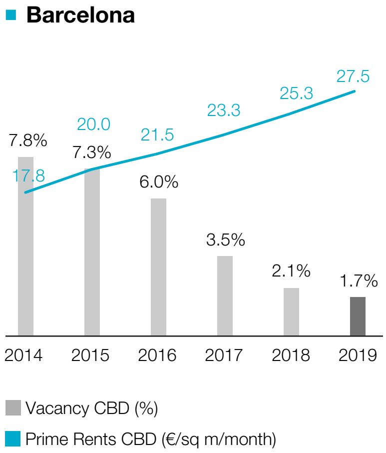
> Financial discipline with a solid capital structure with a clear vocation to maintain the highest credit rating standards and an investment grade financial structure.

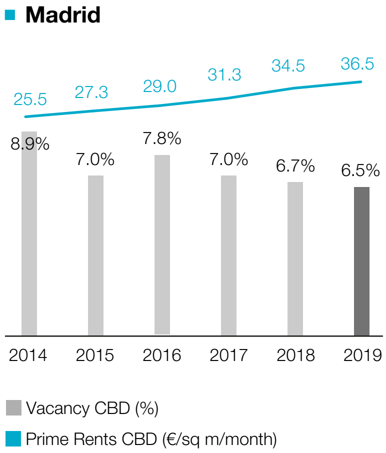
> Sustainable financing.

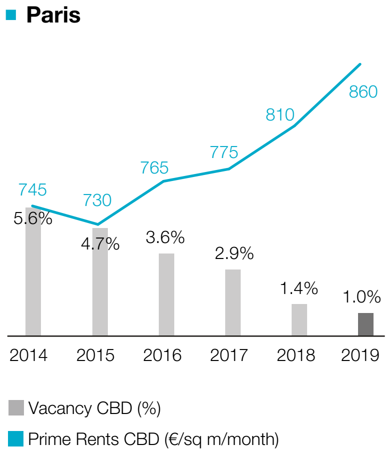
4.2. Office Market and Trends

I. Rental markets

PRIME RENTS CBD AND VACANCY CBD







The **office market in Barcelona** closed 2019 with a record cumulative take-up in the historical series of 410,000 sq m, +12% higher than the figure in 2018. The vacancy rate continued on a downward trend to stand at 5% for the entire market, at its lowest in the last decade. In the CBD, the vacancy rate continued to reduce to 1.7%. A lack of future supply together with the strong demand is driving up prime rents to €27.5/sq m/month, which represents an annual increase of +9%. Long-term forecasts continue with growth perspectives, based on the fact that currently 35% of the demand is for new occupancy and 30% of the future supply is already taken up.

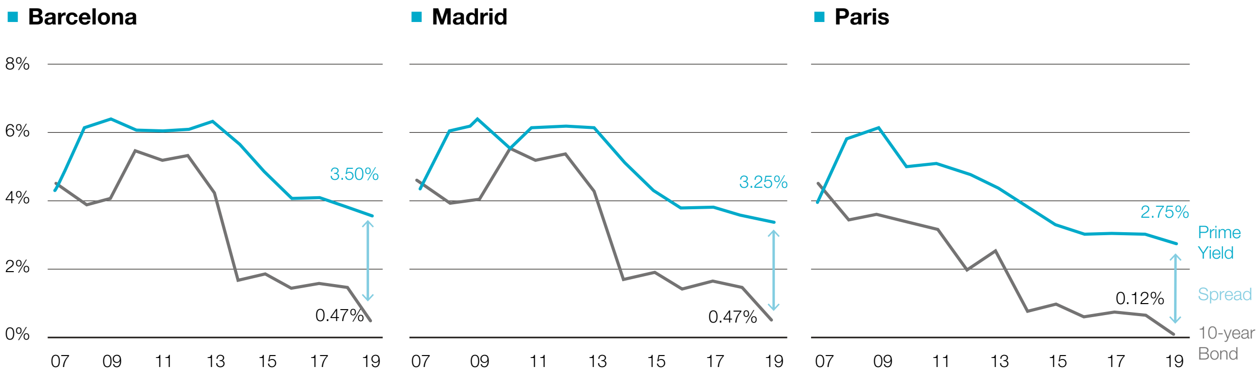
During 2019, more than 600,000 sq m were signed in the **office market in Madrid**. This figure is above the average over the last five years. This high demand positioned the vacancy rate at 8.5%, a 17% decrease compared to the previous year. In turn, the CBD in Madrid had the highest demand, with 35% of the total, resulting in a low vacancy rate of 6.5% in the CBD. A lack of quality product in the City Center continued to put upward pressure on rental prices, resulting in prime rents continuing to rise to a value of €36.50/sq m/month. Likewise, it is worth mentioning that Madrid remains a robust market with a stable net absorption, enabling it to be one of the cities with the greatest rent growth in Europe.

In the **office market in Paris**, take-up in 2019 reached a total of 2,317,000 sq m, a figure higher than the average over the last 10 years. Likewise, it is worth mentioning that 50% of the take up was in spaces in Paris City Centre. Vacancy in the entire market reached an all-time low over the last 10 years to stand at 5%. In the CBD, a lack of supply continued to decrease to reach 2,718,000 sq m, positioning the vacancy rate at 1.0%. As a consequence, prime rents continued to increase, reaching levels above €800/sq m/year.

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

II. Investment market

PRIME YIELDS(1)



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

The **investment market in Barcelona** continued to show solid fundamentals which led to an increase in investment. This led to 2019 becoming a record year with an investment volume of €1,822m, obtaining prime yields of 3.5% (a spread of 303 bps *versus* the Spanish bond).

The cumulative volume in the **investment market in Madrid** exceeded expectations, reaching an investment volume of €2,400m in 2019, and surpassing the annual average of the historical series. Particularly noteworthy is the investor appetite for any opportunity in the prime CBD resulting in transactions closing with record capital values, such as, for example, the Axis building in Plaza Colón, that has reached levels around 20,000€/sq m (according to brokers). As a consequence, prime yields reached levels of 3.25% (a spread of 278 bps *versus* the Spanish bond).

The **investment market in Paris** closed 2019 as a record year in investment volume with a transaction volume of more than €21,200m, an increase of +10% compared to the previous year. This historic record is mainly due to the fact that 69% of the transactions were large transactions (> €100m of investment) in the prime CBD and the centre of Paris. 55% of the transactions were for already mature core assets and there has also been an increase in turnkey projects. Foreign investors continued the trend established in 2018, and were responsible for 36% of the transaction volume, highlighting Asian investors, especially from South Korea. Prime yields stood at 2.75% (a spread of 263 bps *versus* the French bond).

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

III. Trends

TRENDS IN THE REAL ESTATE SECTOR

The trends in the real estate sector are those that have a special impact on the environment and Colonial's activity and some of its stakeholders.

Trends	Colonial's Response
Green spaces and biodiversity Cities, facing high and increasing levels of pollution, as well as higher population densities, need green spaces that allow them to breathe and that are a safe haven for biodiversity.	At Colonial we work to achieve an increase in the percentage of green areas in buildings, with a focus on the design of vertical gardens. We are guided by our Policy and Manual of Good Practices in Biodiversity and we attach importance to raising employee awareness.
Sustainable and efficient construction The property sector has two aspects of environmental impact: one associated with the construction itself, such as the use of land and resources, and the other related to efficiency, due to the daily use of infrastructure, such as energy consumption.	Colonial aims to positively impact with the use of more sustainable materials, as well as creating more efficient spaces in its daily use, facilitated by advanced technologies that allow consumption to be optimised.
Accessibility The connection of urban centres to workspaces, either due to their location or efficient and sustainable transport possibilities, is becoming a priority due to its impact on people's well-being and pollution in cities.	The location of Colonial's assets, in central areas of the main cities, provides excellent connections and easy access by public transport or bicycle, encouraged by agreements that Colonial has with sustainable mobility companies. In addition, we are working to expand the number of assets that have charging stations for electric vehicles.
Smart Buildings/AI One of the sector trends with the most boom in recent years is the construction and transformation of smart buildings, managed and supervised in real time and remotely.	In 2019 Colonial implemented a software package in all its properties that enables this intelligent and remote management. Colonial leads the sector developing innovative "Proptech" initiatives that will mean great advances in property management, providing greater optimisation of resources, as well as convenience for clients.
Spaces that promote well-being and social integration In recent years, the concept of wellness and integration areas for employees, such as rest rooms, common areas and the expansion of services, such as cafeterias or gyms, is being developed and implemented in the construction of workspaces.	Colonial responds to these needs by including and expanding these spaces both in its new properties and in the renovations of its portfolio, for example in the cases of 83 Marceau in Paris, Castellana 163 or Torre BCN.
Co-working and Sharing Economy A sharing-based economy aims to use existing resources as efficiently as possible. In this regard, the property market has seen new business models, products and services empowered by new technologies in just a few years.	To respond to the demands of new clients, Colonial offers a hybrid portfolio with Utopicus through traditional and co-working spaces.

4.3. Business Model and Value Creation

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

4.3.1 Prime Assets in the best locations in Barcelona, Madrid and Paris

Colonial is an asset management company focused on the prime office sector. It has 93 assets (23 in Barcelona, 50 in Madrid and 20 in Paris) and an EPRA occupancy rate of 97% at 31 December 2019.

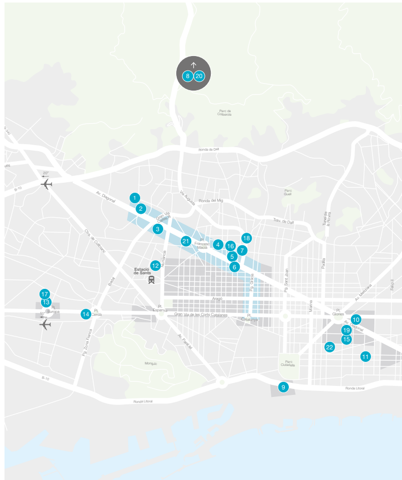
The Colonial Group has a unique and irreplaceable portfolio of offices, 76% of which are in the Barcelona, Madrid and Paris CBD, a fact that sets it apart from any other European listed company.

Our clients, with more than 100,000 users distributed among the 93 properties of the group, enjoy the best office buildings and locations in the city. All the buildings are located a few minutes' walk from public transport networks, with the best links to any part of the city and airports.

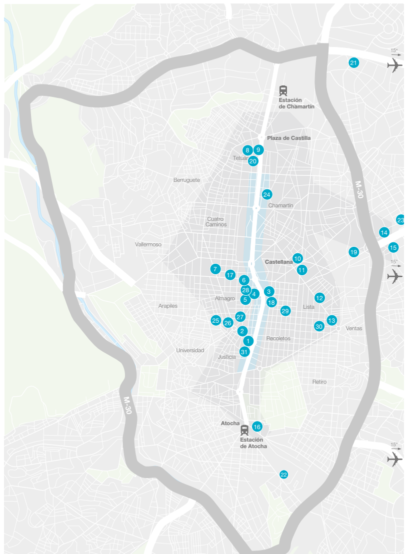
Likewise, the unbeatable locations of our property portfolio allow our employees, clients and other stakeholders to enjoy all the services in the city centre, such as housing, leisure spaces, restaurants, professional services, doctors etc.

76% of Colonial's portfolio is located in CBD and the remaining 24% in consolidated business markets (BD and City Centre), as can be seen in the following maps:

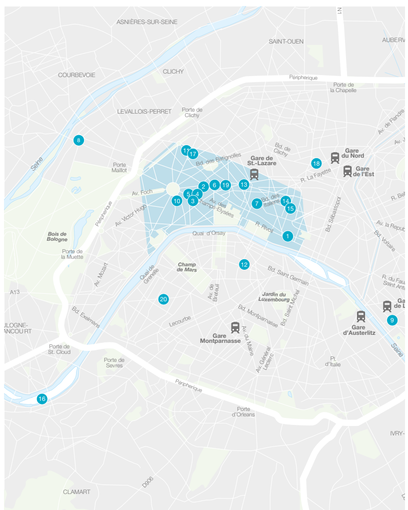
■ **Barcelona**



■ **Madrid**



■ **Paris**



4.3.2 A value chain focused on long-term value creation

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

Therefore, the company has developed important know how that allows it to achieve excellence in the different phases of the value chain of an office building: the acquisition, refurbishment, marketing, management of the property and sale, if applicable.

Through our own employees, Colonial controls the most strategic phases of the value chain. In particular, all those areas that are aimed at client satisfaction. The identification of the location and design of the product, the treatment and management of the client, as well as the offer of new services are very significant aspects of our value chain and we therefore manage them internally.

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

	Investment	Renovation	Marketing	Property Management	Sale
Colonial Teams	Investment, corporate and legal team.	Project Team.	Commercial and legal team.	Property, project and legal management team.	Investment, corporate and legal team.
Collaborators	Shareholders, brokers, capital market.	Architects, Engineers, Construction Companies	Clients, Brokers.	Clients, service and maintenance companies.	Shareholders, brokers, capital market.
2019 key figures	> Acquisitions for a volume of €160. > 2 properties in 22@ in Barcelona and 1 in Paseo Recoletos in Madrid. > Off-market acquisitions ensuring attractive purchase price. > Assets with high potential to generate long-term value.	> Delivery of 3 projects (Gal·la Placìdia, Pedralbes Center and Avenida Bruselas). > Obtaining a building permit at Louvre. > Satisfactory progress of work on projects such as Miguel Ángel, Velázquez, Marceau and Biome.	> 135 signed contracts corresponding to 263,301 sq m and €98m. > Attracting growth in signed rent: +14% release spread +6% *versus* market rent. > Pre-lease contract signatures at Louvre, Diagonal 525, Castellana 163.	> High client satisfaction (86% said they were satisfied or very satisfied). > High client loyalty (80% of our clients have been in Colonial buildings for more than five years). > New actions such as installation of electric chargers, scooters, new common areas...	> Non-core divestments for a volume of €477m with a 16% premium over appraisal. > Delivery of 18 logistics assets from Axiare. > Delivery of 1 Hotel and 1 non-core plot, improving the quality of the portfolio.

4.3.3 AAA clients with high loyalty

Colonial has more than 400 clients and more than 1,000 contracts with which it is committed not only to fulfilling its contractual obligations but also to covering the needs of its clients so that they are highly satisfied with the leased spaces.

As a result of the work of the entire Colonial team, the Group has a high contract renewal rate. Proof of this is that 78% of our clients stay in Colonial assets for a period of more than 5 years. This high capacity for client retention provides great resilience and consistency to the company's revenue.

The prime portfolio of our assets allows us to attract the best clients. Colonial measures the resilience and strength of its clients by their degree of solvency and proof of this is that more than 80% of our main clients have an Investment Grade rating according to credit rating agencies.

4.3.4 Commitment to innovation

Colonial is committed to being at the forefront of the real estate sector and to pursuing innovation as an engine for generating value for our shareholders.

In this sense, several initiatives are being developed, mainly in the areas of coworking and the digitalisation of our buildings.

I. CO-WORKING AND FLEXIBLE SPACES

At the end of 2017, Colonial acquired Utopicus, a startup founded in 2010, which is a pioneer of the co-working sector in Spain. Since then, Colonial has driven growth and launched various initiatives to convert Utopicus into one of the main operators in the sector, with 14 centres under management and approximately 40,000 sq m.

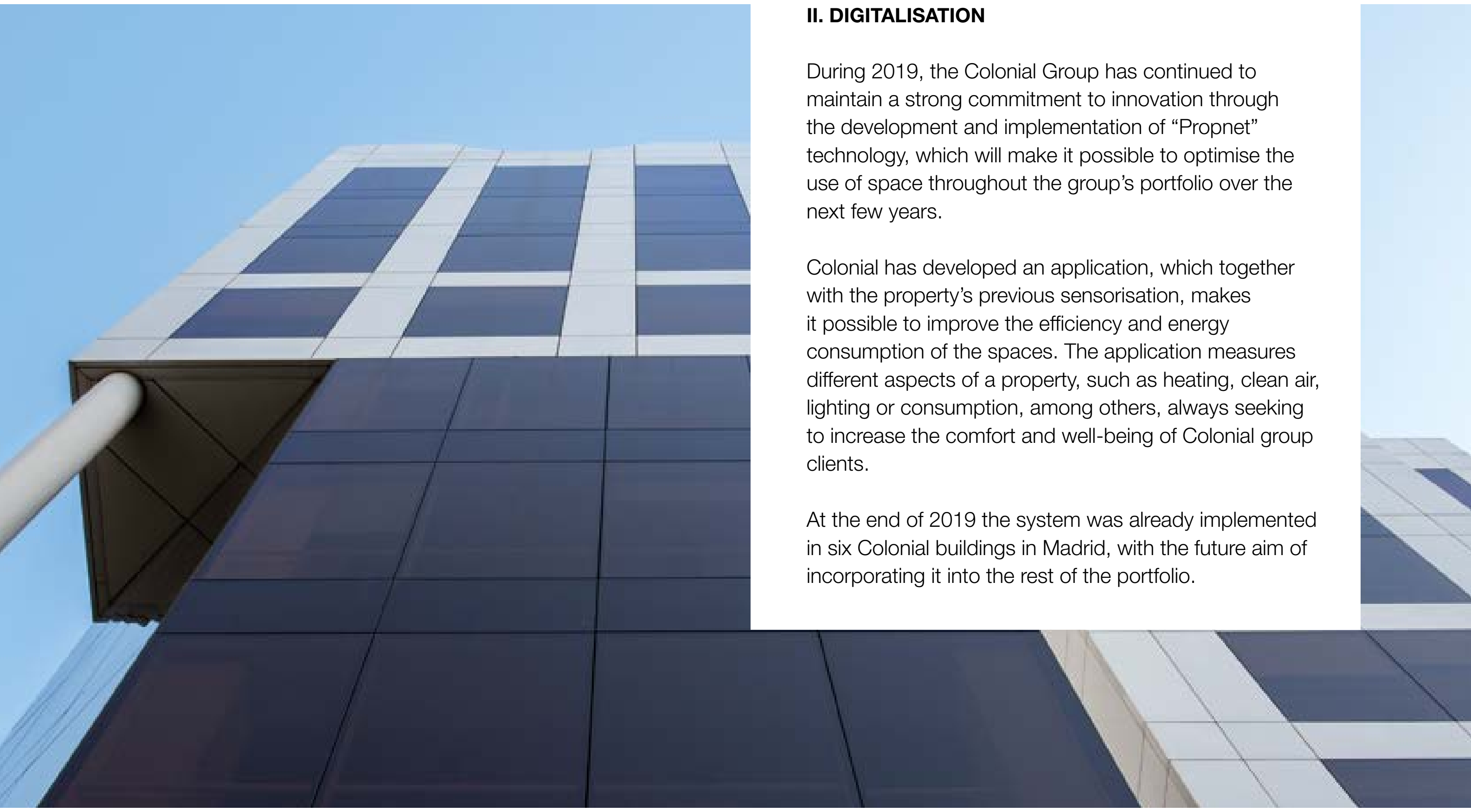
During 2019, Utopicus has focused its efforts on two main areas. First to offer innovative content and services to the users of the Colonial group. Second, to expand its presence in Spain through the properties of the Colonial group.

II. DIGITALISATION

During 2019, the Colonial Group has continued to maintain a strong commitment to innovation through the development and implementation of "Propnet" technology, which will make it possible to optimise the use of space throughout the group's portfolio over the next few years.

Colonial has developed an application, which together with the property's previous sensorisation, makes it possible to improve the efficiency and energy consumption of the spaces. The application measures different aspects of a property, such as heating, clean air, lighting or consumption, among others, always seeking to increase the comfort and well-being of Colonial group clients.

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



4.3.5 Balance sheet management

One of the pillars of Colonial's strategy is to have the utmost financial discipline to ensure attractive and sustainable long-term risk-adjusted returns.

The company has a very solid financial profile, with a debt, LTV, of 36% at December 2019 which represents an improvement of 315 basis points compared to 2018.

Colonial has a long-term rating of BBB+ from Standard & Poor's, the highest rating in the Spanish real estate sector and one of the best credit ratings in the Ibex35 index.

The company's liquidity is also very high. At 31 December 2019, Colonial had available credit lines and cash in excess of €2,000m.

The financing profile is very long-term, with 79% of the Group's debt maturing after 2023 without any significant maturity in the next 12 months.

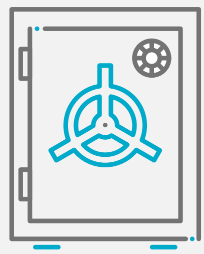
This financial strength is partly due to active management of the balance sheet during the year. For example, several bilateral loans amounting to €162m were cancelled and two bilateral loans amounting to €151m were refinanced, improving margins and cancelling mortgage guarantees.

It is worth pointing out that the refinanced loans have the status of "sustainable loans" since their margin varies according to the rating that Colonial obtains in terms of ESG from the sustainability agency GRESB.

In this way, Colonial has also been a pioneer in the financial sphere and has become the first Spanish real estate company to obtain sustainable financing.

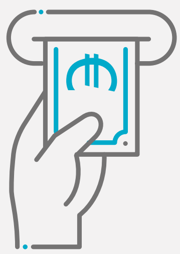
Solid
Financial profile

LTV of 36%
Improvement of
315 basis points



High
Liquidity

Available credit
lines and cash in
excess of €2,000m



Sustainable
Loans

First Spanish real
estate company to
obtain sustainable
financing

4.4. Value created by Colonial

Shareholder value	> In 2019, total shareholder return was **+16%** based on real estate value creation. > The net asset value of EPRA NAV reached **€5,825m** representing **€11.5/share**. > At the end of 2019, Colonial's shares were valued at **€11.36/share** on the market, with a revaluation of **+40%**, a figure above the reference indices (EPRA & IBEX35). > Leading market analysts have a favourable opinion of the company and consider that the target price of the one-year value should be above **12€/share**.
Growth of net result	> Recurring net profit per share of **€0.274**, **+23%**. > Recurring net profit of **€139m**, **+38%**. > Net profit of **€827m**, **+58%**. > Income from rentals of **€352m**. > Increase in like-for-like revenue of **+4%**.
Strong operational fundamentals	> Capturing growth in signed rentals: **+14%** release spread. **+6%** *vs.* market rent 12/182. > Sound office occupancy levels of **98%**. > Rent of **263,301 sq m** corresponding to **135** contracts.
Active portfolio management	> Completion of the integration of Axiare. > Successful project delivery. > Divestitures of non-strategic assets for **€477m** with premium over GAV. > Execution of acquisitions for **€160m** in prime areas. > Acquisition pipeline of over **€1,000m**, with **12%** materialised to date.
Know-how and Innovation	> Creation of **6** hybrid buildings: traditional offices and co-working in the same building. > Proptech advances that allow us to provide the best service the clients and to brings new trends to the sector.
Sustainability and Eco-efficiency	> Decarbonisation: Year-on-year reduction of (**70%**) like-for-like in GHG emissions Scope 1 & 2. > Year-on-year reduction of (**8%**) in energy intensity. > Supply of **58%** green energy, **+266 bp**. > **92%** of the operational office portfolio is Leed/Breeam certified. > **MSCI AA** Ratings for 2nd consecutive year, among the highest in Europe. > **26%** increase in GRESB Rating. > sBPR EPRA Gold Rating for the 4th consecutive year.
Employees	> **30** training **hours** per employee. > **3.3%** of the wage bill dedicated to training in France, which corresponds to **1,500 hours** of training for 66 employees. > Promotion of local employment.
Corporate Governance	> Excellence recognised by the main indices. > Digitisation of the Board. > **50%** of the Independent Directors are women. > Approval of a succession plan.

05

05

Business development

5.1. Portfolio letting performance

Breakdown of the current portfolio by floor area

At the close of 2019, the Colonial Group's portfolio totalled 1,940,323 sq m (1,396,311 sq m above ground), primarily related to office buildings, which comprised 1,611,104 sq m.

At the close of 2019, 85% of the office portfolio was in operation and the rest corresponded to an attractive portfolio of projects and refurbishments.

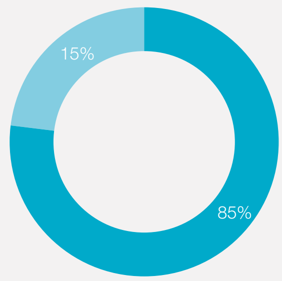
Signed leases - Offices

At the close of 2019, the Colonial Group signed leases for a **total of 263,301 sq m of offices**. 79% (207,247 sq m) were signed in Barcelona and Madrid and the rest (56,054 sq m) were signed in Paris.

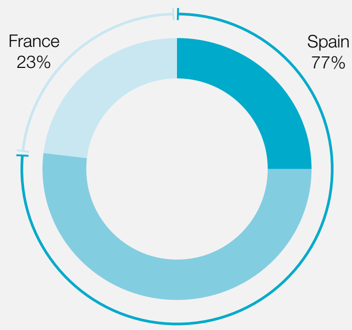
New lettings: Out of the total office letting activity, 54% (143,417 sq m) related to new leases, spread over the three markets in which the group operates.

Renewals: Lease renewals relating to 119,884 sq m were completed, of which 81,914 sq m were renewed in Madrid.

Offices Surface - by condition



Offices Surface - by market



Letting Performance - Offices

December cumulative - sq m	2019	Average maturity	% New rents *vs.* previous
Renewals & revisions - Barcelona	34,346	2	31%
Renewals & revisions - Madrid	81,914	4	9%
Renewals & revisions - Paris	3,623	4	7%
Total renewals & revisions	**119,884**	**4**	**14%**
New lettings - Barcelona	30,120	5	
New lettings - Madrid	60,867	5	
New lettings - Paris	52,431	12	
New lettings	**143,417**	**8**	**n.a.**
Total commercial effort	**263,301**	**6**	**n.a.**

Release spreads stood at +14%, highlighting Barcelona with +31% and Madrid with +9%. In Paris, the prices signed in renewals increased +7% compared to the previous rents.

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

In Spain, in 2019, 207,247 sq m were signed across 94 contracts.

MADRID

In the Madrid portfolio, 142,781 sq m were signed across 53 transactions. The largest transaction relates to the renewal of the entire surface area of Santa Hortensia (more than 40,000 sq m) with a multinational technology company. In addition, there are the renewals of 6,000 sq m on the Ramírez Arellano 37 asset, 5,700 sq m on the assets Josefa Valcárcel 24, José Abascal 56 and Tucumán, as well as 5,200 sq m on the Alfonso XII asset.

In terms of new contracts, noteworthy is the signing in April 2019 of 100% of the project delivered at Avenida Bruselas 38 for the headquarters of MasMovil, an IBEX35 technology company. In addition, there is the signing of 8,700 sq m on the Josefa Valcárcel 40 building with a leading communication group in Spain, a deal that results in 100% occupancy of the asset. Also noteworthy are the signing of almost 9,000 sq m on the Francisca Delgado 11 building with various tenants, as well as the signing of more than 7,600 sq m on a new project in Castellana 163 (a surface area signed with various tenants).

BARCELONA

In the Barcelona office portfolio, 64,466 sq m were signed across 41 transactions. Among the highlights is the pre-letting of the entire Diagonal 525 project, which will house the new headquarters of a prestigious company in the electric and gas industry. Also noting is the signing of 6,700 sq m on the Torre Marenostrum asset, as well as the signing of 4,300 sq m on the recently delivered Gal·la Placídia project.

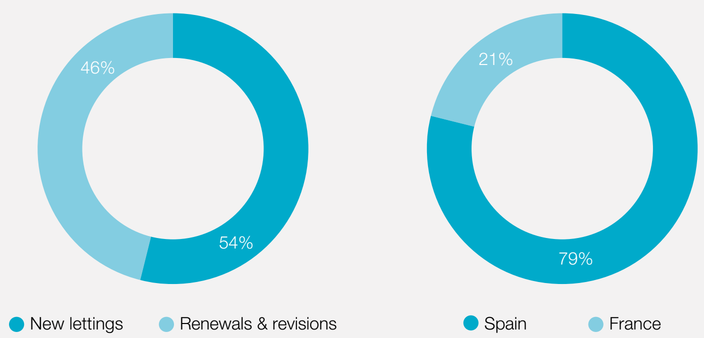
In terms of renewals, worth mentioning is the renewal of 11,800 sq m on the Diagonal 197 asset and the 5,200 sq m on Paseo de los Tilos, both contracts with prestigious solvent clients. With respect to the signing of new contracts, highlighted are the 4,000 sq m on the Sant Cugat building, 2,400 sq m on the Diagonal 682 building and 2,400 sq m on the Berlín/Numancia building.

PARIS

In the Paris portfolio, 56,054 sq m were signed across 41 transactions.

Of special mention is the renewal of 2,700 sq m of office space in the Louvre Saint Honoré building. In terms of new leases, worth noting is the signing of 20,000 sq m with the Cartier Foundation with a 20-year minimum fixed term. In addition, there is the signing of 3,500 sq m on the Edouard VII building, the signing of almost 12,000 sq m on the 106 Haussmann building, as well as signing of 4,800 sq m on 103 Grenelle, among others. The transactions described above were closed with rental prices at the high end of the market.

Signed leases - Offices



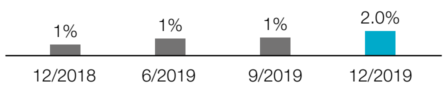
Portfolio occupation

The total EPRA vacancy(1) of the Colonial Group's portfolio stood at levels of 2.7% at the close of 2019(1).

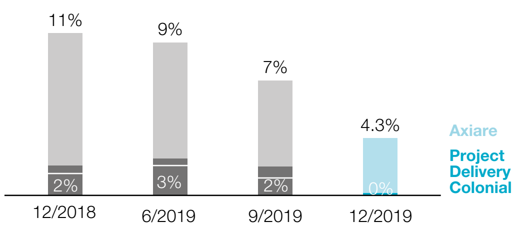
■ EPRA VACANCY(2)

Office & Total Vacancy - Evolution of Colonial's Portfolio

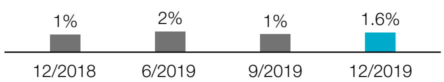
Barcelona



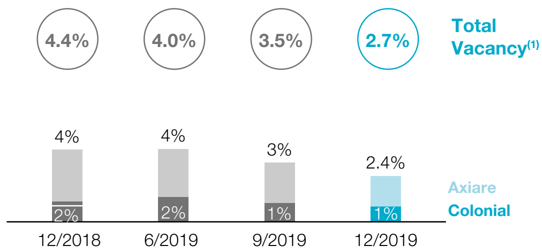
Madrid



Paris



Total



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

Particularly noteworthy is the **office portfolio in Paris** with a vacancy rate of 1.6%.

The **Barcelona office portfolio** has a vacancy rate of 2%, a ratio that has stayed very low, in line with the high quality of the portfolio. The variation is mainly due to the rotation of tenants within the portfolio, freeing up top quality spaces and facilitating income reversion.

The **Madrid office portfolio** has a vacancy rate of 4.3%, improving +619 bps compared to December 2018 and +307 bps compared to the third quarter of 2019, mainly due to the new leases signed during the year on assets like José Abascal 56, Ramírez Arellano 15, Alfonso XII, Avenida Bruselas 38 and Francisca Delgado 11, among others.

The 4% vacancy rate is concentrated mainly on portfolio assets coming from Axiare. In particular, the recently delivered Ribera de Loira project, as well as the Francisca Delgado 11 and Josefa Valcárcel 40.

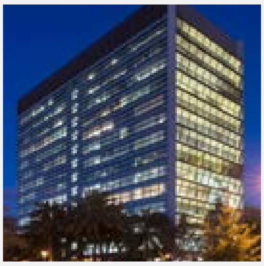
The current available GLA represents a supply of maximum quality in attractive market segments, where there is a clear scarcity of Grade A products.

Consequently, this offers significant potential for additional rental income to be captured in the coming quarters.

Vacancy surface of offices

Surface above ground (sq m)	Entries into operation[1]	BD area and others	CBD area	2019	EPRA Vacancy Offices
Barcelona	0	2,544	2,321	4,865	**2.0%**
Madrid	6,026	13,442	1,651	21,119	**4.3%**
Paris	0	6,026	151	6,177	**1.6%**
Total	**6,026**	**22,012**	**4,123**	**32,161**	**2.4%**

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


Diagonal, 682


Diagonal, 409


Sant Cugat


Castellana, 163


Sagasta, 31-33


Francisca Delgado, 11


Ribera de Loira, 28


Le Vaisseau

Commercial lease expiry and reversionary potential

COMMERCIAL LEASE EXPIRY

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

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

In this context, in the next 2 years, in the **Spanish** portfolio, there could be approximately 46% of office contract renewals, which will enable the company to capture the rental growth cycle with one of the best products available in the market.

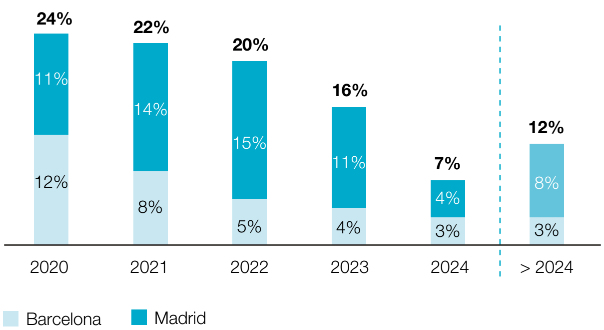
In **France**, the contract structure is longer term. However, 26% of the contract portfolio expires in the coming 24 months, offering significant reversionary potential to capture rental price increases.

The **second graph** shows the rent roll of the portfolio if the tenants remain until the contract expires. The contract structure in Spain is more short-term than in France.

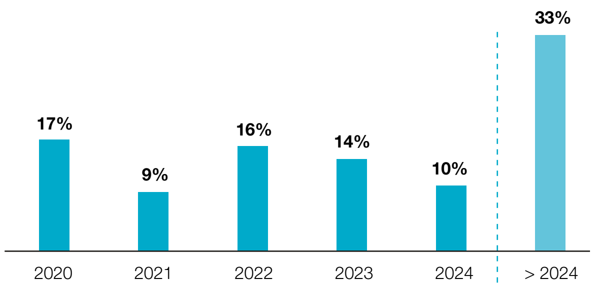
■ First Potential Exit

Commercial lease expiry dates in economic terms(1) - First Potential Exit(2)
(% passing rent of surfaces to be leased)

Spain



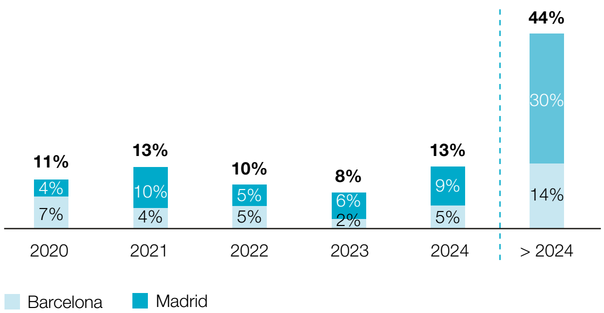
France



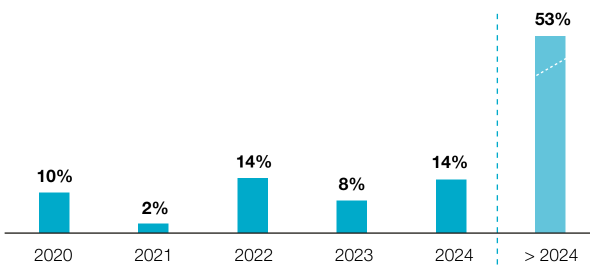
■ Expiry date

Commercial lease expiry dates in economic terms(1) - Expiry date(3)
(% passing rent of surfaces to be leased)

Spain



France



(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.

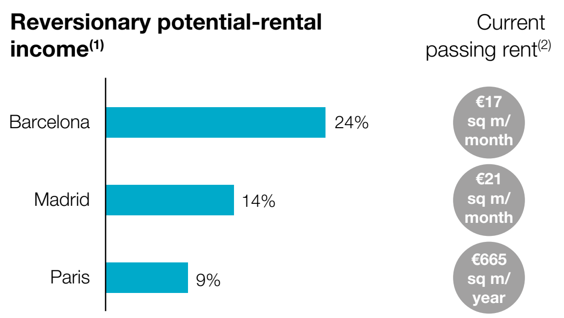
Reversionary Potential of the rental portfolio

The Colonial Group's contract portfolio has a significant reversionary potential. This reversionary potential is the result of comparing the rental prices of the current contracts (contracts with current occupancy and current rents) with the rental price that would result from letting the total surface at the market prices estimated by independent appraisers at 31 December 2019 (not including the potential rents from the projects and significant refurbishments underway).

The static reversionary potential[1] of the rental revenues of the offices portfolio in operation (considering current rental prices without future impacts from a recovery in the cycle) stood at:

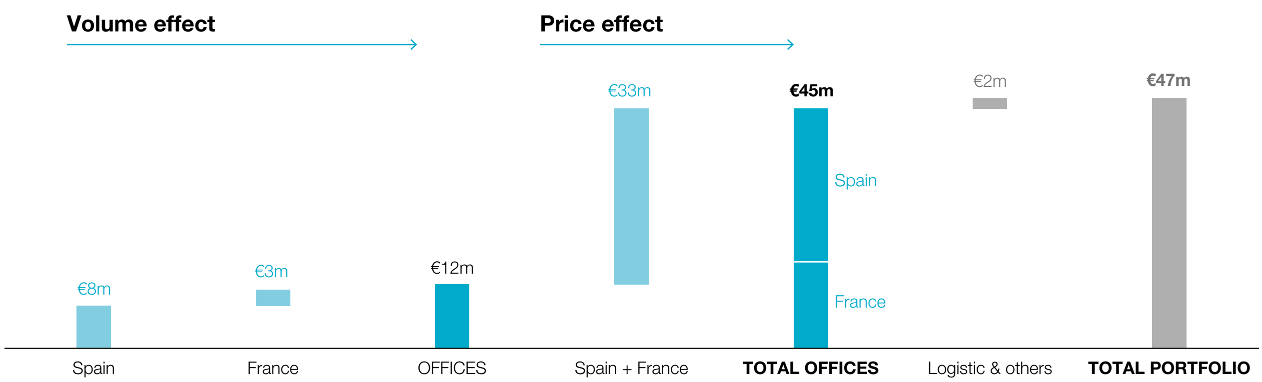
- +24% in Barcelona (57% of the portfolio matures in the next 24 months).
- +14% in Madrid (39% of the portfolio matures in the next 24 months).
- +9% in Paris (26% of the portfolio matures in the next 24 months).

Figures at December 2019



Specifically, the static reversionary potential[1] in the current portfolio **would result in approximately €47m of additional annual rental income**.

Reversionary potential-rental income



(1) Excluding future rental growth due to cycle recovery.
(2) Current office rent of occupied offices surfaces.

5.2. Investments & disposals

Acquisition Program

In October 2019, Colonial announced that it was analysing a pipeline of acquisitions of €1,000m, of which, at the date of this report, €115m have been executed. These investments, together with the acquisition of the 45% of Torre Marenostrum in the first half of 2019, show that the Colonial Group continues executing its acquisition program, investing more than €160m in prime assets in 2019.

Barcelona

1. 45% of Torre Marenostrum
Barcelona - 22@

Value Add - Prime Factory
GLA:
22,394 sq m

Acquisition Price:
€45m(1)
Capital Value:
€4,508 sq m
IRR: 7%-8%
Discount on NAV: 13%

2. Parc Glòries II
Barcelona - 22@

Value Add
GLA:
17,860 sq m

Acquisition Price:
€101m
Capital Value:
€5,655 sq m
IRR: 6%-7%

Madrid

3. Recoletos 27
Madrid - Prime CBD

Value Add
GLA:
2,085 sq m

Acquisition Price:
€14m
Capital Value:
€7,194 sq m
IRR: > 6%

(1) Implicit asset value of buying the NAV of the 45% stake.

1 Torre Marenostrum - Barcelona 22@

At the beginning of 2019, an acquisition was carried out for the remaining 45% of **Torre Marenostrum** for €45m (representing a discount of 13% over NAV). Full ownership of this unique building located in the 22@ market in Barcelona, a few metres from the beach, has enabled the implementation of a renovation program, creating a "hybrid" complex which integrates an offer of traditional prime offices with more than 3,000 sq m of flexible spaces managed by Utopicus.
This renovation and redistribution of space is enabling Colonial to capture important reversionary potential for reformed spaces which are already let (> 7,000 sq m).

2 Parc Glòries II - Barcelona 22@

In the fourth quarter of 2019, the Colonial Group acquired the **Parc Glòries II**, for an acquisition price of €101m. The building is located in Glòries, the best area of the 22@ district in Barcelona, considered to be the new technological CBD of the city.

The building has a surface area of 17,860 sq m of offices and stands out architecturally due to its very design-efficient floor plan with more than 2,500 sq m, highly sought after in the market. Parc Glòries II is 100% let to a German multinational with a short-term contract and current prices 40% below market rents. This situation highlights the high value creation potential, considering a light capex investment, once the current rents revert to market prices.

3 Recoletos 27 - CBD Madrid

In the fourth quarter of 2019 and during the start of 2020, 2,000 sq m of offices were acquired in **Recoletos 27**, a prime area of the CBD in Madrid. This acquisition corresponds to three floors of 700 sq m with great luminosity in a corner building close to Plaza Colón. The investment includes a partial renovation for a subsequent letting at maximum rental prices in the prime district of Madrid.

Project portfolio and renovation program

Colonial has a **project portfolio** of over 200,000 sq m to create top quality products, offering high returns and a future value uplift with solid fundamentals. In the current project portfolio, three of the projects (specifically, Castellana 163, Diagonal 525 and Louvre Saint Honoré) already have pre-let agreements with very favorable terms, significantly increasing the visibility of future cash flow and value creation. The other projects in the portfolio continue to progress and already have very good market prospects. They are in excellent locations where there is little new offering.

	Project		City	% Group	Delivery	GLA (sq m)	Total Cost €m(1)	Total Cost €/sq m(1)	Yield on Cost
< 18 months	1	Castellana, 163	Madrid CBD	100%	2020	10,910	52	4,803	7.5%
	2	Diagonal 525	Barcelona CBD	100%	1H 21	5,710	39	6,778	5.1%
	3	Miguel Ángel 23	Madrid CBD	100%	1H 21	8,036	66	8,244	5.9%
	4	83 Marceau	Paris CBD	82%	1H 21	9,600	151	15,755	5.2%
	5	Velázquez Padilla 17	Madrid CBD	100%	1H 21	17,239	113	6,535	7.7%
> 18 months	6	Biome	Paris City Center	82%	2H 21	24,500	283	11,551	5.0%
	7	Plaza Europa 34	Barcelona	50%	2H 22	14,306	42	2,909	7.0%
	8	Méndez Álvaro Campus	Madrid CBD South	100%	2H 22	89,871	300	3,343	7.9%
	9	Sagasta 27	Madrid CBD	100%	2H 22	4,481	23	5,044	7.0%
	10	Louvre Saint Honoré (Prime Commercial)	Paris CBD	82%	2023	16,000	208	13,029	7.7%
Total Office Pipeline						**200,653**	**1,277**	**6,366**	**6.6%**

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

Diagonal, 525

Pre let

Plaza Europa, 34

In **Barcelona**, the Diagonal 525 and Plaza Europa 34 projects are being carried out. The Diagonal 525 building has been pre-let by Naturgy, in which it will house its new corporate headquarters. Currently Colonial has completed the project design and is tendering the works which will begin at the beginning of 2020. The Plaza Europa 34 project continues to progress as planned, the architects' design is completed and the work permit has been obtained.


Castellana, 163


Miguel Ángel, 23


Velázquez, 80


Méndez Ávaro Campus


Sagasta, 27

In **Madrid**, the projects at **Miguel Ángel 23** and **Velázquez** are progressing as planned and the buildings have been fully vacated, facilitating the start of the refurbishment works.

At **Castellana 163** work has been completed on the entrances and the façade. The tenant rotation has been accelerated to refurbish the spaces as they become vacant. It is worth mentioning that 3,600 sq m have been pre-let to Utopicus who will dedicate the building to flexible spaces, enabling a significant increase in value in the short and medium term. Currently 88% of the building is already let and is expected to entry into operation in 2020.

The design for the **Méndez Álvaro Campus** project continues to progress to create the new reference building of reference in the south of the Castellana.


Biome


83 Marceau


Prime Commercial

Louvre St. Honoré
Pre let

In the **Paris** portfolio, the three current Flagship projects continue progressing: BIOME, 83 Marceau and Louvre St. Honoré.

In **BIOME**, an iconic building is planned of more than 24,500 sq m in the Central-Western area of Paris with natural light, efficient floors of 1,400 sq m to 3,500 sq m and a green area surrounding the building. After receiving the work permit in May 2018, the work began in June 2018 and remains on course.

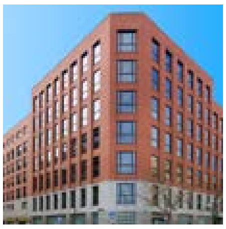
The project at **83 Marceau** will offer one of the best located buildings in Paris – a one-minute walk from the Place de L'Étoile, in one of the most contemporarily designed buildings, providing light to all floors, thanks to the new design of the central atrium. The building will have three certificates: BREEAM, LEED and HQE. Likewise, worth mentioning is the 350 sq m terrace, the façade which will be covered with the same stone as the Arc de Triomphe, located a few metres away, and the building will offer the services of a flexible space to future users of the building.

The refurbishment works started in May 2019 together with the start of the commercialization process.

Finally, of special mention is the project in the **Louvre Saint Honoré** building in which a commercial space of 16,000 sq m will be developed on the floors below ground, the ground floor and the first floor of the building, with top-quality finishes and technical specifications, expected to be finished in 2023. A pre-let agreement has been signed for this space, at top market prices with a minimum fixed term duration of 20 years with the Cartier Foundation, a French company specializing in luxury items.


Torre Marenostrum


Cedro


Ortega y Gasset, 100


176 Charles de Gaulle


106 Haussmann
Delivery

Renovation Program

In addition to the project portfolio, the Colonial Group is currently carrying out a **renovation program** on 4 assets in its portfolio, with the aim of increasing the rents and value of these assets. This renovation program is mainly focused on the adaptation of communal areas and updating the facilities, requiring an adjusted investment.

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

In France of special mention is the **176 Charles de Gaulle** property, an office building located in the flowering district of **Neuilly**, in which the communal areas are being repositioned, adding services for the users with the aim of capturing an increase in rents in the area of close to 30% compared to the previous contracts.

Likewise, in **France, the Haussmann 106 building has been delivered**. This asset has 12,000 sq m of offices in the centre of Paris and is already rented to WeWork with a turnkey contract for a 12-year period, in effect as of 6 January 2020. This renovation has enabled an increase in the density of the occupancy and an improvement in the image of the building, key factors that have allowed for the capture of maximum market rental prices.

Potential of the project portfolio and renovation program

The project portfolio as well as the new acquisitions will result in additional annual rents of approximately €105m.

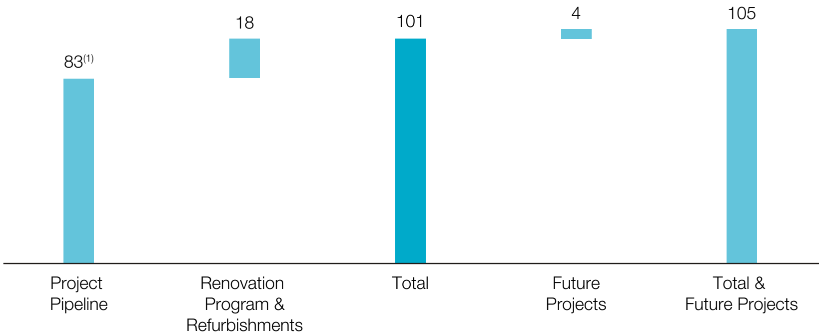
Disposals of non-strategic assets

During 2019, Colonial signed an agreement for the sale of 18 logistics assets with a total surface area of 473,000 sq m. At the close of the year, the disposals of 11 facilities materialized immediately, totaling 314,000 sq m. Regarding the rest of the logistics assets, Colonial expects the buyer to exercise the call option on them in the first half of 2020.

In addition, during the first quarter of 2019 the disposal of the Centro Norte Hotel with a GLA of more than 8,000 sq m was executed, as well as the sale of the Parc Central plot in the last quarter of the year.

Consequently, Colonial closed the year with disposals for €477m(2) which has enabled 1) the optimization of the business mix, further increasing the focus on offices, which has reached 94% in terms of asset value, as well as 2) an improvement in the quality of returns with a concentration in prime offices.

Additional rental income from projects and significant refurbishment - €m



2019

€477m(2)

> 100% Non Core

> High premiums on appraisal

(1) Not including current passing rents in Diagonal 525 of €2m.
(2) Disposal volume including the 2019 sale of the logistics portfolio, the Centro Norte Hotel, the Parc Central plot of land, as well as the potential exercise of the option on the rest of the logistics portfolio in 2020.

5.3. Gross rental income and EBITDA of the portfolio

Gross rental income reached €352m, a +1% year-on-year increase.

In **like-for-like terms**, adjusting for investments, disposals and variations in the project and renovation pipeline and other extraordinary items, **the Group's gross rental income increased by +4% like-for-like**.

In Spain, like-for-like rental income increased by +4%: +2% in the Barcelona portfolio and +6% in the Madrid portfolio. In Madrid, this increase was mainly due to the market rental reviews on properties such as Martínez Villergas, Santa Engracia & Sagasta 31. In addition, income has increased due to greater occupancy levels in certain assets, such as José Abascal 56 and Egeo, among others. In Barcelona, the positive impact mainly came from an increase in rents spread across the entire portfolio, highlighting the Diagonal 609 asset and an increase in occupancy in Torre BCN.

In Paris, like-for-like rental income rose by +3%, mainly driven by price increases and new signed leases, in particular on the Cézanne Saint Honoré, Edouard VII, Washington Plaza and Louvre St. Honoré assets.

Of special mention is the decrease in rental income due to 1) the disposal of the secondary office portfolio at the end of 2018; 2) the sale of the Centro Norte hotel; and 3) the sale of the logistics portfolio in 2019 in Madrid. The rotation of the project portfolio has resulted in a temporary decrease in rents, specifically due to the start of the projects on the 83 Marceau asset in Paris and the Velázquez and Miguel Ángel 23 assets, as well as the start of the renovation program in Madrid.

Rental income breakdown

Most of the Group's rental income, 83%, is from the office portfolio. Furthermore, the Group maintains its high exposure to CBD markets.

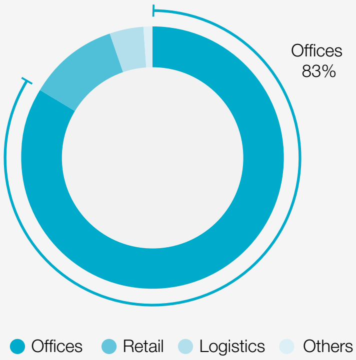
■ **Variance in rents (2019 *vs.* 2018) - €m**

	Barcelona	Madrid	Paris	Logistic & others	Total
Rental revenues 2018R	**41.4**	**93.6**	**193.5**	**18.6**	**347.0**
EPRA Like-for-Like[1]	**0.8**	**4.5**	**5.6**	**(0.1)**	**10.9**
Projects & refurbishments	4.2	(0.0)	(2.9)	0.0	**1.3**
Acquisitions & Disposals	1.5	(8.5)	0.0	(2.8)	**(9.8)**
Indemnities & others	0.0	0.1	2.4	0.0	**2.5**
Rental revenues 2019R	**47.9**	**89.6**	**198.7**	**15.6**	**351.9**
Total variance (%)	***16%***	***(4%)***	***3%***	***(16%)***	***1%***
Like-for-like variance (%)	**2%**	**6%**	**3%**	**(1%)**	**4%**

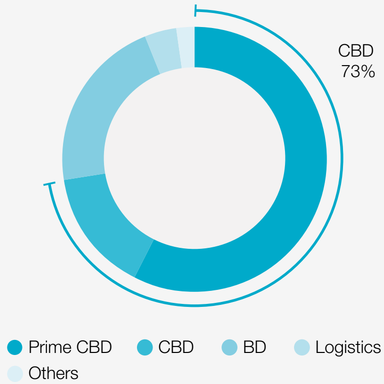
(1) EPRA like-for-like: Like-for-like calculated according to EPRA recommendations.

Consolidated Group

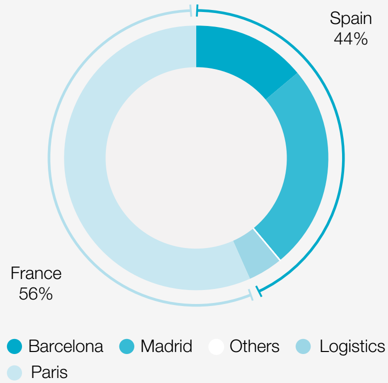
Revenues - by use



Revenues - by area

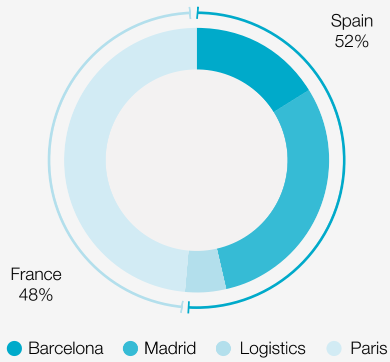


Revenues - by market



Attributable

Revenues - by market



In consolidated terms, 56% of the rental income (€199m) came from the subsidiary in Paris and 44% was generated by properties in Spain. In attributable terms, 52% of the rents were generated in Spain and the rest in France.

At the close of 2019, EBITDA rents reached €322m, an increase of +4% in like-for-like terms.

Property Portfolio

December cumulative - €m	2019	2018	Var. %	EPRA Like-for-like(1) €m	EPRA Like-for-like(1) %
Rental revenues - Barcelona	48	41	16%	0.8	2%
Rental revenues - Madrid	90	94	(4%)	4.5	6%
Rental revenues - Paris	199	194	3%	5.6	3%
Rental revenues - Logistics & others	16	19	(16%)	(0.1)	(1%)
Rental revenues	**352**	**347**	**1%**	**10.9**	**4%**
EBITDA rents - Barcelona	44	39	13%	0.7	2%
EBITDA rents - Madrid	76	83	(8%)	3.9	6%
EBITDA rents - Paris	189	183	3%	6.3	4%
EBITDA rents - Logistics & others	13	17	(22%)	(0.6)	(6%)
EBITDA rents	**322**	**322**	**0%**	**10.2**	**4%**
EBITDA rents/Rental revenues - Barcelona	92%	94%	(2.7 pp)		
EBITDA rents/Rental revenues - Madrid	85%	88%	(3.5 pp)		
EBITDA rents/Rental revenues - Paris	95%	94%	0.6 pp		
EBITDA rents/Rental revenues - Logistics & others	86%	94%	(7.5 pp)		

Pp: percentages points.
(1) EPRA like-for-like: like-for-like calculated with EPRA recomendation.

5.4. Analysis of the Profit and Loss Account

The net profit attributable to the Group at the close of 2019 amounted to €827m, an increase of +58% compared to the same period of the previous year.

At the close of 2019, the Colonial Group's Gross Rental Income amounted to €352m, +1% higher compared to the same period of the previous year. In like-for-like terms, the increase stands at +4%.

Analysis of the Consolidated Profit and Loss Account

December cumulative - €m	2019	2018	Var.	Var. %[1]
Rental revenues	352	347	5	1%
Net operating expenses[2]	(30)	(25)	(4)	(18%)
Net Rental Income	322	322	0	0%
Other income	7	4	3	(76%)
Overheads	(47)	(46)	(1)	(3%)
EBITDA	**283**	**280**	**2**	**1%**
Exceptional items	(3)	(15)	12	78%
Change in fair value of assets & capital gains	894	714	180	25%
Amortizations & provisions[3]	(62)	(132)	70	53%
Financial results	(96)	(142)	46	32%
Profit before taxes & minorities	**1,015**	**704**	**310**	**44%**
Income tax	(22)	(26)	4	15%
Minority Interests	(166)	(153)	(12)	(8%)
Profit attributable to the Group	**827**	**525**	**302**	**58%**

Results analysis - €m	2019	2018	Var.	Var. %
Recurring EBITDA	283	280	2	1%
Recurring financial result	(89)	(101)	13	12%
Income tax expense & others - recurring result	(15)	(19)	4	21%
Minority interest - recurring result	(39)	(59)	20	33%
Recurring net profit - post company-specific adjustments[4]	**139**	**101**	**39**	**38%**
NOSH (million)	*508.1*	*451.7*	*56*	*12%*
EPS recurring (€cts)	27.4	22.3	5.1	23%

(1) Sign according to the profit impact.
(2) Invoiceable costs net of invoiced costs + non invoiceable operating costs.
(3) Includes impairment of goodwill.
(4) Recurring net profit = EPRA Earnings post company-specific adjustments.

The Group's EBITDA stands at €283m, a +1% increase compared to the same period of the previous year.

The impact on the Consolidated Profit and Loss Account from the revaluation and capital gains from disposals of property investments increased up to €894m. The revaluation, which was registered in France as well as in Spain, is the result of the increase in the appraisal value of the assets.

Due to this value creation, Colonial has absorbed the Goodwill of the Axiare acquisition just 12 months after the completion of the merger of both companies in July 2018.

The recurring financial cost of the Group amounted to €(89)m, a decrease of 12% compared to the same period of the previous year, mainly due to the Group's debt refinancing transactions carried out in 2018 and 2019.

The net financial cost amounted to €(96)m, which is 32% lower than the same period of the previous year.

Profit before taxes and minority interests at the close of 2019 amounted to €1,015m, +44% compared to the previous year.

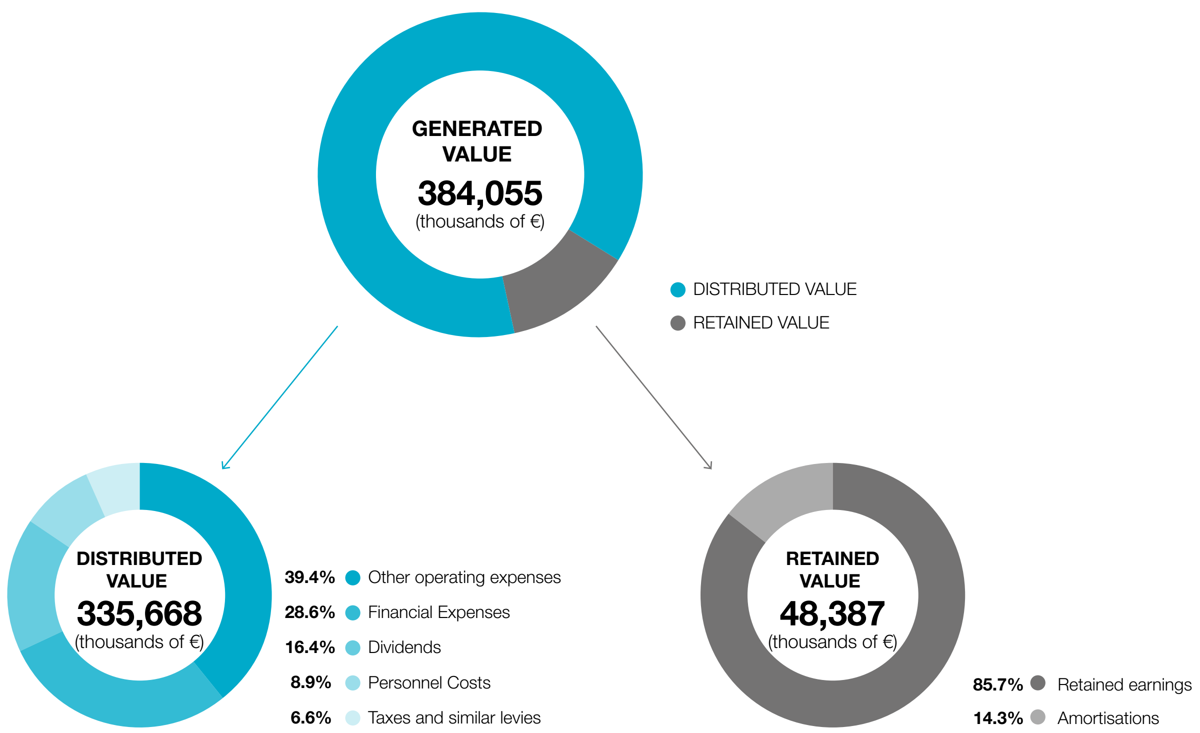
The corporate tax expense amounted to €(22)m and mainly corresponds to the accounting in France of taxes associated to non-SIIC companies, in particular the Parholding Group.

Finally, after deducting the minority interest of €(166)m, the profit attributable to the Group amounted to €827m, an increase of +58% compared to the previous year.

Generated and distributed value

The value generated by Colonial in 2019 amounted to 384 million euros, which have been mainly distributed to employees, shareholders, financial expenses and Public Administration.

Generated and distributed value



5.5. Financial structure

The year 2019 was marked by the completion of the restructuring of the pending debt coming from Axiare, cancelling various bilateral loans amounting to €162m and refinancing two bilateral loans in the amount of €151m, improving margins and cancelling mortgage securities. The refinanced loans are sustainable loans as their margin will vary according to the rating that Colonial obtains with respect to ESG (environmental, social and corporate governance) from the sustainability agency GRESB. In the month of September these loans obtained a reduction in the margins thanks to an improvement in the GRESB rating, which capitalizes on the efforts of the Group in relation to ESG.

In addition, in January 2019, short-term note issues were initiated under the ECP program registered in December 2018 and were well received by the market. The program aims to obtain greater diversification in financing sources and to optimize the financial cost of the debt given the current market situation of negative rates. At 31 December 2019, the program was drawn at €240m.

As for SFL, it has restructured a syndicate loan of €390m that has resulted in an improvement both in terms of margins as well as maturity. SFL also carried out short-term note issues throughout the year with existing issuances at the end of the year amounting to €387m.

It should be mentioned that the Colonial Group has credit lines available in the amount of €1,865m which enable it to widely cover the maturity of the drawn debt in the short-term.

The main debt figures of the Group are as follows:

Colonial Group (€m)

	Dec-19	Dec-18	Var.
Gross financial debt	4,826	4,748	*2%*
Net financial debt	4,609	4,680	*(2%)*
Total liquidity [(1)]	2,082	1,793	*16%*
% debt fixed or hedged	88%	97%	*(9%)*
Average maturity of the debt (years)[(2)]	4.9	5.9	*1.0*
Cost of current debt[(3)]	1.63%	1.77%	*(15 bps)*
Rating COL (S&P's)	BBB+	BBB+	–
Rating COL (Moody's)	Baa2 Stable	Baa2 Negative	↑
Rating SFL (S&P's)	BBB+	BBB+	–
LtV Group (including transfer costs)	36%	39%	*(315 bps)*

((1) Cash & Undrawn balances.
(2) Average maturity based on available debt.
(3) Cost of debt including promissory notes. Without considering the issues of promissory notes, the cost would amount to 1.80%.

Completion of the restructuring of the pending debt coming from Axiare

Short-term note issues started under the ECP program

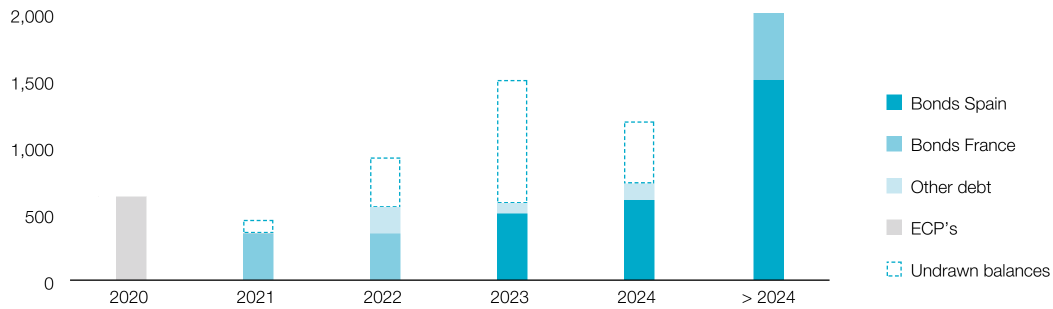
The net financial debt of the Group at the close of 2019 stood at €4,609m, the breakdown of which is as follows:

Net financial debt (€m)

	December 2019			December 2018			Var		
	Colonial	SFL	Total	Colonial	SFL	Total	Total	Cost[2]	Average maturity[3]
Syndicate loans	0	0	0	70	0	70	**(70)**	–	4.2
Mortatge debt	76	199	275	314	201	515	**(240)**	1.29%	2.9
Bonds Colonial	2,600	–	2,600	2,600	–	2,600	**–**	2.05%	5.8
Bonds SFL	–	1,200	1,200	–	1,200	1,200	**–**	1.83%	3.7
Issuances notes	240	387	626	–	263	263	**364**	–0.29%	0.1
Other debt	125	0	125	50	50	100	**25**	1.11%	4.6
Gross debt	**3,040**	**1,786**	**4,826**	**3,034**	**1,714**	**4,748**	**78**	1.63%	4.9
Cash	(163)	(54)	(217)	(43)	(25)	(68)	**(148)**		
Net Debt	**2,877**	**1,732**	**4,609**	**2,991**	**1,688**	**4,680**	**(71)**		
Total liquidityl[1]	1,038	1,044	**2,082**	848	945	**1,793**	**288**		
Cost of debt - Spot	1.80%	1.34%	**1.63%[2]**	1.95%	1.46%	**1.77%**	**(15 bps)**		

(1) Cash & Undrawn balances.
(2) Margin + reference type without incorporating commissions.
(3) Average maturity calculated based on available balances.

In terms of the maturity schedule, it is particularly noteworthy that 79% of the Group's debt will mature as of 2023, not taking into account the ECP program, and 48% will mature as of 2025.



	2020	2021	2022	2023	2024	> 2024	Total
Colonial	240	–	–	576	725	1,500	**3,040**
SFL	388	352	545	–	–	500	**1,786**
Total	**628**	**352**	**545**	**576**	**725**	**2,000**	**4,826**

Financial results

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

The debt refinancing operations of the Group carried out in 2018 and in the first quarter of 2019 have resulted in a reduction in the recurring financial result of 14% with respect to the same period of the previous year (or of more than 16% taking into account the financial result of the month of January 2018 of Axiare, not included in the consolidated data of Colonial as the takeover bid materialized with effect from 1 February 2018).

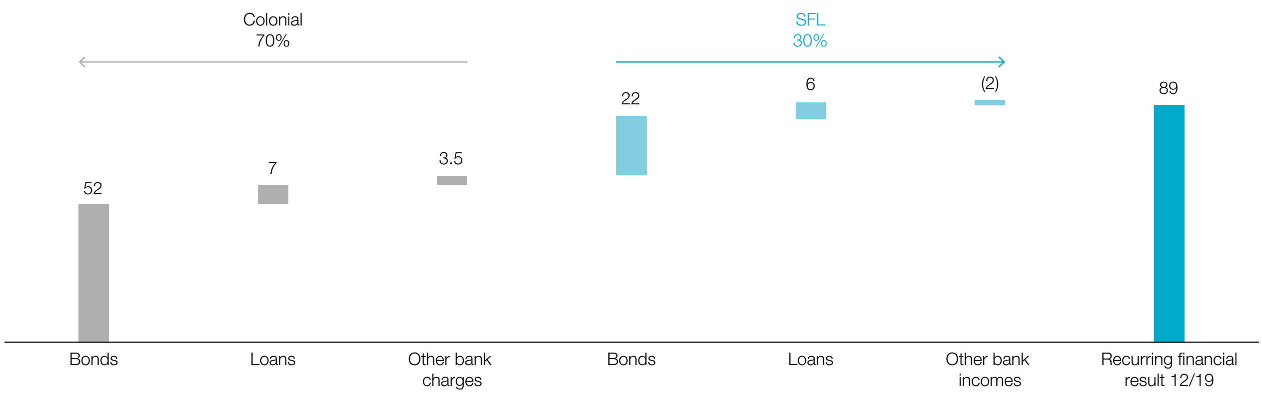
■ **December cumulative - €m**

	COL	SFL	2019	2018	Var.%
Recurring financial expenses - Spain	*(63)*	*0*	*(63)*	*(74)*	*15%*
Recurring financial expenses - France	*0*	*(31)*	*(31)*	*(35)*	*11%*
Recurring Financial Expenses	**(63)**	**(31)**	**(94)**	**(109)**	**14%**
Recurring Financial Income	0	0	0	*2*	(96%)
Capitalized interest expenses	0	5	5	*5*	1%
Recurring Financial Result	**(63)**	**(26)**	**(89)**	**(101)**	**12%**
Non-recurring financial expenses	(4)	(1)	(4)	*(34)*	87%
Change in fair value of financial instruments	(2)	(1)	(3)	*(6)*	(48%)
Financial Result	**(69)**	**(28)**	**(96)**	**(142)**	**32%**

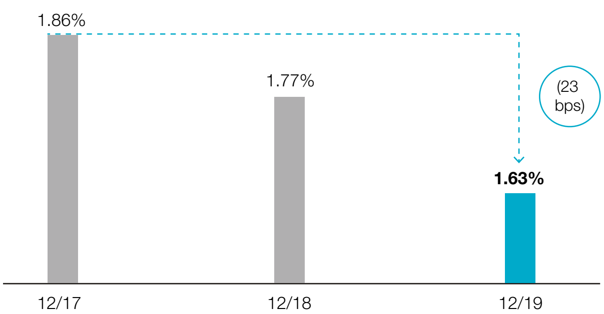
The abovementioned improvement is the result of the debt restructuring that the Group carried out in 2018 and 2019, mainly related to the following:

- Transactions of bond buy-back in Colonial and SFL and new issuances, improving interest rates and maturity.
- Cancellation of pending debt coming from Axiare.
- Refinancing of loans of Colonial and SFL, improving interest rates and maturity.
- Implementation of the short-term note issues program amounting to €1,000m.

The breakdown of the financial cost per product is as follows:



The spot financial cost of the drawn debt at 31 December 2019 amounted to 1.63%, compared to 1.77% from the same period of the previous year. Including formalization costs, accrued over the life of the debt, the financial cost amounted to 1.74%. Without taking into account the ECP program, this cost amounts to 1.80% (1.91% including the financing commissions). The evolution of the spot financial cost of the drawn debt over the last three years is shown below:



Given the current situation regarding interest rates in the market which is at historic lows, the Group has formalized various pre-hedging instruments in order to cover the interest rates of future debt emissions of €700m. All of these comply with the hedging accounting standards, the market valuation of which is registered directly in net equity.

Main debt ratios and liquidity

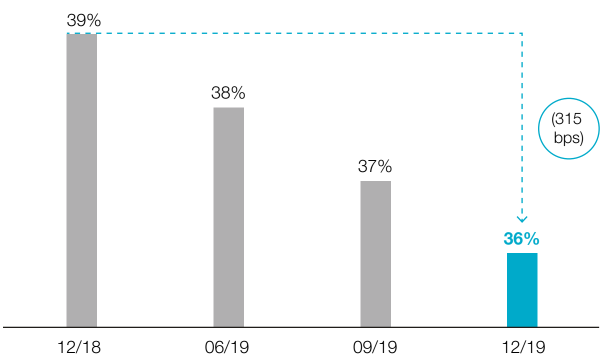
The Loan to Value (LTV) of the Group, calculated as the ratio of total net debt among the total GAV of the Group, amounted to 36%, compared to 39% at 31 December 2018. This improvement is mainly due to the divestment of the logistics portfolio in August 2019.

The undrawn balances of the Group at 31 December 2019 amounted to €2,082m. The breakdown of which is shown in the following graph:

Cash & undrawn balances (€M)

	Colonial	SFL	Group
Current accounts	163	54	217
Credit lines available	875	990	1,865
Total	**1,038**	**1,044**	**2,082**

LtV evolution



5.6. EPRA Net Asset Value, Stock Market and Share Performance

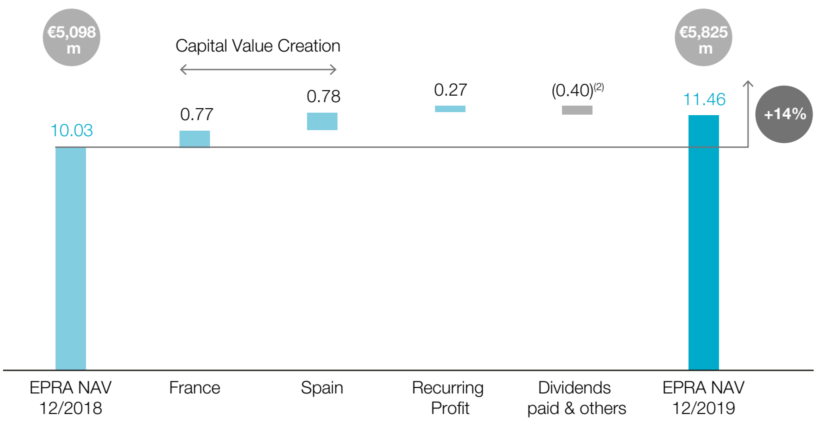
5.6.1 EPRA Net Asset Value (NAV)

Colonial closed out 2019 with an EPRA Net Asset Value of **€11.5/share**, thus representing an increase of **+14%**, which, together with a paid dividend of €0.20/share, resulted in a total return for the shareholder of 16%.

In absolute terms, the EPRA net asset value amounts to €5,825m.

€11.5
/share (+14%)

EPRA NAV €/share



Total shareholder return[1]

	2H 2019	2019
Growth in NAV per share	+9%	+14%
Dividend paid per share	+2%	+2%
Total return per share	+11%	+16%

(1) Total return understood as NAV growth per share + dividends paid.
(2) Dividend of €0.2/share, goodwill absorbed and other effects.

The **EPRA Net Asset Value (EPRA NAV)** is calculated based on the Company's equity and adjusting certain items following the recommendations of the EPRA.

EPRA NAV calculation: following the EPRA recommendations and based on the consolidated equity of €5,559m, the following adjustments were made:

> Revaluation of investment assets: corresponds to the unrealised capital gain (not recorded on the balance sheet) on certain assets recorded at acquisition cost, mainly assets intended for own use.

> Revaluation of other investments: recognition at market value of certain investments made by the Group recorded in the balance sheet at acquisition cost, mainly treasury shares.

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

> Deferred tax adjustment: adjustment of the amount of deferred taxes associated with the revaluation of property assets (+€240m), recorded on the balance sheet.

■ **EPRA Net Asset value - €m**

	12/2019	12/2018
Consolidated Shareholders' Equity	**5,559**	**4,811**
Effect of exercise of options, convertibles and other equity interests (diluted basis)		
Diluted NAV, after the exercise of options, convertibles and other holdings		
Includes:		
(i.a) Revaluation of investment assets (if applying IAS 40)	21	31
(i.b) Revaluation of assets under development (if applying IAS 40)	na	na
(i.c) Revaluation of other investment	24	19
(ii) Revaluation of finance leases	na	na
(iii) Revaluation of inventories	3	7
Exclude:		
(iv) Market value of financial instruments	(21)	2
(v.a) Deferred tax	240	228
(v.b) Goodwill resulting from deferred assets	–	–
Include/exclude:		
Adjustments (i) to (v) above in respect of joint ventures interests	na	na
EPRA NAV - €m	**5,825**	**5,098**
Goodwill	*0*	*(62.2)*
Adjusted EPRA NAV - €m	**5,825**	**5,036**
No. of shares (m)	***508.1***	***508.1***
EPRA NAV - Euros per share	***11.46***	***10.03***
Adjusted EPRA NAV - Euros per share	***11.46***	***9.91***

The **EPRA NNNAV** amounted to €5,348m at the end of 2019, corresponding to **10.5€/share**.

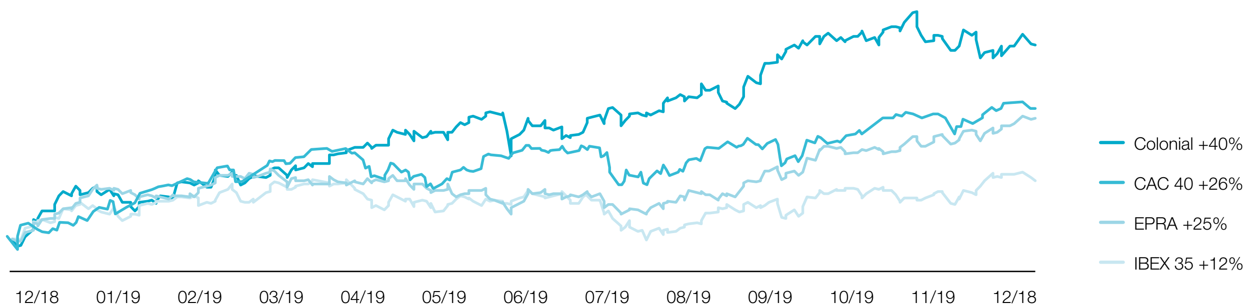
The following items have been adjusted in the EPRA NAV for their calculation: 1) the market value of the financial instruments, 2) the market value of the debt and 3) the taxes that would accrue in the case of the sale of assets at market value.

EPRA Triple Net Asset value (NNNAV) - €m

	12/2019	12/2018
EPRA NAV	**5,825**	**5,098**
Include:		
(i) Market value of financial instruments	21	(2)
(ii) Market value of debt	(258)	(14)
(iii) Deferred taxes	(240)	(229)
(iv) Tax credits recorded on the balance sheet	na	na
EPRA NNNAV - €m	**5,348**	**4,853**
Goodwill	*0*	*(62.2)*
Adjusted EPRA NNNAV - €m	**5,348**	**4,791**
No. of shares (m)	***508.1***	***508.1***
EPRA NNNAV - cents per share	***10.52***	***9.55***
Adjusted EPRA NAV - Euros per share	***10.52***	***9.43***

5.6.2 Stock market development

At the end of 2019, Colonial's shares were valued at €11.4/share, with a revaluation of +40%, a figure above the reference indices (EPRA & IBEX35).



5.6.3 Investor relations and capital market

For the Colonial Group, a crucial element for the execution of a sustainable long-term value creation strategy is to have a continuous and fluid relationship with the capital market, investors and analysts.

In this sense, Colonial has a team dedicated exclusively to maintaining and caring for the company's relationship with the capital market. The team has broad international experience in the capital market, with prior experience in other listed companies, institutional investors and prestigious consulting firms.

In 2019, the Colonial Group has carried out proactive actions to approach shareholders and investors in order to complement the general actions of "traditional" road shows and events.

This initiative, called Investor Relations 2.0, has allowed a more focused approach to the capital market, ensuring better compliance with corporate strategy and strengthening the link with investors aligned with the real estate strategy of long-term value creation.

The main actions carried out during the year in the area of investor relations were as follows:

I. FINANCIAL RESULTS WEBCAST AND ROAD SHOWS

1. Financial results webcast

Keeping in touch with the capital market, Colonial organised 4 webcasts through its website, for each quarterly results presentation. In this event, part of the management team led by Colonial's CEO presents results. In order to encourage participation, there is a round of live questions where investors and analysts ask mainly about the development of the business and the market situation. The average participation is around 100 participants, reaching 150 for the first half of the year and the annual presentations.

2. Road shows with investment banks

Colonial has increased its schedule of road shows and conferences in the main European and US financial markets. This year the investor relations team has attended 21 events organised by major European investment banks in cities such as London, New York, Miami, Paris and Frankfurt. As a result, in 2019 Colonial has met with more than 500 institutional investors, including the main players in the sector. This includes 7 countries and 9 cities.

■ **Key inverstors**

PGGM · CPP Investment Board · BlackRock · Wellington Management · State Street Global Advisors · CBRE Global Investors · La Française · Franklin Templeton Investments · Norges Bank Investment Management · Amundi · PGIM · Vanguard · Heitman · Schroders · Robeco · Ranger Global · T. Rowe Price · HSBC · PIMCO · State Street · Resolution Capital · Cohen & Steers · BNP Paribas Asset Management · Fidelity International · Degroof Petercam · Duff & Phelps

■ **Road shows 2019**

London
New York
Paris
Madrid
Frankfurt

Goldman Sachs · J.P.Morgan Cazenove · Morgan Stanley · Kempen & Co · citi · BNP Paribas · HSBC · BofA Securities

3. Asset tours

In addition, multiple asset tours have also been organised in Madrid, Barcelona and Paris, where a Colonial team has visited the company's assets and projects together with the investors, so that they can see and better understand the quality of our portfolio and our business model for real estate transformation and long-term value generation.

4. Market analysts

Colonial has contacts with leading capital market analysts specialising in European real estate companies. It continuously monitors its financial models and maintains regular contact by responding to their demands and questions in order to correctly convey the Colonial group's strategy. At present, 21 analysts, both national and international, very actively cover the company, with a recommendation to buy in most cases.

	Institution	Analyst
1	Santander Group	José Francisco Cravo
2	Morgan Stanley	Bart Gysens
3	Goldman Sachs	Jonathan Kownator
4	J.P. Morgan	Neil Green
5	Bank of America	Álvaro Soriano de Miguel
6	Kempen & Co	Laura Gómez Zuleta
7	Oddo BHF	Florent Laroche-Joubert
8	Barclays	Celine Huynh
9	ISS-EVA	Anthony Campagna
10	Green Street Advisors	Peter Papadakos
11	Intermoney Valores	Guillermo Barrio
12	Ahorro Corporación Financiera SA	Javier Díaz
13	Kepler Cheuvreux	Mariano Miguel
14	Renta 4	Pablo Fdez de Mosteyrin
15	JB Capital Markets	Daniel Gandoy López
16	AlphaValue/Baader Europe	Christian Auzanneau
17	CaixaBank BPI	Flora Trindade
18	Banco Sabadell	Ignacio Romero
19	BankInter SA	Juan Moreno
20	Mirabaud Securities	Ignacio Méndez
21	Alantra Equities	Fernando Abril-Martorell

Source: Bloomberg & Informes Analistas.

II. TAILOR-MADE EVENTS FOR INVESTORS AND SHAREHOLDERS - INVESTOR RELATIONS 2.0

Three major events have been organised in 2019 to bring together the major players in the listed European real estate sector:

1. Paris Field Trip - March 2019

A Field Trip was organised in Paris bringing together more than 40 people, including investors and analysts. There the company was able to explain the situation relating to its projects in Paris in more detail and a tour was organised exclusively for these projects in order to see their future value creation.

2. Barcelona Field Trip - July 2019

Organisation in Barcelona of a Field Trip dedicated exclusively to Colonial's portfolio in this City. More than 30 people participated. It offered the possibility to see and visit the latest projects delivered to date, Parc Glòries in particular, where a visit was organised with a client who explained their relationship with the building and with Colonial.

3. Capital Market Day - October 2019

Colonial's Capital Market Day is the big annual event where the entire company focuses on explaining to the attendees (over 100 in 2019) both the progress of the business and the projects, as well as all the initiatives that Colonial has in place to create value.

This year the company focused its communication on explaining the progress of the projects, the implementation of the Propnet initiative and showed the first results of its flexible office business, demonstrating that the hybrid business was the chosen solution.

In addition, Colonial has organised multiple rounds of direct visits to the offices of different institutional investment funds in the City of London without involving intermediaries.

III. PROACTIVE APPROACH TO SHAREHOLDERS - CUSTOMER RELATIONSHIP MANAGEMENT

Colonial has carried out proactive actions to approach shareholders and investors in order to complement the general actions of "traditional" road shows and events.

> In order to carry out this approach, this year we launched a new programme specialised in Customer Relationship Management (CRM) to monitor the activity and identify investors. Since its launch in June 2019, this tool has enabled Colonial to better monitor its contacts with investors and identify the main target accounts.

> With this, the implementation of internally organised road shows has begun. Several events took place in London this year, visiting the main institutional investors in their own offices and receiving very good feedback from them.

IV. ESG MAPPING & COMMUNICATION

1. ESG Mapping

During 2019, the capital market has been very active in communicating its preferences to companies that follow the highest quality standards in ESG policies. In addition, major opinion leaders among investors have publicly stated that ESG strategies of companies are a key factor in their decision-making.

To this end, the Colonial Group has approached its 30 main investors to find out their priorities and needs in the ESG field:

> As for Governance, 4 of the investors have their own analysis department in this area and the rest follow the recommendations of Glass Lewis and ISS.

> Among the entire spectrum of ESG indices and ratings, these investors mainly follow 5 ESG ratings.

> The MSCI and Sustainalytics ratings have a more general view of ESG and are the most highly regarded by American and British investors.

> The GRESB and EPRA sBPR indexes are specific to the real estate sector and are widely followed by investors specialising in Real Estate.

> VigeoEiris's rating is also monitored by more than 400 European investors, especially in Paris, a significant market for the group due to its strategic importance.

2. ESG Communication

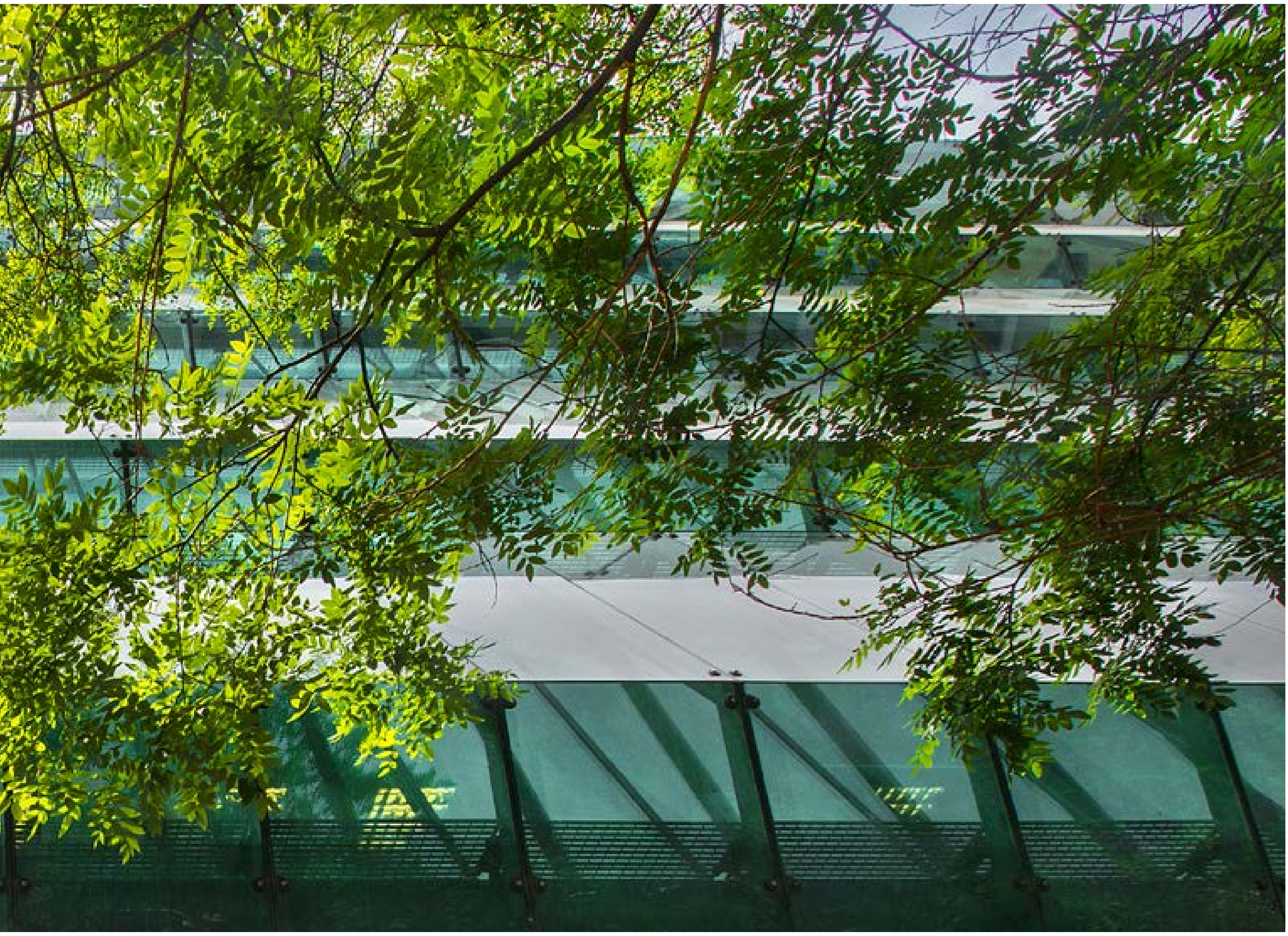
In the road shows in which Colonial has participated during 2019, the Company has focused on communicating its ESG strategy and policy.

The company has specifically monitored the doubts and concerns of investors regarding voting at the Meeting. The recommendations of the ISS and Glass Lewis Proxy Advisors have also been specifically monitored. These recommendations have been analysed and incorporated into the strategy and objectives for the coming years in corporate and ESG matters.

Colonial's Main ESG ratings


06

06 Managing our Impacts on ESG



6.1. ESG Strategy - 2019 Milestones

The year 2019 has seen a major boost to the ESG Strategic Plan with important milestones in all areas.

Colonial has embraced the 10 principles of the United Nations Global Compact concerning human rights, labour rights, the environment and the fight against corruption, making these principles part of its strategy and culture.

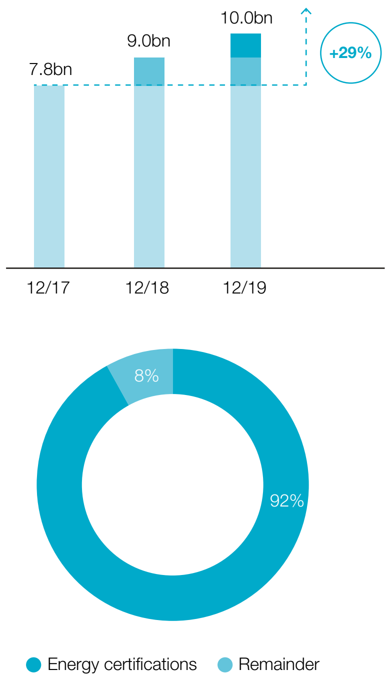
I. Significant 2019 milestones for the Colonial Group

1. Important advances in the level of energy certifications in Colonial's office portfolio

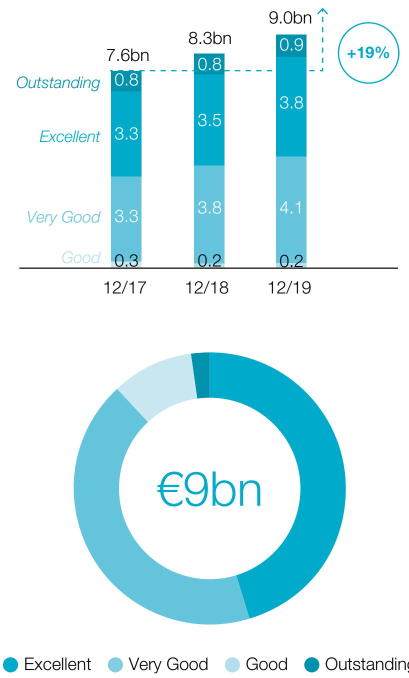
At 31 December 2019, 92% of the portfolio had LEED or BREEAM energy certifications. In particular, €2,011m of assets have LEED ratings and €9,008m of assets have BREEAM ratings. In the specific case of SFL, 100% of its portfolio in operation, have Breeam in-Use certification, making SFL the first company in Europe to adopt this certification for all its assets.

This level of certification is clearly above the sector average.

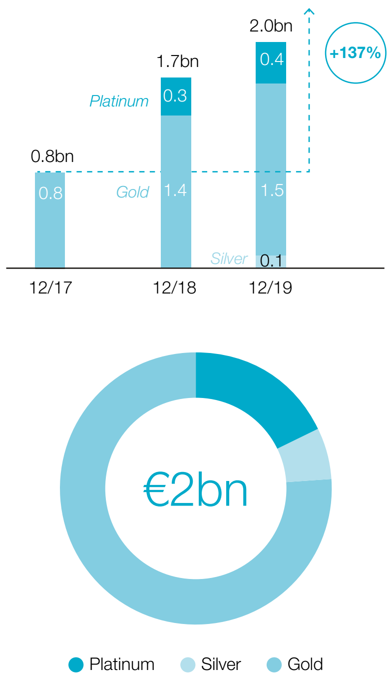
Portfolio with LEED / BREEAM[(1)] - Value



BREEAM Certifications - Value



LEED Certifications - Value



(1) Portfolio of Offices in operation.

The standard energy certification ratings (A, B, C, D...) cover 100% of the portfolio. In the LEED/BREEAM certifications, the scope of the portfolio of offices in operation has increased by 10bp to 92%.

The high quality of the Colonial portfolio is reflected in the high level of certification of the assets. In March 2019, BREEAM/GRESB recognised the Colonial Group as the number one leader in Europe in responsible investment through the "Award for Responsible Real Estate Investment" in the large portfolio category.

Environmental scope of office portfolio

Energy Certificates	2019	2018	Var.
Office Portfolio with Energy Certificates	100%	100%	0 bps
Office Portfolio with Leed & Breeam Certificates	92%	91%	+10 bps

BENCHMARK / INDEX

GRESB REAL ESTATE

BREEAM AWARDS 2019 WINNER

ACHIEVEMENTS / RATING

> GRESB / BREEAM 2019 Award for Responsible Real Estate Investment.
> #1 in the large portfolio category (more than €1bn).
> 92% of the portfolio with the best energy certifications possible.

2. Important advances in eco-efficient portfolio performance

Colonial has significantly increased the range of eco-efficiency KPI measurements in its portfolio as shown in the table below.

In more than 80% of the portfolio of offices in operation, energy consumption and in particular the carbon footprint is measured.

Scope Enviromental KPIs monitoring

	2019	2018	Var.
Office portfolio with GHG emissions measuremet (Scope 1 + 2)	84%	83%	+7 bps
Office portfolio with energy emissions measuremet	82%	82%	+3 bps
Office portfolio with water emissions measuremet	82%	82%	+1 bps

3. The Colonial Group has boosted the supply of Green Energy by increasing the % of renewable energy by +266bp up to 58% in 2019.

Green Energy

	2019	2018	Var.
Office portfolio with renewable Energy	58%	32%	+266 bps

4. Colonial has achieved important energy resource consumption ratios

In particular, there was a significant reduction in the carbon footprint with a year-on-year variation in intensity of (59%) in like-for-like terms. The breakdown by portfolio in the three cities was (80%) in Barcelona, (76%) in Madrid and (15%) in Paris.

Environmental Performance

	2019	2018	LFL 19/18
Office portfolio - GHG emissions intensity - (Scope 1 + 2) (kgCO_2e/sq m)	8	20	(59%)
Office portfolio - Energy intensity (kWh/sq m)	229	238	(4%)
Office portfolio - Water intensity (l/sq m)	495	540	(8%)
Office portfolio - % Recycled/reused waste	83%	50%	65%

5. In the sustainable value chain and Biodiversity areas the following stand out:

> In 2019, 85% of the total materials used were purchased in the region where they will be used, allowing for a considerable reduction in the carbon footprint linked to transportation and distribution.

> In 2019, the Guide to Approved Products was developed and implemented, which includes at least 680 materials, products and equipment that meet the environmental requirements defined in Colonial's environmental policy, as well as another 182 that do not meet those requirements.

> All the main contractors and maintainers in 2019 have adhered to the new responsible procurement policies outlined by Colonial.

> Implementation of biodiversity measures in each of the 55 buildings studied during 2019 (34 in Madrid and 21 in Barcelona).

> In 2019, the 3 projects in process of the Colonial group in Paris have met the requirements for obtaining triple environmental certification.

6. Progress has been made on innovation initiatives:

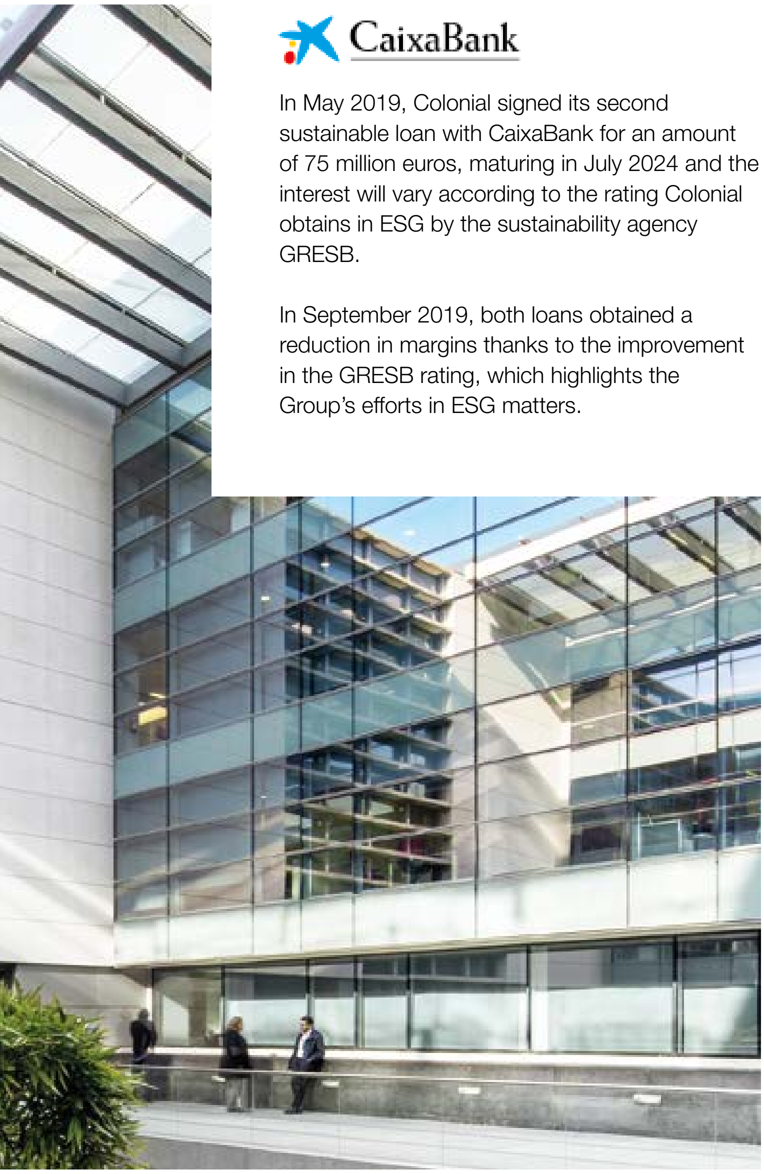
> Beginning of the implementation of the Proptech project that will allow the monitoring and remote management (IoT) in real time of the consumption per each facility and the performance of the production machines.

> Launch of the PROPNET platform that will allow us to trace each building's carbon footprint as well as the centralised and remote management of buildings, reducing costs and improving efficiency.

> A digital tool (application) for controlling greenhouse gas emissions began to be developed in 2019, with the aim of quantifying the environmental impact in real time, not only of the direct emissions of the organisation, but also of the indirect ones and their contribution to climate change.

> The Window Building has received the 2018 Innovation Award from the Spanish Association of Offices (AEO).

7. Colonial's European leadership in sustainability in its sector has made it possible to obtain the first sustainable loan granted to a Spanish company in the real estate sector. Granted by ING, the loan is for an amount of 76 million euros, maturing in December 2023. Its granting is linked to the company's sustainability strategy and the interest will vary depending on the ESG rating Colonial obtains from the sustainability agency GRESB.



In May 2019, Colonial signed its second sustainable loan with CaixaBank for an amount of 75 million euros, maturing in July 2024 and the interest will vary according to the rating Colonial obtains in ESG by the sustainability agency GRESB.

In September 2019, both loans obtained a reduction in margins thanks to the improvement in the GRESB rating, which highlights the Group's efforts in ESG matters.

8. At a satisfaction client level, the following initiatives have been implemented:

> High levels of satisfaction of clients in Paris, Madrid and Barcelona as well as users of flexible spaces according to surveys conducted in 2019.

> Implementation of new services to promote sustainable mobility in the buildings of Madrid and Barcelona.

> Participation in studies within the European framework in order to be able to anticipate new client needs.

> Cross-selling of Colonial and Utopicus services to reinforce the demand for flexible space from traditional office clients.

> Creation of new hybrid office spaces, combining traditional offices with flexible offices.

Clients

	2019	2018	Var.
Office assets with hybrid offer	6	3	100%

9. In the field of professional team management, the following stands out:

The results obtained in the bi-annual Great Place to Work survey (2018) have been the main axis of the HR Strategic Plan during 2019.

The main initiatives carried out during 2019:

> Training session on ESG for all Colonial employees that took place in November 2019 and was given by the CEO and Director of the Corporate Development Area.

> The Chairman, CEO, and the Management Committee have a portion of their variable annual compensation linked to the achievement implementation of the objectives of the ESG Strategic Plan.

> Constitution of the Equality Committee: In November 2019 the Colonial Group signed the Commitment to the Equality Plan.

> Important progress in the creation of stable employment. The team has increased by +17% (*versus* new hires of the previous year), hiring 75 people. It has also improved the experience of the staff, having a solid index of 9 years.

> Substantial increase in employee training.

Employee training

	2019	2018	Var.
Hours per employee	29	17	+71%
Investment in training (thousands of euros)	431	304	+42%
Training hours	6,783	3,358	+90%
Employees trained	227	124	+83%

10. Corporate Governance follows the highest international standards with a high level of transparency. Increase in the number of independent directors and increase in the number of women on the Board.

Corporate Governance

	2019	2018	Var.
Independent directors	46%	36%	+100 bps
Women on the Board	23%	9%	+140 bps

11. Colonial has promoted important initiatives in the management of all its stakeholders and shareholders.

II. Leading position in ESG ratings

As a demonstration of the Group's commitment to promoting sustainability and transparency, Colonial Group currently participates in a set of internationally recognised ESG indices and ratings. The content of these indices and ratings and the metrics they evaluate are regularly modified, to ensure that they reflect the latest lines of action in sustainability. Therefore, the proactive participation of Colonial Group in these ESG indices and ratings and the analysis of the results obtained in these are key tools for promoting the continuous improvement of the organisation's performance in the ESG field.

BENCHMARK / INDEX	ACHIEVEMENTS / RATING
MSCI	> **AA Rating (increase from BBB two years ago)** > One of the largest ESG Ratings at European level > Very good score in the field of Corporate Governance
GRESB REAL ESTATE / GREEN STAR	> Improvement of +16p in one year > Improvement of + 26% compared to the previous year's rating
EPRA sBPR GOLD	> **EPRA Gold Rating for the fourth consecutive year** > Gold since 2016 > The first company in Spain to obtain EPRA Gold at ESG
ETHIBEL	> Inclusion in the **Ethibel Sustainability Excellence Europe index**, managed by **Vigeo Eiris**. > Index is made up of a group of European companies that show the best performance in the field of corporate responsibility
FTSE4Good	> **"Good practice" rating** > Inclusion in the index in 2019 > Clear improvement in corporate governance & supply chain

> For the 4th year running, Colonial Group has been awarded the EPRA Gold sBPR classification that certifies the highest reporting standards in ESG.

> Has increased its GRESB score by +26% with very high scores in the areas of Monitoring-EMS, Management & Risk-Opportunities. SFL has obtained the second best rating in the office sector in Europe.

> In the MSCI rating it is at a level of AA, one of the highest ratings in the European environment especially due to very high Corporate Governance standards.

> It is noteworthy that Colonial Group has become part of the ESG Ethibel Sustainability Excellence Europe index, which is managed by Vigeo Eiris and a frequent benchmark throughout the financial industry. This index is made up of a group of European companies that show the best performance in the field of corporate responsibility.

> FTSE4Good rating is Good Practice with a clear improvement in corporate governance & supply chain. In 2019 this rating included Colonial Group in its index.

6.2. ESG Policy

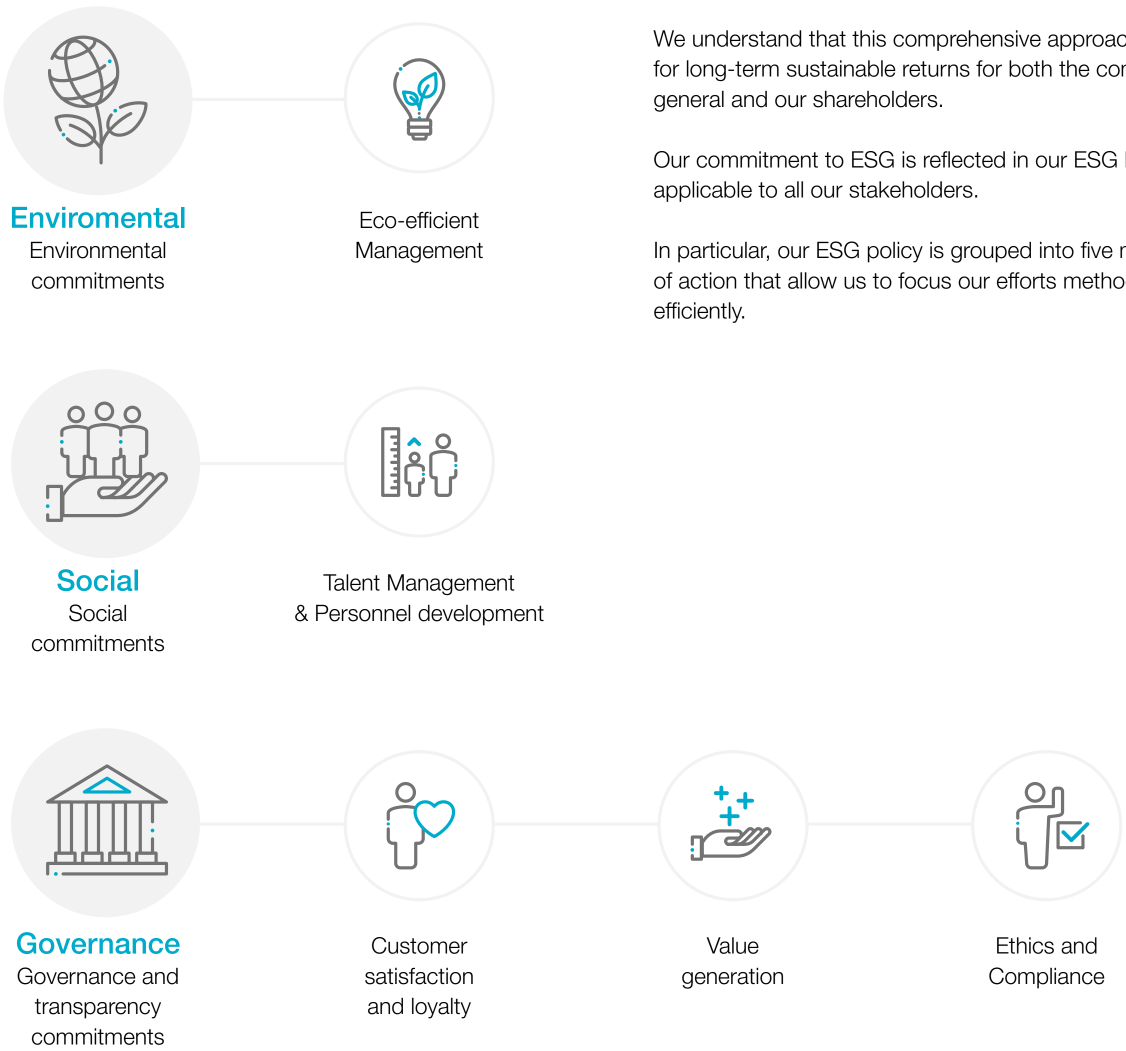
A crucial element of the Colonial Group's Corporate Strategy is its commitment to excellence and leadership in ESG, since it is the fundamental basis for guaranteeing long-term sustainable returns for the company, that is, for all of the Group's stakeholders and shareholders.

Colonial Group understands ESG and its Corporate Strategy as a comprehensive approach that seeks to achieve maximum levels in each of the three dimensions. (1) E for Environmental, i.e. sustainable management of the entire real estate value chain (2) S for Social, providing the best contribution possible to employees and the community, and (3) G for Governance, committing to the highest standards of Corporate Governance and Transparency.

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

Our commitment to ESG is reflected in our ESG Policy applicable to all our stakeholders.

In particular, our ESG policy is grouped into five major areas of action that allow us to focus our efforts methodically and efficiently.



6.3. ESG Strategy - Governance Model & Conceptual Framework

Our ESG strategy pursues an integrated holistic approach to the three aspects, E, S and G, by prioritising all initiatives based on a focus on maximising value for society and for the Group's shareholders.

In this sense, the Group's Corporate Strategy and ESG Strategies are fully integrated and managed with a methodology for creating long-term sustainable value for all stakeholders.

I. ESG Governance Model

The Colonial Group's ESG governance model develops the ESG strategy with guidelines from the Board of Directors which in turn are specified through the Company's Management Committee and in particular the ESG Committee.

In the second half of 2018 the Colonial Group formed a C-level ESG Committee. This Committee is made up of members of the Colonial Management Committee reflecting the strategic importance of ESG and providing the company with a body at the highest executive level to speed up the implementation of actions.

Specifically, the ESG Committee is composed of the following directors:

> Pere Viñolas, CEO.

> Carmina Ganyet, Corporate Managing Director.

> Albert Alcober, Business Director.

> Carlos Krohmer, Director of Corporate Development.

> Begoña Muñoz, Director of Human Resources.

> Núria Oferil, Director of Legal Services and Deputy Secretary of the Board.

> Ángels Arderiu, Financial Director.

During 2019 the ESG Committee has met on a regular basis, dealing in particular with the following topics:

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

> Monitoring and updating of the ESG Business Plan and ESG objectives.

> Development of an ESG Scorecard.

> Development of an internal and external training and communication plan.

> Operational action plan for implementation of actions and preparation of the *2019 Integrated Annual Report*.

The actions approved by the ESG Committee are implemented through the company's different operating areas and monitored and reported by the Corporate Development and Control area at a Group level.

In particular, the following operational teams are involved: Business areas in Spain and France, Human Resources, Legal and Compliance Area, Internal Audit, as well as ESG Coordination & Reporting.

The broad strategic guidelines in ESG are in turn defined and monitored by the Board of Directors.

Likewise, the Audit and Control Committee and the Appointments and Remuneration Committee supervise and review the publications on ESG matters made by the company throughout 2019.

II. Sustainable Development Goals

In September 2015, the United Nations (UN) adopted the 2030 Agenda on Sustainable Development, which established a total of 17 global goals (known as Sustainable Development Goals or SDGs) and 169 specific targets, applicable globally and to be achieved in the next 12 years.

In line with its strategy focused on long-term sustainability, the Colonial Group is committed to the 2030 Agenda. Therefore, it has carried out an analysis of its contribution to the achievement of the SDGs. All the actions included in the ESG Strategic Plan have been analysed in detail. From this analysis, the main objectives 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. In the different sections of the report, the specific contribution of the Group to each objective is detailed through the monitoring of key indicators.

6.4. Materiality Analysis

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

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

This analysis is carried out with the aim of identifying the most significant issues for the company and its stakeholders. To determine the most significant issues for the company, the significance (internal and external), as well as the impacts (on the operations and reputation of the company) of significant issues for the real estate sector and the main sustainability indexes have been taken into consideration.

Significance

Internal	
Clients/tenants	Regular user surveys in both Spain and France (Colonial/SFL/Utopicus). Identification of future client trends: > Paris Workplace survey from 2016 to identify the most important market trends in the Eurozone. > Long-term European trends. > Paneuropean Think Survey of offices to analyse the client of the future.
Suppliers	Regular contact with suppliers for the implementation of sustainable needs and requirements.
Employees	Regular communication with employees, training and awareness on sustainability issues, such as the 2019 mobility survey.
External	
Company	Participation in national and international forums for the exchange of best practices.
Financiers / Shareholders / Investors	> Selection of aspects to be prioritised & Benchmarking. > Identification of priority issues in reporting frameworks. > Monitoring of significant ratings for Colonial and its Stakeholders: GRESB, EPRA, MSCI, CDP, Vigeo-Moodys, Bloomberg, SDG Targets, FTSE4Good.

Impacts

Transactions

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

Proven

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

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

E

1. Climate Change

> Reduction of direct and indirect emissions.

> Designing efficient energy systems and contributing to resilient cities.

> Identify climate change risks by geographical area.

2. Reduction of impacts

> Management of impacts on water, materials and transport.

3. Waste

> Reuse of waste and reduction of its generation.

4. Energy efficiency

> Sustainable construction, energy certifications and consumption optimisation.

5. Management systems

> Continuous development of the environmental management system.

6. Conservation

> Protection of biodiversity.

S

7. Company

> Social action and contribution to the community.

8. Human Resources

> Protection of Human Rights.

9. Sustainability

> Internal and external sustainability training and awareness.

> Promotion of green spaces.

10. Clients

> Accessibility, security, communication and customer satisfaction.

11. Health and safety

> Prevention and training system.

> Offer of activities and spaces that promote a healthy lifestyle.

12. Equality and diversity

> Promotion of diversity regarding gender, age, nationality, etc.

13. Human resource management

> Development of human capital and its satisfaction.

14. Supply chain

> Selection and evaluation in ESG matters.

15. Relationship with stakeholders

> Dialogue, consultation and transparency.

G

16. Corporate Governance

> Ethics, anti-corruption, and transparency.

17. Risk management

> Efficient risk management.

18. Investors

> Value generation.

6.5. Stakeholders

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

In this regard, a stakeholder management model has been defined based on best international practices, considering in particular the methodology of the Global Reporting Initiative and ISO26000.

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

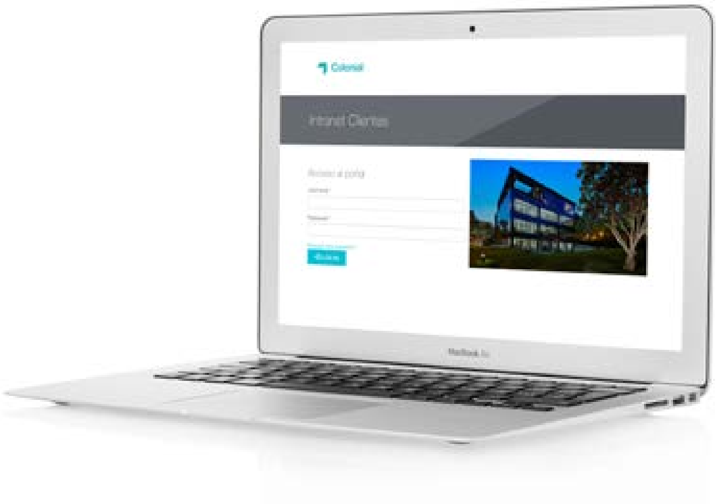
Internal Stakeholders	External Stakeholders
Employees and workers' representatives	Shareholders and investors
Clients and tenants	Funders
Suppliers and contractors	Society

Our stakeholder identification model is structured through three phases:

1. Identification and categorisation of stakeholders: identification, together with Colonial management, of the tasks and operations developed by the organisation and their relationship with the environment.

2. Prioritisation in terms of objectives and impacts: the assessment of the influence of the stakeholder group on the achievement of Colonial's strategic objectives, as well as the impact that the activities have on each stakeholder group under consideration.

3. Categorisation of the type of relationships: the relationship framework allows the type of relationship with each stakeholder to be categorised and the most appropriate management and communication channels to be defined.



6.5.1 Internal Stakeholders

1. EMPLOYEES

> Teambuilding sessions with workshops on Colonial's principles and values as set out in the Code of Ethics.

> Criminal risk prevention training, organised by the UCN and given by Deloitte on 28 November 2019, aimed at key departments and individuals in the company. This training enhances knowledge of the company's Code of Ethics.

> Cybersecurity training, organised and delivered by Deloitte in June 2019 to ensure that all Colonial employees are aware of the potential risks and threats they face in the digital environment and adopt a series of good habits, not only in the working environment, but also outside the office or at home.

> Training of technical and business staff in sustainability issues.

> ESG training for employees Colonial, 29 November 2019. The CEO of Colonial (Pere Viñolas) together with the Director of Corporate Development (Carlos Krohmer) shared the most relevant ESG topics with all Colonial employees and explained the Group's position in each of the areas.

> Surveys on sustainable mobility for Colonial Group employees:

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

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

Regular communication channels with employees:

> Intranet
> Points of contact
> Human resources email, complaints channel
> Informal horizontal and vertical communication channels

2. CLIENTS AND TENANTS

During 2019, the following initiatives have been carried out to improve communication with clients:

> Integration of the portfolio of services offered by Colonial: holding of five workshops (breakfasts) at the Utopicus centres to inform the group's clients about the services and spaces offered by Colonial.

> Publication of a quarterly newsletter with the aim of informing Colonial's client portfolio of services and spaces, as well as the benefits and discounts made available to all clients in the Colonial Group's portfolio.

> Incorporation of large LED screens in building lobbies showing exclusive satellite images of nature around the world as platforms for awareness and dissemination of Climate Change.

> The User Manual of Good Practices in Environmental Management has been developed, where specific guidelines on the building are provided, aimed at the tenant managing their implementation works and the maintenance of their offices in a manner consistent with the sustainability criteria of Colonial Group's Environmental Policy.

Regular communication channels with Clients:

> Property managers
> Surveys and programmes
> "Coffee with the Manager" Programme
> Satisfaction surveys
> Paris WorkPlace Barometer
> Colonial - Utopicus Initiatives
> Client Portals
> Colonial Intranet: inmuebles.inmocolonial.com
> Client management points of contact: +34 93 404 79 00
www.inmocolonial.com

3. SUPPLIERS AND CONTRACTORS

The usual communication channels are:

> Supplier approval questionnaire. In line with the ESG Criteria Policy, in 2019 Colonial approved a draft of the supplier approval survey with ESG criteria. This survey was sent on a trial basis to all the usual suppliers, in this case, contractors, and general service, cleaning and gardening maintenance providers. This completed survey was reviewed by Inmobiliaria Colonial, who issued a definitive document, including the scoring system for the various ESG questions in the survey. Thus, starting in 2020, the approved survey will be incorporated into the selection process of any Company supplier.

> Supplier management platform.

> Points of contact with purchasing managers: proveedores@inmocolonial.com

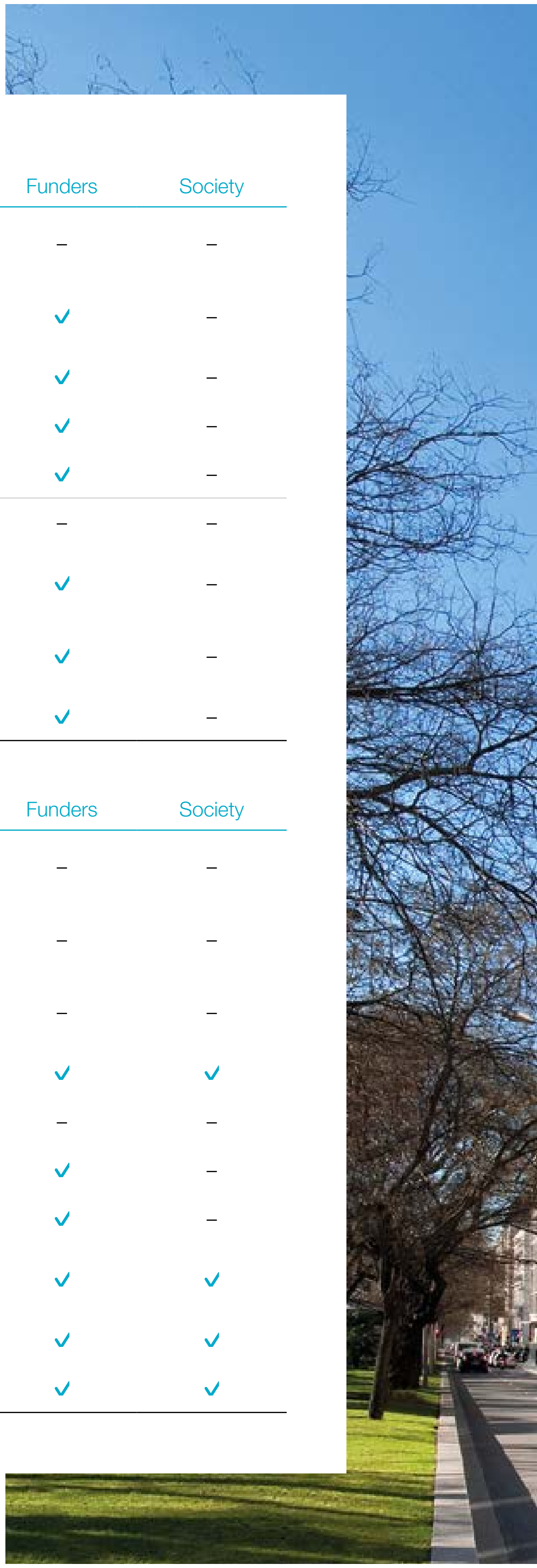
6.5.2 External Stakeholders

In addition to the usual relationship channels, External Stakeholders, i.e. Shareholders and Investors, Financiers and Debt Investors and the society, are informed through regular publications as shown in the table below:

	Products	Shareholders and investors	Funders	Society
1H 2019	2018 Annual Results Report. Presentation via webcast	✓	✓	✓
	1st Quarter Report. Presentation via webcast	✓	✓	✓
	2018 Annual Integrated Report	✓	✓	✓
	Press release: Colonial receives the GRESB/ BREEAM 2019 award for being a Responsible Investor	✓	✓	✓
	Press release: Colonial has signed a sustainable loan or 75 million euros with CaixaBank	✓	✓	✓
2H 2019	2nd Quarter Report. Presentation via webcast	✓	✓	✓
	3rd Quarter Report. Presentation via webcast	✓	✓	✓
	Press release: MSCI ESG Rating	✓	✓	✓
	Press release: Ibex-35 corporate governance information	✓	✓	✓
	Press release: “AA” Rating by MSCI	✓	✓	✓
	Multiple interviews with Colonial executives about ESG	✓	✓	✓

	Events	Shareholders and Investors	Funders	Society
1H 2019	15 equity Roadshows: With more than 180 investors and analysts	✓	–	–
	4 debt Roadshows: London, Paris and Frankfurt with a total of 30 companies	–	✓	–
	Paris Field Trip: April 2019 with more than 40 attendees	✓	✓	–
	Barcelona Field Trip: July 2019 with more than 30 participants	✓	✓	–
	5 Asset tours: Madrid, Barcelona and Paris	✓	✓	–
2H 2019	7 equity Roadshows: More than 119 investors and analysts	✓	–	–
	3 debt Roadshows: Madrid, London and Milan, and that brought together a total of 26 companies.	–	✓	–
	Capital Market Day: October 2019, with more than 100 attendees	✓	✓	–
	1 Asset tour in Madrid	✓	✓	–

	Communication channels	Shareholders and Investors	Funders	Society
2019	Shareholder Services Office: accionistas@inmocolonial.com | +34 93 404 79 10	✓	–	–
	Investor Services Office: Invesores@inmocolonial.com | +34 93 404 78 98	✓	–	–
	Shareholders and investors homepage: www.inmocolonial.com	✓	–	–
	General Shareholders' Meeting	✓	✓	✓
	Meetings and events with Shareholders and Investors	✓	–	–
	Other communication channels	✓	✓	–
	Newsletter	✓	✓	–
	Spanish National Securities Commission – CNMV: www.cnmv.es	✓	✓	✓
	Switchboard: +34 93 404 79 00	✓	✓	✓
	Website: www.inmocolonial.com	✓	✓	✓




07

07 Sustainability

7.1. Strategic Sustainability Plan & Decarbonisation

The Colonial Group Strategy involves a firm commitment to (1) decarbonise its portfolio, (2) progressively reduce its consumption and (3) a responsible and efficient use of resources, decisively promoting the circular economy throughout the real estate value chain.

7.1.1 Levers of the Strategic Sustainability Plan

I. PRIME POSITIONING

The Colonial Group has a portfolio of 86 office properties with 76% in CBD (Central Business District) locations, focusing its area of activity on premium clients, offering them the best product in the city centre.

This positioning allows us to be in a privileged position with respect to scope three carbon emissions, with city centre locations.

II. TRACK RECORD INDUSTRIAL – EXPERTS IN THE VALUE CHAIN

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

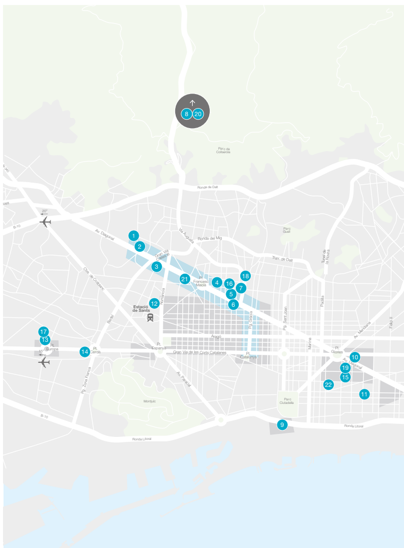
The Strategic Sustainability Plan is based on detailed knowledge of all segments of the real estate value chain through the best technical teams in the Paris, Madrid and Barcelona markets.

€29 sq m/month

€36 sq m/month

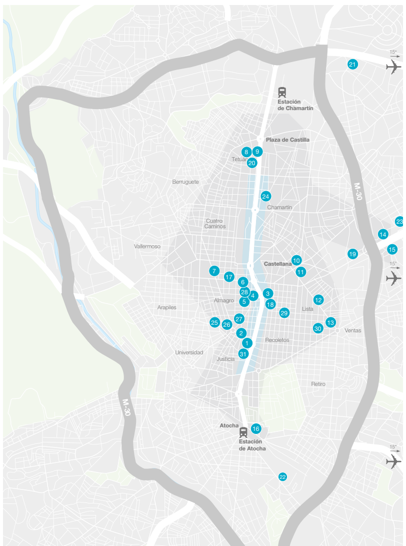
€907 sq m/year

Barcelona



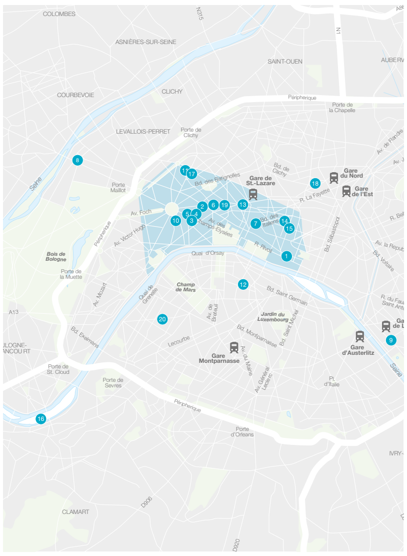
King · Indra · Clifford Chance · Ysios Capital · Patek Philippe Genève · Adevinta · Naturgy

Madrid



Cuatrecasas · BCG · Jones Day · McKinsey & Company · Allen & Overy · LVMH · accenture · Roland Berger

Paris



Luxottica · Netflix · Freshfields · Cartier · McKinsey & Company · GRDF · facebook · COTY · Natixis

III. LEADER IN INNOVATION - BEST PRODUCT & TECHNOLOGY

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

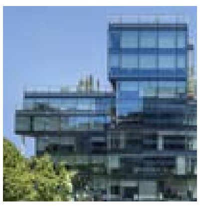
During 2019, the Colonial Group has developed, together with Johnson Control and exclusively for Colonial, the Building Management System, to optimise portfolio management and maximise the energy efficiency of the portfolio and the use of customers.

This system is expected to be implemented throughout the whole portfolio of assets in the next two years, starting with recently repositioned properties and new projects delivered in Madrid and Barcelona.

PropNet by Colonial

▪ Implemented in 6 assets in Madrid


López de Hoyos


The Window Building


Castellana 52


Discovery Building


Francisco Silvela 42


Ribera del Loira 28

7.1.2 Business Sustainability Plan - Milestones and Objectives

Once the recapitalisation of Colonial was carried out in 2014, the Colonial Group developed the Business Plan for Sustainability 2015-2030, setting 2015 as the baseline-year, in reference to monitoring reductions in consumption (in particular energy and carbon footprint), optimising the consumption efficiency of the Group's office portfolio.

In particular, this ambitious strategic plan for decarbonisation, which represents Colonial Group's commitment to make its entire portfolio of offices carbon neutral by 2050. It also aims to be fully aligned with the Paris Agreement, adopted in December 2015, to limit the rise in global average temperatures to below two degrees by the end of the century.

I. OBJECTIVES OF THE BUSINESS PLAN FOR SUSTAINABILITY 2015-2030

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

II. MILESTONES ACHIEVED TO DATE - 2015-2030 BUSINESS PLAN

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

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

Business Plan Objective 2015-2030

	Strategic Objective 2030	Var. LFL 15/19	Business Plan Advances
1. **Reduction of energy intensity** Reduction kWh/sq m	> (10%)	(8%)	✓
2. **Reduction of GHG emissions intensity Scope 1&2** Reduction $kgCO_2e$/sq m	> (75%)	(70%)	✓

Business Plan Objective 2015-2030

	Strategic Objective 2030	Start 2015	2019	Business Plan Advances
3. Energy Certificates Portfolio in operation of Offices				
> Energy Efficiency Certificates.	100%	100%	100%	✓
> BREEAM/LEED/HQE Certifications.	100%	90%	92%	✓
4. Maximum Energy Certification in Office Projects	100%	0%	100%	
> The last projects delivered in Madrid and Barcelona: Discovery, Window and Parc Glòries, have the highest available energy rating.				
> Also, the next 3 projects to be delivered in Paris will have triple certification:				
5. Life Cycle Analysis for projects		Analysis performed for assets		
> Identification of all phases of the cycle to introduce improvements.				
> It is already being applied to all of Colonial's assets with a sustainable approach.				
> Involvement of all suppliers in sustainability objectives: from design to demolition to construction and maintenance.				
6. Green sourcing/purchasing renewable energy	> 70%	0%	58%	✓
> Acquisition of 86% of renewable energy in 2019 in the Madrid & Barcelona portfolios.				
> Acquisition of 53% renewable energy in the Paris portfolio.				
7. Measurement of KPIs analysis for 100% of the portfolio of offices in operation				
> Energy.	100%	74%	82%	✓
> GH Scope 1 & 2.	100%	75%	84%	✓
> Water.	100%	74%	82%	✓
8. Waste management / Circular Economy	85%	nd	83%	✓
> 81% of the non-hazardous and hazardous waste generated in Barcelona and Madrid has been recycled or recovered.				
> 84% of the non-hazardous and hazardous waste generated in Paris will be recycled or recovered.				
9. ESG clauses with all significant suppliers	100%	0%	100%	✓
> The 32 most significant providers in Barcelona and Madrid include ESG clauses.				
> The 134 most significant suppliers in Paris include ESG clauses.				
10. Green Clauses for all new customers	100% new clients	–	44%	✓
> Green contracts incorporated into all new contracts in Paris.				
> Green contracts successively incorporated in 2019/2020 in Barcelona and Madrid.				

	BREEAM Refurbishment	LEED V4 Core and Shell	HQE Renovation	Other labels
83 Marceau	√ Excellent	√ Gold	√ Exceptional	> BBC-Effinergie Renovation > Ready 2 Services
Biome	√ Excellent	√ Gold	√ Exceptional	> BBC-Effinergie Renovation > BBCA Renovation > Biodivercity Excellent
Louvre Saint-Honoré	√ Excellent	Not applicable because the property is partly occupied		

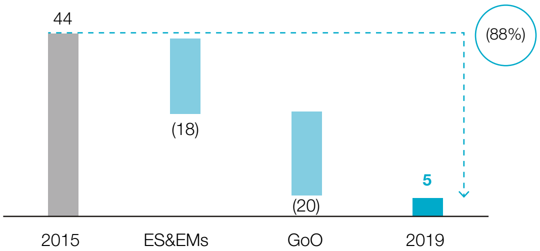
III. PROGRESS IN ECO-EFFICIENCY - 2015-2030 BUSINESS PLAN

The main factor that Colonial has to achieve a reduction in emissions in the Group as a whole is improving the energy efficiency of the buildings making up its portfolio, together with a growing implementation and transformation of renewable energies. This is why the Colonial Group is working on developing Nearly Zero-Energy Buildings (NZEB), buildings with high environmental performance and very low energy consumption, which mainly comes from renewable sources.

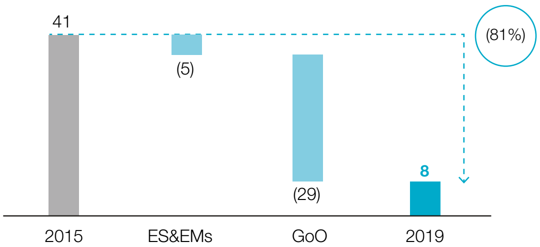
The Group shows its intention to continuously invest in the property portfolio with the aim of making its buildings self-sufficient.

LFL Intensity - Scopes 1 & 2 ($kgCO_2e$/sq m)

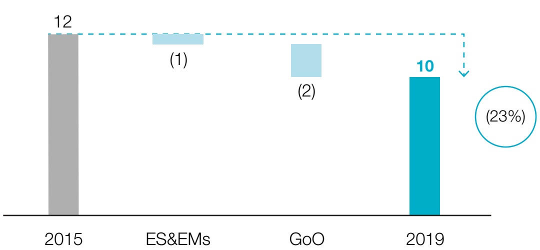
Barcelona



Madrid



Paris



The first step in this transformation process is to analyse the current state and characteristics of each asset individually through an eco-efficiency analysis, with the aim of identifying all the options for improvement and the possibilities of implementing renewable energy. Based on this analysis, all buildings are categorised according to their potential for implementing renewable energy.

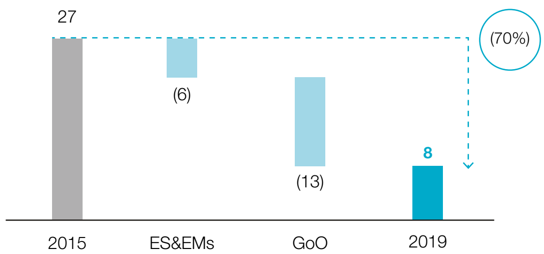
Five years after the 2015-2030 Business Plan was prepared, the progress made is very positive.

A. 2015-2019 Greenhouse Gas reductions of (70%) like-for-like

In terms of **Greenhouse Gas Emissions (GHG)**, it must be taken into account that the Group has calculated Scope 1 and 2 of its carbon footprint based on the energy consumption of the buildings and the leaks and recharges of refrigerant gases, but being aware that most of the emissions of Its activities are part of Scope 3, Colonial Group has continued to work on calculating new categories of this Scope, following the GHG Protocol emissions calculation methodology.

In 2019, the Colonial Group has issued a total of **18,474 tCO_2e (Scope 1, 2 & 3)**. Considering **scopes 1 and 2**, which are those where the company can influence,

Group



Notes: ES&EMs: Energy Saving and Efficiency Measures.
GoO: Certificates of Guarantee of Origin from renewable sources.

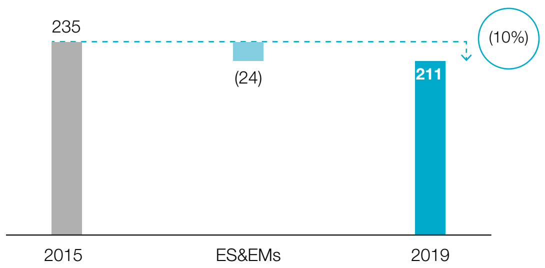
the Group's GHG emission has been **8,017 tCO_2e** (5,286 tCO_2e in Spain and 2,731 tCO_2e in France).

If we analyse the **carbon footprint or intensity performance indicator**, in 2019 this was **27 $kgCO_2e$/sq m** considering the **three scopes**, whereas if we consider **scopes 1 and 2**, the intensity of the carbon footprint is **12 $kgCO_2e$/sq m** (13 $kgCO_2e$/sq m in Spain and 10 $kgCO_2e$/sq m).

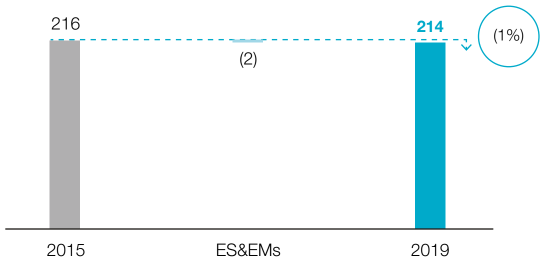
In **like-for-like terms compared to the 2015** baseline-year, the **2019 intensity of scopes 1 and 2** is **8 $kgCO_2e$/sq m, a reduction of –70%**, mainly due to contracting electricity with a certificate of guarantee of origin (GoO) from renewable sources, especially in the Spanish portfolio where it represents a reduction of more than 80%.

■ **LFL Intensity - Energy (kWh/sq m)**

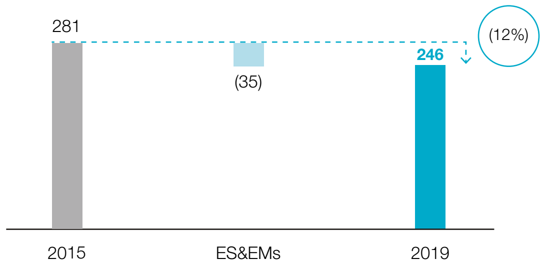
Barcelona



Madrid



Paris



Likewise, the Group is aware of the high potential for improving energy performance and water consumption derived from the conductive management of the facilities. To this end, a global plan has been drawn up to standardise building automation and control systems, Building Management Systems (BMS) and tools for real-time monitoring of consumption and calculation of the carbon footprint, including Scopes 1, 2 and 3.

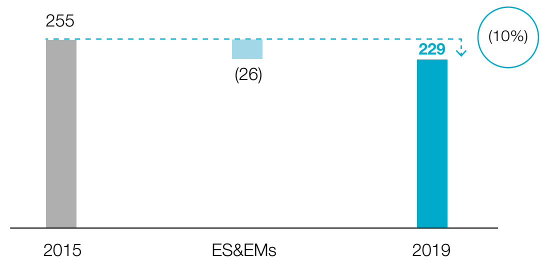
B. 2015-2019 Reductions in Energy Intensity of (10%) like-for-like

The **energy performance or intensity indicator** for the Colonial Group for 2019 stands at **223kWh/sq m**, being 206kWh/sq m in Spain and 246kWh/sq m in France.

If we compare the **variation of the office portfolio in the 2019 period with the 2015 baseline-year**, in **like-for-like terms,** that is, excluding single-user buildings and projects, renovations or plots, **the Group's intensity has been reduced by 10%** (10% in Barcelona, 1% in Madrid and 12% in Paris).

This improvement has been achieved through implementing energy saving and efficiency measures including replacing obsolete installations by more efficient ones, installing real-time consumption monitoring systems in certain buildings, the installation of lighting regulation and control systems, as well as replacing LED lighting in most of the communal areas of the buildings.

Group



Note: ES&EMs: Energy Saving and Efficiency Measures.

C. 2015-2019 Reductions in water consumption of (13%) like-for-like

Colonial is aware that water is increasingly valuable, due to its scarcity and the increasing depletion of reserves for human consumption. That is why the Group is working for the users of its assets to have the option of consuming this resource responsibly, by obtaining the entire supply from local supply companies in each of their locations. Additionally, in recent years, efficient sanitary fittings have been installed, such as taps and toilets, rainwater collection tanks and grey water recovery systems.

In 2019, **the Colonial Group's water consumption was 307,300m³**, 157,057 m³ in Spain and 150,243 m³ in France.

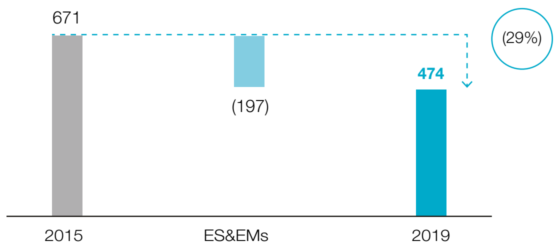
The water consumption or **intensity performance index is 457 litres/sq m**, 403 litres/sq m in Spain and 534 litres/sq m in France.

In like-for-like terms, the intensity of the Group's water consumption in 2019 is 495 litres/sq m which compared to the 2015 baseline-year, represents a **13% reduction**.

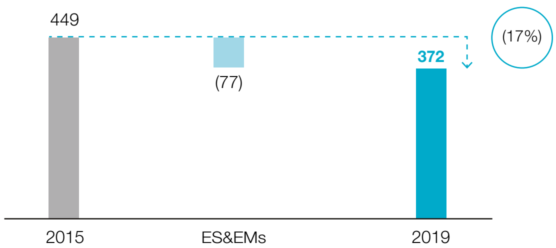
Said improvements have been mainly due to implementing energy saving and efficiency measures (ES&EMs), such as installing flow limitation mechanisms in taps, showers and limitation of flushing in toilets and urinals as well as managing the facilities carried out by maintenance companies and users.

■ **LFL Intensity - litres/sq m**

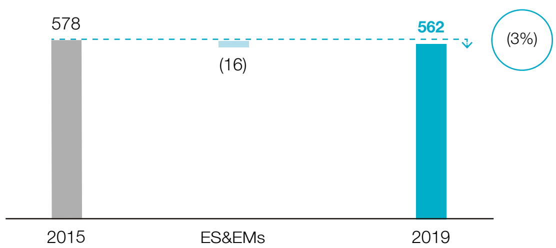
Barcelona



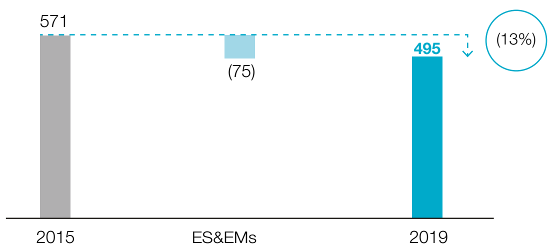
Madrid



Paris



Group



Note: ES&EMs: Energy Saving and Efficiency Measures.

7.1.3 Business Plan within the framework of the Sustainable Development Goals

By taking into account the Sustainable Development Goals when breaking down these commitments, it is possible to visualise the contribution and impact that Colonial's actions have on each of them based on the Group's various policies:

SDG 3. HEALTH AND WELLBEING

Wellbeing Policy

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

Strategies / lines of action

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

SDG 7. AFFORDABLE AND NON-POLLUTANT ENERGY

Colonial's renewable energy and NZEB policy

The Group has committed to implementing clean energy since it is essential to combat climate change by aligning itself with Near Zero-Energy Buildings (NZEB).

Strategies / lines of action

- Decrease in energy demand.
- Increased energy efficiency.
- Implementation of renewable energy.
- Green Supply Management.
- New bioclimatic constructions.

SDG 6. CLEAN WATER AND SANITATION

Colonial climate change policy

Given the scarcity and contamination of water resources threatened by climate change, Colonial Group has objectives for saving water consumption in its buildings and reusing it.

In order to avoid contaminating supply sources, procedures are established to avoid toxic spills.

Strategies / lines of action

> Implementation of mechanisms for saving water consumption.

> Recycling grey and rainwater.

> Controlling toxic spills.

SDG 12. RESPONSIBLE PRODUCTION AND CONSUMPTION

ESG Criteria Policy for choosing Colonial suppliers

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

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

Strategies / lines of action

> Evaluation criteria for the choice of suppliers from an environmental, social and governance perspective.

> Monitoring supply of materials and management of hazardous and non-hazardous waste.

> Increased use of sustainable materials, minimisation and sustainable waste management.

SDG 13. CLIMATE ACTION

Colonial climate change policy

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

Strategies / lines of action

> Study and implementation of adaptation measures to climate change and mitigation measures.

> Facilities to achieve sustainable mobility by users and employees.

SDG 15. LIFE OF LAND ECOSYSTEMS

Colonial's biodiversity policy

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

Strategies / lines of action

> Biodiversity management plans and environmental studies.

> Implementation of living ecosystems.

> Environmental maintenance of the implemented ecosystems.

7.1.4 Sustainability Policies

One of the tools that the Group has to sustainably manage its properties in accordance with its environmental strategy is the Environmental Policy approved in 2017, which establishes objectives in different environmental issues. This policy is embodied in the "Manual of Good Practices in Environmental Management", which will be detailed later.

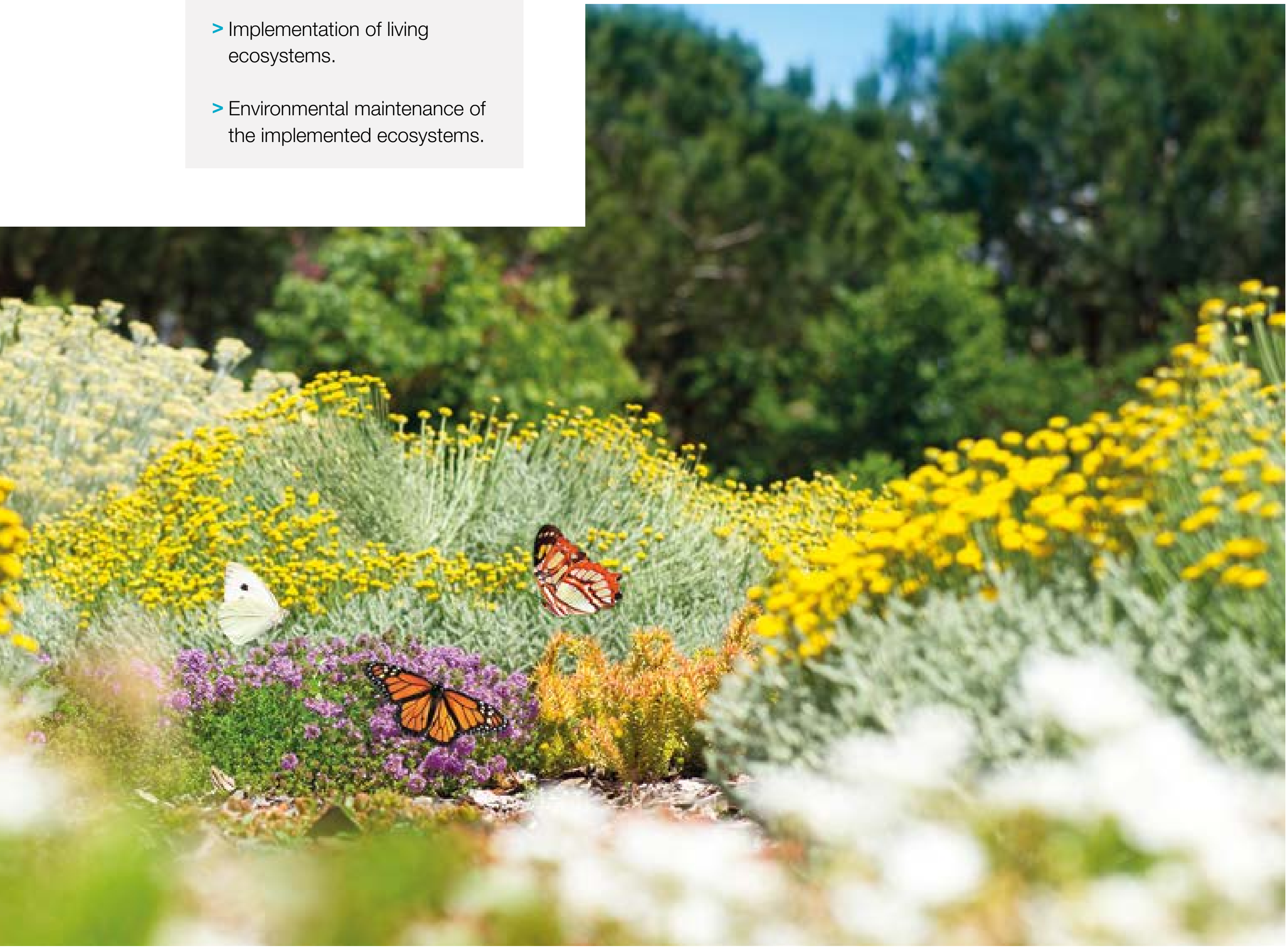
Additionally, the objectives for 2018-2019 within the Sustainability Master Plan included developing specific environmental policies available on the company's corporate website:

> Climate Change Policy.

> Renewable energy policy and nearly zero-energy buildings.

> ESG Criteria Policy for choosing suppliers.

> Wellbeing Policy.



7.2. Emissions of the 2019 Portfolio

7.2.1 Greenhouse Gas Emissions (GHG)

Regarding greenhouse gas (GHG) emissions, the Colonial Group has calculated scope 1 and 2 of its carbon footprint based on the energy consumption of the buildings and the leaks and recharges of refrigerant gases, and in scope 3 including the energy consumption of the private areas **(Category 13 GHG Protocol)**, but being aware that most of the emissions from its activities are part of this scope. For this reason, Colonial Group continues to work on calculating new categories to be included in this scope, following the GHG Protocol emissions calculation methodology.

In this respect the **Group's 2019 GHG emissions for the three scopes are 18,474 tCO_2e,** 14,965 tCO_2e correspond to Spain and 3,509 tCO_2e to France.

In terms of the **2019 GHG emissions corresponding to scopes 1 and 2**, those in which the company can influence more directly, these reach **8,017 tCO_2e**, with 5,286 tCO_2e corresponding to Spain and 2,731 tCO_2e to France.

GHG emissions in France are much lower due to the District Heating & Cooling (DH&C) system that the city of Paris has, which is very efficient and greatly reduces GHG emissions. In Spain this system only applies to three assets in Barcelona, located in the district of 22@.

GHG Emissions - Absolute

	2019		2018		Variance				LFL Variance	
tCO_2e	Scopes 1, 2 & 3	Scopes 1 & 2	Scopes 1, 2 & 3	Scopes 1 & 2	Scopes 1, 2 & 3		Scopes 1 & 2		Scopes 1 & 2	
					tCO_2e	%	tCO_2e	%	tCO_2e	%
Barcelona	5,767	1,321	9,756	4,004	–3,989	–41%	–2,683	–67%	–2,708	–81%
Madrid	9,198	3,966	14,623	6,138	–5,425	–37%	–2,172	–35%	–3,157	–76%
Paris	3,509	2,731	3,981	3,195	–472	–12%	–464	–15%	–464	–15%
Total	**18,474**	**8,017**	**28,360**	**13,337**	**–9,886**	**–35%**	**–5,320**	**–40%**	**–6,329**	**–59%**
Spain	14,965	5,286	24,379	10,142	–9,414	–39%	–4,856	–48%	–5,865	–78%
France	3,509	2,731	3,981	3,195	–472	–12%	–464	–15%	–464	–15%
Total	**18,474**	**8,017**	**28,360**	**13,337**	**–9,886**	**–35%**	**–5,320**	**–40%**	**–6,329**	**–59%**

In absolute terms, compared to 2018, there is a stark reduction in GHG emissions of scopes 1 & 2 (–40%) due to contracting the certificate of Guarantee of Origin (GoO) from renewable sources for the supply of electricity, which has been implemented in most of the Group's assets.

If we analyse the **carbon footprint or GHG emissions intensity performance indicator in 2019 of the Colonial Group for the three scopes, it is 27 kgCO_2e/sq m, 37 kgCO_2e/sq m in Spain and 12 kgCO_2e/sq m in France**.

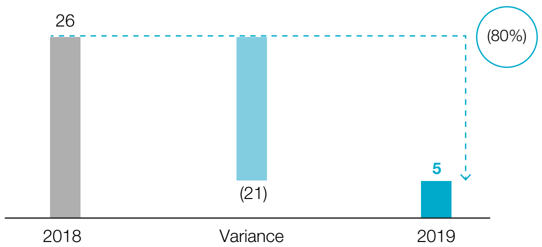
For **scopes 1 and 2, the carbon footprint intensity is 12 kgCO_2e/sq m, 13 kgCO_2e/sq m in Spain and 10 kgCO_2e/sq m in France**, much lower since these two scopes can be directly influenced by the company.

GHG emissions - Intensity

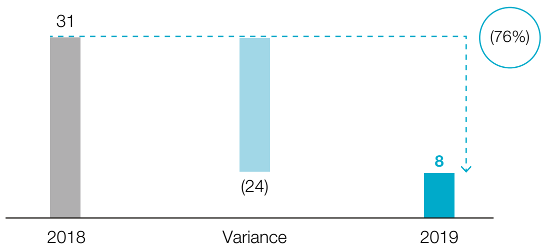
	2019		2018		Variance				LFL Variance	
$kgCO_2e$/sq m	Scopes 1, 2 & 3	Scopes 1 & 2	Scopes 1, 2 & 3	Scopes 1 & 2	Scopes 1, 2 & 3		Scopes 1 & 2		Scopes 1 & 2	
					tCO_2e	%	tCO_2e	%	tCO_2e	%
Barcelona	33	7	59	24	–26	–45%	–17	–69%	–21	–80%
Madrid	41	18	66	28	–25	–38%	–10	–36%	–24	–76%
Paris	12	10	14	11	–2	–12%	–2	–15%	–2	–15%
Total	**27**	**12**	**43**	**20**	**–15**	**–36%**	**–8**	**–41%**	**–12**	**–59%**
Spain	37	13	63	26	–26	–41%	–13	–50%	–22	–78%
France	12	10	14	11	–2	–12%	–2	–15%	–2	–15%
Total	**27**	**12**	**43**	**20**	**–15**	**–36%**	**–8**	**–41%**	**–12**	**–59%**

LFL Intensity - Scopes 1 & 2 ($kgCO_2e$/sq m)

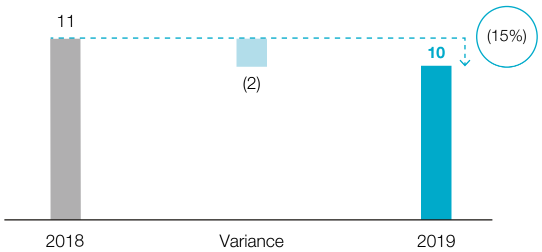
Barcelona



Madrid



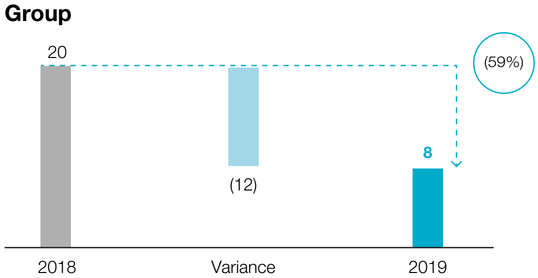
Paris



DECREASE OF (59%) LIKE-FOR-LIKE IN 2019 OF THE INTENSITY OF GHG EMISSIONS

In **like-for-like, terms comparing 2019 with the previous year, the intensity of GHG emissions is reduced by 59%**, mainly due to the Spanish portfolio for contracting electricity with a certificate of guarantee of origin (GoO) from renewable sources.

Group



7.2.2 Energy

During 2019, Colonial Group has increased the scope of measurements of its portfolio, managing to control the energy consumption of almost all of its assets, leaving out of reach those assets that, being single-users, are the tenant who has control of the consumption of supplies, as well as those assets that are projects and therefore do not generate any type of energy consumption.

The Group's energy consumption during 2019 was **149,785MWh**, which is an energy performance or intensity indicator of **223kWh/sq m**.

In Spain, an increase in MWh can be observed compared to the previous year, mainly due to the increase in the measurement perimeter, highlighting the measurements carried out in Príncipe de Vergara and Estébanez Calderón that during 2018 were projects in 2019 and are already operating assets. If we look at energy intensity, it has decreased by 1%, due to increased portfolio occupancy.

Energy

MWh	2019	2018	Var.		LFL Var.	
			MWh	%	MWh	%
Barcelona	35,824	32,802	3,022	9%	–457	–2%
Madrid	44,706	39,583	5,123	13%	–682	–3%
Paris	69,255	73,923	–4,668	–6%	–4,668	–6%
Total	**149,785**	**146,308**	**3,478**	**2%**	**–5,807**	**–5%**
Spain	80,530	72,385	8,145	11%	–1,140	–2%
France	69,255	73,923	–4,668	–6%	–4,668	–6%
Total	**149,785**	**146,308**	**3,478**	**2%**	**–5,807**	**–5%**

Energy - Intensity

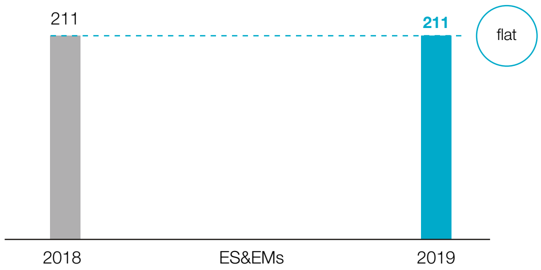
kWh/sq m	2019	2018	Var.		LFL Var.	
			MWh/sq m	%	MWh/sq m	%
Barcelona	203	213	–11	–5%	0	0%
Madrid	209	183	26	14%	–3	–1%
Paris	246	263	–17	–6%	–17	–6%
Total	**223**	**225**	**–1**	**–1%**	**–9**	**–4%**
Spain	206	196	10	5%	–3	–1%
France	246	263	–17	–6%	–17	–6%
Total	**223**	**225**	**–1**	**–1%**	**–9**	**–4%**

DECREASE OF (4%) LIKE-FOR-LIKE OF ENERGY INTENSITY IN 2019

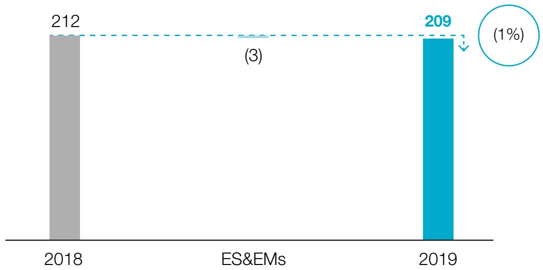
In **like-for-like** terms, **if we compare with 2018**, in line with the EPRA Best Practices on Sustainability reporting recommendations, including in this perimeter those buildings that have been part of the portfolio during the year covered by the report and the previous year (2019 and 2018), excluding single-user buildings and projects, renovations or plots of land, the **Colonial Group's energy intensity decreases by 4%**, mainly due to the French portfolio (–6%), due to a reduction in fuel consumption as the last heating system that used diesel was replaced in 2018 by a heating system that uses natural gas with lower energy consumption.

LFL Intensity - Energy (kWh/sq m)

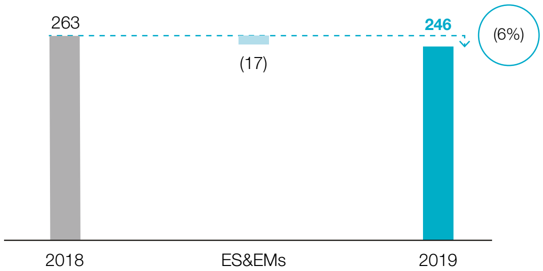
Barcelona



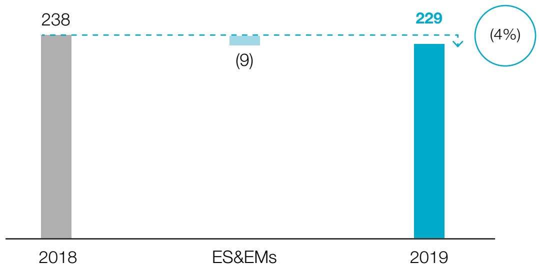
Madrid



Paris



Group



Note: ES&EMs: Energy Saving and Efficiency Measures.

7.2.3 Water

Fresh water is one of the scarcest goods on the planet, since less than 1% of the planet's water is ready for human use. The rest of the water is salty, in natural underground aquifers or in the form of ice at the poles. For this reason, Colonial Group is working so that its facilities allow users of the buildings to responsibly consume this much-appreciated asset. In this respect, it should be noted that Colonial Group only consumes water from the local supply company in each of the communities of its properties. The measures aimed at responsible water consumption in the Colonial Group buildings include installing efficient sanitary fittings (taps, toilets, urinals and showers) and rainwater collection tanks and grey water recovery in some buildings.

In 2019, **the Colonial Group's water consumption is 307,300m³, observing a 1% reduction in absolute terms**; however, there was a 3% increase in Spain as the Madrid portfolio increased by 28%, due to the increased scope of water measurements of its portfolio. It has managed to control the consumption of a large part of its properties except those that have a single-user as their consumption is controlled by the actual tenant and the projects, renovations or plots that do not generate water consumption. Highlights include the incorporation in the scope of measurements of the Príncipe de Vergara and Estébanez Calderón projects that have been delivered, as well as the incorporation of Egeo and Arturo Soria properties into measurements.

The intensity of water consumption in 2019 reaches 457 litres/sq m, which compared in absolute terms represents an overall reduction of 6%. The incorporation of certain assets in Spain (mainly Príncipe de Vergara, Estébanez Calderón, Egeo and Arturo Soria) to the scope of water consumption measurements is offset with the incorporation of the surface area of said assets and the increase in the portfolio's occupancy.

Water - Absolute

m³	2019	2018	Var.		LFL Var.	
			m³	%	m³	%
Barcelona	67,286	82,222	–14,936	–18%	–18,293	–23%
Madrid	89,771	70,376	19,395	28%	67	0%
Paris	150,243	158,118	–7,875	–5%	–7,875	–5%
Total	**307,300**	**310,716**	**–3,416**	**–1%**	**–26,101**	**–9%**
Spain	157,057	152,598	4,459	3%	–18,226	–14%
France	150,243	158,118	–7,875	–5%	–7,875	–5%
Total	**307,300**	**310,716**	**–3,416**	**–1%**	**–26,101**	**–9%**

Water - Intensity

l/sq m	2019	2018	Var.		LFL Var.	
			m³	%	m³	%
Barcelona	381	549	–169	–31%	–135	–22%
Madrid	421	339	81	24%	5	1%
Paris	534	562	–29	–5%	–29	–5%
Total	**457**	**487**	**–29**	**–6%**	**–45**	**–8%**
Spain	403	427	–25	–6%	–65	–13%
France	534	562	–29	–5%	–29	–5%
Total	**457**	**487**	**–29**	**–6%**	**–45**	**–8%**

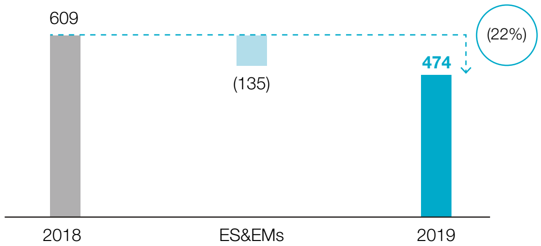
DECREASE OF (8%) LIKE-FOR-LIKE IN 2019 OF THE INTENSITY OF WATER CONSUMPTION

In like-for-like terms, comparing 2019 with 2018, the intensity of the Colonial Group's water consumption has decreased by 8%, mainly due to measures to improve the efficiency of water consumption, such as replacing taps and sanitary fittings with equipment that have lower consumption in bathrooms and improvements in automation and control systems.

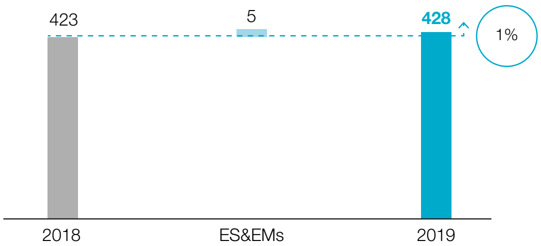
By cities, **Paris has reduced intensity like-for-like by 5%, Barcelona by 22%**, highlighting Sant Cugat Nord, where the existing lake has been removed that had many leaks and needed a significant water supply. **In Madrid, the like-for-like intensity of water consumption has increased by 1%**, mainly due to the increase in water consumption in the Genoa 17 building, due to inefficient management by users.

LFL Intensity - litres/sq m

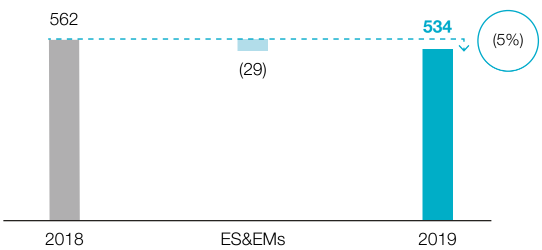
Barcelona



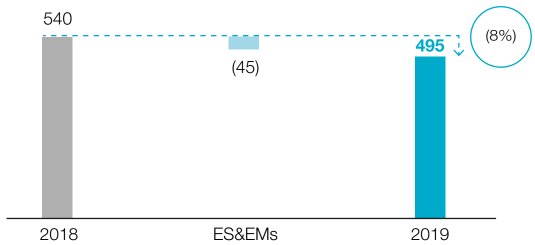
Madrid



Paris



Group



Note: ES&EMs: Energy Saving and Efficiency Measures.

7.2.4 Waste & Circular Economy

I. WASTE SUSTAINABILITY MANAGEMENT & GOALS

Colonial Group recognises the importance of ensuring sustainable management of the waste generated while undertaking its activity. Work has been carried out along this line with the aim of improving both the storage and the management and sustainable treatment of the waste generated.

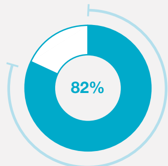
In parallel and aligned with the Environmental Policy, it is working hand in hand with construction companies and others involved to ensure this objective in the three scopes of activity. For this purpose, monitoring tables have been drawn up for the hazardous and non-hazardous waste generated, as well as its management, requesting those involved to provide supporting documentation that justifies both the kg of each different type of waste collected by the authorised manager (delivery notes for collection and delivery at the processing centre) as well as the type of processing received in each case (recycling, reuse or recovery certificates) from the different processing plants.

Likewise, the sustainable management of waste is encouraged by monitoring the amounts generated and its sustainable management in new construction and renovation works and in the daily use of the communal areas of the buildings. For environmental compliance, 80% of the non-hazardous and hazardous waste generated must be reused without having to be sent to landfill.

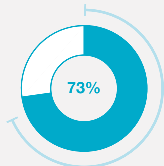
Additionally, starting in 2019 and over the next 2 years, Colonial Group will continue to progressively expand the number of buildings covered in the reporting and control system for consumed materials to promote the sustainable acquisition of materials (which includes a high content of recycled material pre and post consumption and recyclable material) and the sustainable management of the waste generated for its optimal use, thus ensuring an improvement in its monitoring and control and favouring the circular economy.

Responsible provisioning

Report works AI with additional

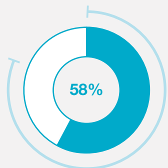


Compliance of these works > 70%

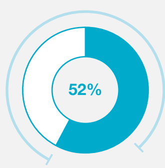


Hazardous Waste Management

Report works AI with additional contract

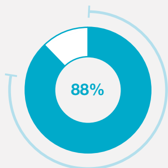


Compliance of these works > 80%

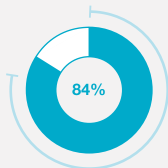


Non-Hazardous Waste Management

Report works AI with additional contract



Compliance of these works > 80%



The main monitored waste during the year are as follows:

- **Sustainable waste management**

Sustainability Indicators	Waste Type (1)	Generated DSW kg	Generated DSW %	Reused DSW kg	Reused DSW % of each DSW
Environmental monitoring Monitoring sustainable waste managements	**Non-hazardous waste**				
	Construction and Demolition	2,554,299	64.99%	2,043,439	80.00%
	Wood	409,949	10.43%	401,750	98.00%
	Metal	64,000	1.63%	35,840	56.00%
	Concrete	42,572	1.08%	42,146	99.00%
	Glass	37,211	0.95%	36,467	98.00%
	Paper/cardboard	282,536	7.19%	272,930	96.60%
	Organic/compost	6,307	0.16%	2,838	45.00%
	Plastic	5,660	0.14%	4,075	72.00%
	Other non-hazardous waste	517,283	13.16%	401,412	77.60%
	Total NH DSW	**3,919,817**	**99.73%**	**3,240,897**	**82.68%**
	Hazardous waste				
	WEEE	150	0.00%	98	65.00%
	Luminaires	450	0.01%	329	73.00%
	Refrigerants	35	0.00%	0	0.00%
	Contaminated metal and plastic containers	38	0.00%	6	15.00%
	Batteries	79	0.00%	50	63.00%
	Fuels and oils	120	0.00%	0	0.00%
	Other hazardous waste	253	0.01%	5	2.00%
	Non-reusable hazardous waste	145	0.00%	0	0.00%
	Total H DSW	**1,270**	**0.03%**	**486**	**38.30%**
	Land				
	Uncontaminated land	9,460	0.24%	7,663	81.00%
	Contaminated land	0	0.00%	0	0.00%
	Total Land	**9,460**	**0.24%**	**7,663**	**81.00%**
TOTAL	**Total DSW: NH DSW + reused H DSW + non-reused H DSW + Land**	**3,930,547**		**3,249,046**	**82.66%**

(1) Waste generated in new construction works, major reforms, minor reforms and maintenance of communal areas. Waste generated by tenants is not included as the organisation has no control over this.
The waste list may be modified if any other representative waste is reported.
Only very minor and unrepresentative waste will be included in the "other" category.
Waste data is obtained though report tables, no data is estimated.

Waste by disposal route. EPRA Waste-Abs & Waste-LfL

		Total DSW 2018		Total DSW 2019	
Sustainability Indicators	Elimination type	kg	% of the total	kg	% of the total
EPRA Waste-Abs GRI 306-2	Reuse	0	0.00%	25,600	0.65%
	Recycling	2,394,097	79.95%	2,665,427	67.81%
	Compost	0	0.00%	1,986	0.05%
	Recovery (including energy)	129	0.00%	535,896	13.63%
	Land-land improvement, landfills and drains	0	0.00%	16,473	0.42%
	On-site storage	0	0.00%	0	0.00%
	Non-reusable hazardous waste	0	0.00%	0	0.00%
	Incineration (not reused)	181	0.01%	94,920	2.41%
	Injection into wells (not reused)	0	0.00%	16,224	0.41%
	Landfill (not reused)	599,854	20.03%	571,612	14.54%
	Other disposal method	56	0.00%	2,409	0.06%
Total DSW generated		**2,994,317**	**100%**	**3,930,547**	**100%**
EPRA Waste-LfL	Reuse	0	0.00%	2,000	0.12%
	Recycling	210,802	50.02%	906,551	55.04%
	Compost	0	0.00%	1,986	0.12%
	Recovery (including energy)	129	0.03%	455,895	27.68%
	Land-land improvement, landfills and drains	0	0.00%	16,473	1.00%
	On-site storage	0	0.00%	0	0.00%
	Non-reusable hazardous waste	0	0.00%	0	0.00%
	Incineration (not reused)	181	0.04%	94,920	5.76%
	Injection into wells (not reused)	0	0.00%	16,224	0.98%
	Landfill (not reused)	210,282	49.89%	152,128	9.24%
	Other disposal method	56	0.01%	1,020	0.06%
Total DSW generated		**421,450**	**100%**	**1,647,197**	**100%**

Notes: 67% of properties are covered by EPRA-Waste-Abs.
74% of properties are covered by EPRA Waste LFL.

As can be seen, 83% of the waste has been recycled or recovered, meeting the target set for reuse of 80% of the waste for 2019, and with respect to waste destined for landfill, the result has been less than 18%, which also meets that objective, since it was 20% for 2019. For the coming years, new even more ambitious objectives will be set to continue in the line of consolidating the good results for 2019.

65% increase like-for-like in 2019 of the percentage of recycled or recovered waste

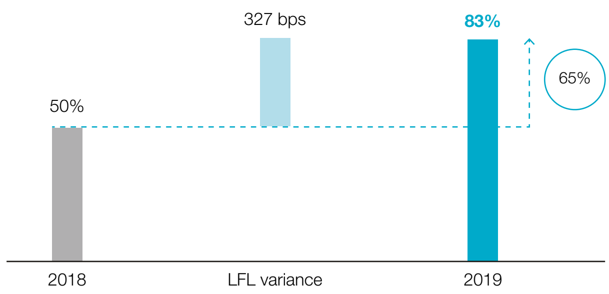
In like-for-like terms, comparing 2019 with 2018, the percentage of waste recycled or recovered from the Colonial Group has increased by 65%, mainly due to managing to recover more waste, which was practically non-existent in 2018.

II. 2019 INITIATIVES

One of the actions promoted by the group since 2018 and completed in 2019 is the installation of at least five containers to collect the different types of recyclable waste generated in communal areas (paper-cardboard, plastic, glass, organic, batteries and fluorescent lights). The result at the end of 2019 is that all the buildings, except for the single-users, have this service.

Likewise, the group has established a new procedure in order to correctly weigh non-hazardous waste generated in the communal areas of buildings by providing scales and registration tables for correct periodic reporting. Hazardous waste continues to be reported with the documentation of its management and its correct storage is supervised on regular visits.

% LFL Recycled/recovered waste



7.2.5 Scope of measurements and applied methodology

I. MEASUREMENT SCOPE

During 2019, the Colonial Group has increased the scope of measurements in its portfolio and has managed to report the consumption of almost all assets over which is has direct operational control, excluding single tenant properties, projects under development, renovations and plots of land, which due to their condition do not generate the consumption mentioned in this chapter.

In this regard, if we consider operating assets of offices, in 2019 the Colonial Group controls the measurements of more than 80% of its portfolio, more than 70% in Spain and 90% in France. Once the projects and renovations are delivered, and with all the advances being made by the Group in PropNet, Colonial will manage to control almost 100% of the consumption measurements of its entire portfolio.

The data excludes our Logistics portfolio, as this non-core portfolio was sold during 2019. Similarly, the data does not include three non-core retail assets that we are preparing to dispose of, and two core retail assets that are currently under development. For this reason, additional segmental analysis by property type is not applicable.

■ **Consumption measurement scope of the portfolio of offices in operation in terms of value**

	2019			BP target		
	Energy	SC1+2	Water	Energy	SC1+2	Water
Spain	70%	74%	70%	100%	100%	100%
France	90%	90%	90%	91%	91%	91%
Total	**82%**	**84%**	**82%**	**94%**	**94%**	**94%**

In **Barcelona**, in 2019 **14 assets are measured**, which corresponds to 74% of the value of the Barcelona portfolio in operation:

■ **Barcelona**

			2019				
			Energy	SC1	SC2	SC3	Water
1	Diagonal, 532		✓	✓	✓	✓	✓
2	Av. Diagonal, 682		✓	✓	✓	✓	✓
3	Av. Diagonal, 609-615 (dau/prisma)		✓	✓	✓	✓	✓
4	Via Augusta, 21-23		✓	✓	✓	✓	✓
5	Berlín, 38-48/Numància, 46		✓	✓	✓	✓	✓
6	Torre BCN, 130		✓	✓	✓	✓	✓
7	Av. Diagonal, 409		✓	✓	✓	✓	✓
8	Travessera, 11 /Amigó 11-17		✓	✓	✓	✓	✓
9	Sant Cugat Nord		✓	✓	✓	✓	✓
10	Av. Diagonal, 220-240, Glòries	Monotenant	✕	✓	✕	✕	✕
11	Av. Diagonal, 197		✓	n.a.	✓	✓	✓
12	Illacuna, 56		✓	n.a.	✓	✓	✓
13	Park Cugat		✓	✓	✓	✓	✓
14	Parc Glòries	Delivered Project	✓	n.a.	✓	✓	✓

In the **Madrid** portfolio, in 2019 **25 assets are measured**, which corresponds to 75% of the value of the Madrid portfolio in operation:

■ **Madrid**

			2019				
			Energy	SC1	SC2	SC3	Water
1	P. Castellana, 52		✓	✓	✓	✓	✓
2	Recoletos, 37-41		✓	✓	✓	✓	✓
3	José Abascal, 56		✓	✓	✓	✓	✓
4	Génova, 17		✓	✓	✓	✓	✓
5	Santa Engracia, 120		✓	✓	✓	✓	✓
6	Poeta Joan Maragall, 53		✓	✓	✓	✓	✓
7	López de Hoyos, 35		✓	✓	✓	✓	✓
8	Martínez Villergas, 49		✓	✓	✓	✓	✓
9	Miguel Ángel, 11		✓	✓	✓	✓	✓
10	José Abascal, 45		✓	✓	✓	✓	✓
11	Alfonso XII, 62		✓	✓	✓	✓	✓
12	Francisco Silvela, 42		✓	✓	✓	✓	✓
13	Egeo		✓	✓	✓	✓	✓
14	Virto		✓	✓	✓	✓	✓
15	Ribera de Loira, 28		✓	✓	✓	✓	✓
16	Ramírez de Arellano, 15	Monotenant	✓	✓	✓	✓	✓
17	Cedro		✓	✓	✓	✓	✓
18	Don Ramón de la Cruz, 82	Monotenant	✓	✓	✓	✓	✓
19	Sagasta, 31-33	Monotenant	✓	✓	✓	✓	✓
20	Estébanez Calderón, 3-5		✓	✓	✓	✓	✓
21	Príncipe de Vergara, 112-114		✓	✓	✓	✓	✓
22	Arturo Soria, 336	Multitenant	✓	✓	✓	✓	✓
23	Serrano, 73	Monotenant	✕	✓	✕	✕	✕
24	Josefa Valcárcel, 40 Bis		✓	✓	✓	✓	✓
25	P. Castellana, 43	Monotenant	✕	✓	✕	✕	✕

In the **Paris** portfolio, in 2019 **15 assets** are measured, which corresponds to 90% of the value of the Paris portfolio in operation:

Paris

		2019		
		Energy	GHG emissions	Water
1	6 Hanovre	✓	✓	✓
2	Ozone	✓	✓	✓
3	103 Grenelle	✓	✓	✓
4	112 Wagram	✓	✓	✓
5	131 Wagram	✓	✓	✓
6	176 Charles de Gaulle	✓	✓	✓
7	Édouard VII	✓	✓	✓
8	Galerie des Champs-Élysées	✓	✓	✓
9	Louvre Saint Honoré	✓	✓	✓
10	Cézanne St Honoré	✓	✓	✓
11	Rives de Seine	✓	✓	✓
12	Washington Plaza	✓	✓	✓
13	90 Champs-Élysées	✓	✓	✓
14	#Cloud	✓	✓	✓
15	Percier	✓	✓	✓

APPLIED METHODOLOGY - CARBON FOOTPRINT

The information report on greenhouse gas (GHG) emissions has been prepared in accordance with the calculation methodology of the Greenhouse Gas Protocol (GHG Protocol) and World Resources Institute (WRI).

GHG emissions have been broken down into three scopes:

> **Scope 1.** These are **direct GHG emissions** owned or controlled by us, which are released directly into the atmosphere.

– Fuel consumption.
– Fugitive emissions of refrigerant gases.

> **Scope 2.** These are **indirect GHG emissions** derived from electricity consumption and the generation of off-site heat consumed by Colonial.

– Purchase of electricity for communal areas and shared services.
– Cold and heat from district heating and cooling systems.

> **Scope 3. Other indirect GHG emissions** that are caused by our activities, but controlled by other organisations.

– Electricity consumption of private areas.

GHG emissions have been reported in tonnes of carbon dioxide equivalent (tCO_2e). Performance indicators (KPIs) are also included, considering the surface area consistent with occupancy, to measure the impact of each asset individually and at group level, with the aim of reducing GHG emissions.

To calculate our carbon footprint and scope 2 in particular, we have used the market-based and location-based calculation methodologies. The **market-based** methodology includes the emission factors of the electricity distribution companies (or the residual mix of emission factors when the information from the electricity company is not available). Following international best practices, in monitoring consumption Colonial prioritises the market-based method over location-based methodology, which despite being more sophisticated, more accurately reflects our performance in reducing dependence on carbon-based fuels when taking into account the specific characteristics of the company's asset portfolio, and shows the continuous efforts we are making to reduce our carbon footprint and environmental impact, in this case through purchasing green energy.

The **Location-based** method calculates emissions taking into account the emission factors of the national electricity mix without reflecting the specific situations of Colonial's eco-efficiency policy, particularly in energy supply.

Breakdown of measurements by office property:

■ **Barcelona**

	Building name	Electricity	Fuels	District Heating & Cooling	Water	CO_2 emissions	Like-for-like
1	Av. Diagonal, 530	●	●		●	●	●
2	Av. Diagonal, 682	●	NG		●	●	●
3	Av. Diagonal, 409	●			●	●	●
4	Av. Diagonal, 609-615 (dau/prisma)	●			●	●	●
5	Av. Diagonal, 523-525						
6	Via Augusta, 21-23	●			●	●	●
7	Paseo de los Tilos, 2-6						
8	Travessera de Gràcia / Amigó	●			●	●	●
9	Travessera, 47-49						
10	Gal·la Placídia						
11	Berlín, 38-48/ Numància, 46	●			●	●	●
12	Av. Diagonal, 220-240, Glòries					●	
13	Av. Diagonal, 197	●		●	●	●	
14	Torre BCN, 130	●	NG		●	●	●
15	Illacuna, 56	●		●	●	●	●
16	Torre Marenostrum						
17	Plaza Europa, 42-44						
18	Parc Glòries	●		●	●	●	
19	Plaza Europa, 34						
20	Sant Cugat Nord	●			●	●	●
21	Park Cugat	●			●	●	
22	Parc Glòries II						

NG: natural gas used at the building.

■ **Madrid**

	Building name	Electricity	Fuels	District Heating & Cooling	Water	CO_2 emissions	Like-for-like
1	P. Castellana, 52	●	NG		●	●	●
2	P. Castellana, 163						
3	P. Castellana, 43					●	
4	Recoletos, 37-41	●			●	●	●
5	Miguel Ángel, 11	●			●	●	●
6	José Abascal, 56	●	NG		●	●	●
7	José Abascal, 45	●			●	●	●
8	Estébanez Calderón, 3-5	●			●	●	
9	Génova, 17	●	NG		●	●	●
10	Serrano,73					●	●
11	Santa Engracia, 120	●	NG		●	●	●
12	Príncipe de Vergara, 112-114	●			●	●	
13	Alfonso XII, 62	●			●	●	●
14	Poeta Joan Maragall, 53	●	NG		●	●	●
15	López de Hoyos, 35	●	NG		●	●	●
16	Manuel de Falla, 7						
17	Velázquez, 80 Bis						
18	Don Ramón de la Cruz, 82	●			●	●	
19	Sagasta, 31-33	●			●	●	
20	Almagro, 9						
21	Miguel Ángel, 23						
22	Sagasta, 27						
23	Francisco Silvela, 42	●			●	●	●
24	Ramírez de Arellano, 37						
25	Ortega y Gasset, 100						
26	Martínez Villergas, 49	●			●	●	●
27	Santa Hortensia, 26-28						
28	Arturo Soria, 336	●	NG		●	●	
29	Campus Méndez Álvaro						
30	Egeo	●	NG		●	●	
31	Francisca Delgado, 11	●	NG		●	●	
32	Ribera de Loira, 28	●	NG		●	●	
33	Tucumán						
34	Ramírez de Arellano, 15	●			●	●	
35	Av. Bruselas, 38						
36	Alcalá, 506						
37	Puerto de Somport, 10-18						
38	Josefa Valcárcel, 24						
39	J.L. Luca de Tena, 7						
40	Puerto de Somport, 8						
41	Cedro	●	NG		●	●	
42	Josefa Valcárcel, 40 Bis	●	NG		●	●	
43	Recoletos, 27						

NG: natural gas used at the building.

Paris

	Building name	Electricity	Fuels	District Heating & Cooling	Water	CO_2 emissions	Like-for-like
1	6 Hanovre	●		●	●	●	●
2	Ozone	●		●	●	●	●
3	103 Grenelle	●		●	●	●	●
4	112 Wagram	●		●	●	●	●
5	131 Wagram	●			●	●	●
6	176 Charles de Gaulle	●	NG		●	●	●
7	Édouard VII	●		●	●	●	●
8	Galerie des Champs-Élysées	●		●	●	●	●
9	Louvre Saint Honoré	●		●	●	●	●
10	Cézanne St Honoré	●		●	●	●	●
11	Rives de Seine	●			●	●	●
12	Washington Plaza	●			●	●	●
13	96 Iéna						
14	104-110 Haussmann						
15	Le Vaisseau						
16	Condorcet						
17	90 Champs-Élysées	●		●	●	●	●
18	#Cloud	●		●	●	●	●
19	Percier	●		●	●	●	●
20	Emile Zola						

NG: natural gas used at the building.

7.2.6 EPRA Emissions Tables

ENERGY CONSUMPTION AND GHG EMISSIONS

Absolute energy and emissions consumption 2019-2018

EPRA Energy-Int, EPRA GHG-Int
EPRA GHG-Dir-Abs & EPRA GHG-Indir-Abs

		Total 2019					Total 2018					Variance	
Sustainability indicators	Unit of measurement	Hedges (coverage)	2019 Cons.	sq m (real)	sq m adjust.	Intens. 2019 Energy-Int (kWh/sq m)	Hedges (coverage)	2018 Cons.	sq m (real)	sq m adjust.	Intens. 2018 Energy-Int (kWh/sq m)	Consumption	Intensity
Electric Consumption (*Elec-Abs*)	MWh	51	114,779	748,191	671,708	171	51	108,304	732,415	646,950	167	6%	2%
Fuel Consumption (*Fuels-Abs*)	MWh	16	7,017	177,825	136,326	51	14	7,218	151,194	121,708	59	–3%	–13%
Heating and cooling consumption (*DH&C-Abs*)	MWh	14	27,949	282,718	259,205	108	13	30,747	267,587	223,827	137	–9%	–22%
Green Energy Consumption (Photovoltaic)	MWh	1	40	20,451	20,369	2	1	39	20,451	20,227	2	2%	2%
Total Energy Consumption	**MWh**	**51**	**149,785**	**748,191**	**671,708**	**223**	**51**	**146,308**	**756,865**	**651,109**	**225**	**2%**	**–1%**

Absolute energy and emissions consumption 2019-2018

EPRA Energy-Int, EPRA GHG-Int
EPRA GHG-Dir-Abs & EPRA GHG-Indir-Abs

Sustainability indicators		Unit of measurement	Total 2019					Total 2018					Variance	
			Hedges (coverage)	2019 Cons.	sq m (real)	sq m adjust.	Intens. 2019 GHG-Int ($kgCO_2e/m^3$)	Hedges (coverage)	2018 Cons.	sq m (real)	sq m adjust.	Intens. 2018 GHG-Int ($kgCO_2e/m^3$)	Consumption	Intensity
Direct CO_2 emissions/Scope 1 (GHG-Dir-Abs)		$TeqCO_2$	21	1,999	240,398	197,621	10	21	2,158	235,274	218,295	10	–7%	2%
Indirect emissions /Scope 2 (GHG-Indir-Abs)	Market-based method	$TeqCO_2$	51	6,018	748,191	671,708	9	52	11,179	740,475	651,109	17	–46%	–48%
	Location-based method	$TeqCO_2$	51	9,472	748,191	671,708	14	52	9,212	740,475	651,109	14	3%	–1%
Total emissions/ Scopes 1 & 2	Market-based method	$TeqCO_2$	**53**	**8,017**	**758,431**	**681,948**	**12**	**54**	**13,337**	**756,389**	**667,023**	**20**	**–40%**	**–41%**
	Location-based method	$TeqCO_2$	**53**	**11,471**	**758,431**	**681,948**	**17**	**54**	**11,370**	**756,389**	**667,023**	**17**	**1%**	**–2%**
Other indirect CO_2 emissions (Scope 3)	Private areas	$TeqCO_2$	49	10,457	734,399	657,916	16	49	15,023	702,232	633,157	24	–30%	–33%
Total emissions / Scopes 1, 2 & 3	***Market-based method***	**$TeqCO_2$**	**53**	**18,474**	**758,431**	**681,948**	**27**	**54**	**28,360**	**756,389**	**667,023**	**43**	**–35%**	**–36%**
	Location-based method	**$TeqCO_2$**	**53**	**21,928**	**758,431**	**681,948**	**32**	**54**	**26,393**	**756,389**	**667,023**	**40**	**–17%**	**–19%**

Notes: 57% of total heating and cooling network consumption is from renewable sources, while fuel consumption does not come from renewable sources. Photovoltaic electricity (green energy) consumption represents 0.03% of the total, in line with previous years. With regard to the consumption of electricity controlled directly by the Group of the common areas (landlord-obtained consumption), a 39% of the total of this electricity has been estimated based on the energy consumption per square meter of the building and the square meters of common areas. 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 52% of total reported electricity consumption.

Of the 2019 electricity consumption, 54,563 MWh correspond to common areas and shared services and 60,216 MWh correspond to tenant areas. Of the 2018 electricity consumption, 52,379 MWh correspond to common areas and shared services and 55,924 MWh correspond to tenant areas.

No estimation made for DH&C and fuels, as they are obtained through telemetry, manual readings and invoices.

Energy consumption and emissions in offices for own use

Sustainability indicators	Unit of measurement	Hedges (coverage)	2019 Consumption	2018 Consumption	Var.	2019 sq m adjusted	2018 sq m adjusted	Adjusted 2019 intensity (kWh/sq m)	Adjusted 2018 intensity (kWh/sq m)	Variance	Adjusted variance
Electric Consumption	MWh	3	799	786	2%	5,202	5,145	154	153	0%	0%
Fuel Consumption	MWh	2	150	206	–27%	3,096	3,096	48	66	–27%	–27
Total Energy Consumption	**MWh**	**3**	**949**	**992**	**–4%**	**5,202**	**5,145**	**182**	**193**	**–5%**	**–5%**

Sustainability indicators	Unit of measurement	Hedges (Coverage)	2019 Consumption	2018 Consumption	Var.	2019 sq m adjusted	2018 sq m adjusted	Adjusted 2019 intensity ($kgCO_2e$/ sq m)	Adjusted 2018 intensity ($kgCO_2e$/ sq m)	Variance	Adjusted variance
Direct CO_2 emissions	$TeqCO_2$	3	54	54	1%	5,202	3,096	10	17	–40%	–40%
Indirect CO_2 emissions	$TeqCO_2$	3	59	242	–75%	5,202	5,145	11	47	–76%	–76%
SC1 + SC2 emissions	**$TeqCO_2$**	**3**	**114**	**296**	**–62%**	**5,202**	**5,145**	**22**	**58**	**–62%**	**–62%**

Like-for-Like energy consumption and emissions

EPRA Elec-LfL, EPRA Fuels LfL & EPRA DH&C-LfL.
EPRA GHG-Dir-Abs & EPRA GHG-Indir-Abs

Sustainability indicators	Unit of measurement	Hedges (coverage)	2019 Consumption	2018 Consumption	Var.	2019 sq m	2019 sq m adjusted	2018 sq m	2018 sq m adjusted	Intensity 2019 (kWh/ sq m)	Adjusted 2019 intensity (kWh/ sq m)	Intensity 2018 (kWh/ sq m)	Adjusted 2018 intensity (kWh/ sq m)	Var.	Var. adjust.
Electric Consumption	MWh	37	92,876	93,928	–1%	573,109	534,255	572,617	537,621	162	174	164	175	–1%	0%
Fuel Consumption *(Fuels-LfL)*	MWh	10	4,457	5,638	–21%	98,974	91,023	98,974	92,690	45	49	57	61	–21%	–20%
Hot and Cold network consumption *(DH&C-LfL)*	MWh	12	24,989	28,564	–13%	243,111	219,825	243,137	219,668	103	114	117	130	–13%	–13%
Green Energy Consumption *(Photovoltaic)*	MWh	1	40	39	2%	20,451	20,369	20,451	20,227	2	2	2	2	2%	2%
Total Energy Consumption	**MWh**	**37**	**122,362**	**128,169**	**–5%**	**573,109**	**534,255**	**572,617**	**537,621**	**214**	**229**	**224**	**238**	**–5%**	**–4%**

Sustainability indicators		Unit of measur.	Hedges (coverage)	2019 Consum.	2018 Consum.	Var.	2019 sq m	2019 sq m adjusted	2018 sq m	2018 sq m adjusted	Intensity 2019 ($kgCO_2e$/ sq m)	Adjusted 2019 intensity ($kgCO_2e$/ sq m)	Intensity 2018 ($kgCO_2e$/ sq m)	Adjusted 2018 intensity ($kgCO_2e$/ sq m)	Var.	Var. adjust.
Direct CO_2 emissions / Scope 1 (GHG-Dir-Abs)		$TeqCO_2$	17	1,429	1,754	–19%	197,339	187,625	197,339	189,931	7	8	9	9	–19%	–18%
Indirect emissions / Scope 2 (GHG-Indir-Abs)	Market-based method	$TeqCO_2$	37	2,941	8,946	–67%	573,109	534,255	572,617	537,621	5	6	16	17	–67%	–67%
	Location-based method	$TeqCO_2$	37	7,503	7,976	–6%	573,109	534,255	572,617	537,621	13	14	14	15	–6%	–5%

Like-for-Like energy consumption and emissions

EPRA Elec-LfL, EPRA Fuels LfL & EPRA DH&C-LfL.
EPRA GHG-Dir-Abs & EPRA GHG-Indir-Abs

Sustainability indicators		Unit of measur.	Hedges (coverage)	2019 Consum.	2018 Consum.	Var.	2019 sq m	2019 sq m adjusted	2018 sq m	2018 sq m adjusted	Intensity 2019 ($kgCO_2e$/ sq m)	Adjusted 2019 intensity ($kgCO_2e$/ sq m)	Intensity 2018 ($kgCO_2e$/ sq m)	Adjusted 2018 intensity ($kgCO_2e$/ sq m)	Var.	Var. adjust.
Total emissions / Scopes 1 & 2	**Market-based method**	**$TeqCO_2$**	**38**	**4,370**	**10,699**	**–59%**	**577,351**	**538,497**	**576,859**	**541,863**	**8**	**8**	**19**	**20**	**–59%**	**–59%**
	Location-based method	**$TeqCO_2$**	**38**	**8,932**	**9,729**	**–8%**	**577,351**	**538,497**	**576,859**	**541,863**	**15**	**17**	**17**	**18**	**–8%**	**–8%**
Other indirect CO_2 emissions (Scope 3)	Private Areas	$TeqCO_2$	35	5,787	11,105	–48%	559,317	520,462	558,825	523,829	10	11	20	21	–48%	–48%
Total emissions / Scopes 1 & 2 & 3	**Market-based method**	**$TeqCO_2$**	**38**	**10,157**	**21,804**	**–53%**	**577,351**	**538,497**	**576,859**	**541,863**	**18**	**19**	**38**	**40**	**–53%**	**–53%**
	Location-based method	**$TeqCO_2$**	**38**	**14,719**	**20,834**	**–29%**	**577,351**	**538,497**	**576,859**	**541,863**	**25**	**27**	**36**	**38**	**–29%**	**–29%**

Notes: These tables show the consumption and emissions generated in the Colonial buildings included in the sustainable Like-for-Like perimeter, following the recommendations of EPRA Best Practices on Sustainability Reporting. This means that only those buildings that are part of the portfolio for the reporting year and the previous year (2018 and 2019) are included in this perimeter. Likewise, only those assets in which the Group has control over the consumption of supplies are included, excluding single-users and plots of land since they do not generate consumption.
The carbon footprint of Scope 1 and 2 has been calculated based on the energy consumption of buildings, leaks and recharges of refrigerant gases.
For Scope 3, being aware that most of its emissions come from this area, work has continued on calculating new categories for this scope as previously discussed, always following the methodologies included in the GHG Protocol.
In some cases, the Group only has the control of the consumption of the common areas, so it has made an estimate of the energy consumption of the tenants, based on the energy consumption per square meter of the building and the square meters used by them. 40/60% (common areas/private areas) of the electricity of the LfL portfolio has been estimated.
63% of LfL heating and cooling network consumption is from renewable sources, while fuel consumption does not come from renewable sources. Photovoltaic electricity (green energy) consumption represents 0.03% of the total, in line with previous years.
Of the 2019 electricity consumption, 46,561 MWh correspond to common areas and shared services and 46,315 MWh correspond to tenant areas. Of the 2018 electricity consumption, 47,356 MWh correspond to common areas and shared services and 46,572 MWh correspond to tenant areas
The data presented for the other performance metrics (Fuels, DH&C, water and waste, etc.) have not been estimated.

WATER CONSUMPTION

Water consumption 2019-2018

EPRA Water-Int

Sustainability indicators	Unit of measur.	Total 2019 Hedges (coverage)	Total 2019 2019 Cons.	Total 2019 sq m (real)	Total 2019 sq m adjust.	Total 2019 Intensity 2019 (Water-Int) (l/sq m)	Total 2018 Hedges (coverage)	Total 2018 2018 Cons.	Total 2018 sq m (real)	Total 2018 sq m adjust.	Total 2018 Intensity 2018 (Water-Int) (l/sq m)	Variance Consum.	Variance Intensity
Water (Water-Abs)	m^3	51	307,300	748,191	671,708	457	53	310,716	732,478	638,388	486.72	–1%	–6%

Notes: Water consumption data is obtained through telemetry, manual readings and invoices.
2,9% of the water comes from recycled and reused water. The rest is supplied by water mains.

Water consumption in offices for own use

Sustainability indicators	Unit of measur.	Hedges (coverage)	2019 Cons.	2018 Cons.	Var.	2019 sq m	2018 sq m	intensity 2019 (m^3/sq m)	intensity 2018 (m^3/sq m)	Variance
Water consumption	m^3	3	2,302	2,458	–6%	5,202	5,145	443	478	–7%

Water consumption in leased buildings with control over the consumption of buildings

EPRA Water-LfL

Sustainability indicators	Unit of measur.	Hedges (coverage)	2019 Cons.	2018 Cons.	Var.	2019 sq m	2019 sq m adjust.	2018 sq m	2018 sq m adjust.	Intensity 2019 (m^3/sq m)	Adjusted 2019 intensity (m^3/sq m)"	Intensity 2018 (m^3/sq m)	Adjusted 2018 intensity (m^3/sq m)"	Var.	Adjust. var.
Water consumption (Water-LfL)	m^3	37	264,216	290,317	–9%	573,109	534,255	572,617	537,621	461	495	507	540	–9%	–8%

Note: 3,3% of the LfL water comes from recycled and reused water. The rest is supplied by water mains.

Consumption of recycled and reused water

Property	Total volume of recycled and reused water (m³)	% of total consumption	Comments
Diagonal, 409	268.18	34%	Greywater from washbasin taps reused for toilet flushing. There is a specific meter.
Sant Cugat Nord	6,511	29%	Rainwater collected for the watering of green spaces. A meter is available for irrigation water but not with a separate rainwater and mains water meter.
Martínez Villergas	1,002.00	14%	Rainwater collected for the watering of green spaces. There is a specific meter for rainwater consumption.
Travessera	210	8% (estimated)	Grey water from washbasin taps for flushing toilets and urinals. The total volume and the % with regard to consumption have been estimated in terms of the tank's capacity, since the consumption has not been provided to us. It has been suggested that we install separate meters to measure consumption.
Amigó	210	15% (estimated)	Grey water from washbasin taps for flushing toilets and urinals. The total volume and the % with regard to consumption have been estimated in terms of the tank's capacity, since the consumption has not been provided to us. It has been suggested that we install separate meters to measure consumption.
Castellana, 43	–	–	The installed system for the reuse of grey water intended for flushing toilets with water from washbasin taps and the rainwater collection system intended for watering the gardens are not currently in operation.
Washington Plaza	301	1.30%	Rainwater is collected and used for watering the planter wall. The total capacity is 18m³.
#Cloud	430	3.40%	Rainwater is collected and used to water green spaces and clean terraces.

■ **Energy and water supplies controlled by Colonial Group and like-for-like buildings**

	Building name	Electricity	Fuels	District Heating & Cooling	Water	CO_2 emissions	Like-for-like
BARCELONA							
1	Av. Diagonal, 530	●	●		●	●	●
2	Av. Diagonal, 682	●	NG		●	●	●
3	Av. Diagonal, 409	●			●	●	●
4	Av. Diagonal, 609-615 (dau/prisma)	●			●	●	●
5	Av. Diagonal, 523-525						
6	Via Augusta, 21-23	●			●	●	●
7	Paseo de los Tilos, 2-6						
8	Travessera de Gràcia / Amigó	●			●	●	●
9	Travessera, 47-49						
10	Gal·la Placídia						
11	Berlín, 38-48/ Numància, 46	●			●	●	●
12	Av. Diagonal 220-240, Glòries					●	
13	Av. Diagonal, 197	●		●	●	●	
14	Torre BCN, 130	●	NG		●	●	●
15	Illacuna, 56	●		●	●	●	●
16	Torre Marenostrum						
17	Plaza Europa, 42-44						
18	Parc Glòries	●		●	●	●	
19	Plaza Europa, 34						
20	Sant Cugat Nord	●			●	●	●
21	Park Cugat	●			●	●	
22	Parc Glòries II						
MADRID							
1	P. Castellana, 52	●	NG		●	●	●
2	P. Castellana, 163						
3	P. Castellana, 43					●	
4	Recoletos, 37-41	●			●	●	●
5	Miguel Ángel, 11	●			●	●	●
6	José Abascal, 56	●	NG		●	●	●
7	José Abascal, 45	●			●	●	●
8	Estébanez Calderón, 3-5	●			●	●	
9	Génova, 17	●	NG		●	●	●
10	Serrano, 73					●	●
11	Santa Engracia, 120	●	NG		●	●	●
12	Príncipe de Vergara, 112-114	●			●	●	
13	Alfonso XII, 62	●			●	●	●
14	Poeta Joan Maragall, 53	●	NG		●	●	●
15	López de Hoyos, 35	●	NG		●	●	●
16	Manuel de Falla, 7						
17	Velázquez, 80 Bis						
18	Don Ramón de la Cruz, 82	●			●	●	
19	Sagasta, 31-33	●			●	●	
20	Almagro, 9						

NG: natural gas used at the building.

Energy and water supplies controlled by Colonial Group and like-for-like buildings

	Building name	Electricity	Fuels	District Heating & Cooling	Water	CO_2 emissions	Like-for-like
21	Miguel Ángel, 23						
22	Sagasta, 27						
23	Francisco Silvela, 42	●			●	●	●
24	Ramírez de Arellano, 37						
25	Ortega y Gasset, 100						
26	Martínez Villergas, 49	●			●	●	●
27	Santa Hortensia, 26-28						
28	Arturo Soria, 336	●	NG		●	●	
29	Campus Méndez Álvaro						
30	Egeo	●	NG		●	●	
31	Francisca Delgado, 11	●	NG		●	●	
32	Ribera de Loira, 28	●	NG		●	●	
33	Tucumán						
34	Ramírez de Arellano, 15	●			●	●	
35	Av. Bruselas, 38						
36	Alcalá, 506						
37	Puerto de Somport, 10-18						
38	Josefa Valcárcel, 24						
39	J.L. Luca de Tena, 7						
40	Puerto de Somport, 8						
41	Cedro	●	NG		●	●	
42	Josefa Valcárcel, 40 Bis	●	NG		●	●	
43	Recoletos, 27						
PARIS							
1	6 Hanovre	●		●	●	●	●
2	Ozone	●		●	●	●	●
3	103 Grenelle	●		●	●	●	●
4	112 Wagram	●		●	●	●	●
5	131 Wagram	●			●	●	●
6	176 Charles de Gaulle	●	NG		●	●	●
7	Édouard VII	●		●	●	●	●
8	Galerie des Champs-Élysées	●		●	●	●	●
9	Louvre Saint Honoré	●		●	●	●	●
10	Cézanne St Honoré	●		●	●	●	●
11	Rives de Seine	●			●	●	●
12	Washington Plaza	●			●	●	●
13	96 Iéna						
14	104-110 Haussmann						
15	Le Vaisseau						
16	Condorcet						
17	90 Champs-Élysées	●		●	●	●	●
18	#Cloud	●		●	●	●	●
19	Percier	●		●	●	●	●
20	Emile Zola						

NG: natural gas used at the building.

Sustainable waste management

Sustainability Indicators	Waste Type[1]	Generated DSW kg	Generated DSW %	Reused DSW kg	Reused DSW % of each DSW
Environmental monitoring Monitoring sustainable waste managements	**Non-hazardous waste**				
	Construction and Demolition	2,554,299	64.99%	2,043,439	80.00%
	Wood	409,949	10.43%	401,750	98.00%
	Metal	64,000	1.63%	35,840	56.00%
	Concrete	42,572	1.08%	42,146	99.00%
	Glass	37,211	0.95%	36,467	98.00%
	Paper/cardboard	282,536	7.19%	272,930	96.60%
	Organic/compost	6,307	0.16%	2,838	45.00%
	Plastic	5,660	0.14%	4,075	72.00%
	Other non-hazardous waste	517,283	13.16%	401,412	77.60%
	Total NH DSW	**3,919,817**	**99.73%**	**3,240,897**	**82.68%**
	Hazardous waste				
	WEEE	150	0.00%	98	65.00%
	Luminaires	450	0.01%	329	73.00%
	Refrigerants	35	0.00%	0	0.00%
	Contaminated metal and plastic containers	38	0.00%	6	15.00%
	Batteries	79	0.00%	50	63.00%
	Fuels and oils	120	0.00%	0	0.00%
	Other hazardous waste	253	0.01%	5	2.00%
	Non-reusable hazardous waste	145	0.00%	0	0.00%
	Total H DSW	**1,270**	**0.03%**	**486**	**38.30%**
	Land				
	Uncontaminated land	9,460	0.24%	7,663	81.00%
	Contaminated land	0	0.00%	0	0.00%
	Total Land	**9,460**	**0.24%**	**7,663**	**81.00%**
TOTAL	**Total DSW: NH DSW + reused H DSW + non-reused H DSW + Land**	**3,930,547**		**3,249,046**	**82.66%**

(1) Waste generated in new construction works, major reforms, minor reforms and maintenance of communal areas. Waste generated by tenants is not included as the organisation has no control over this.
The waste list may be modified if any other representative waste is reported.
Only very minor and unrepresentative waste will be included in the "other" category.
Waste data is obtained though report tables, no data is estimated.

Waste by disposal route. EPRA Waste-Abs & Waste-LfL

Sustainability Indicators	Elimination type	Total DSW 2018		Total DSW 2019	
		kg	% of the total	kg	% of the total
EPRA Waste-Abs GRI 306-2	Reuse	0	0.00%	25,600	0.65%
	Recycling	2,394,097	79.95%	2,665,427	67.81%
	Compost	0	0.00%	1,986	0.05%
	Recovery (including energy)	129	0.00%	535,896	13.63%
	Land-land improvement, landfills and drains	0	0.00%	16,473	0.42%
	On-site storage	0	0.00%	0	0.00%
	Non-reusable hazardous waste	0	0.00%	0	0.00%
	Incineration (not reused)	181	0.01%	94,920	2.41%
	Injection into wells (not reused)	0	0.00%	16,224	0.41%
	Landfill (not reused)	599,854	20.03%	571,612	14.54%
	Other disposal method	56	0.00%	2,409	0.06%
Total DSW generated		**2,994,317**	**100%**	**3,930,547**	**100%**
EPRA Waste-LfL	Reuse	0	0.00%	2,000	0.12%
	Recycling	210,802	50.02%	906,551	55.04%
	Compost	0	0.00%	1,986	0.12%
	Recovery (including energy)	129	0.03%	455,895	27.68%
	Land-land improvement, landfills and drains	0	0.00%	16,473	1.00%
	On-site storage	0	0.00%	0	0.00%
	Non-reusable hazardous waste	0	0.00%	0	0.00%
	Incineration (not reused)	181	0.04%	94,920	5.76%
	Injection into wells (not reused)	0	0.00%	16,224	0.98%
	Landfill (not reused)	210,282	49.89%	152,128	9.24%
	Other disposal method	56	0.01%	1,020	0.06%
Total DSW generated		**421,450**	**100%**	**1,647,197**	**100%**

Notes: 67% of properties are covered by EPRA-Waste-Abs.
74% of properties are covered by EPRA Waste LFL.

7.3. Certifications

The Colonial Group is firmly committed to obtaining sustainable certifications in its portfolio. Over recent years, Colonial Group has been encouraging the buildings in its portfolio to receive certification and has managed to maintain a sustained increase in the ratings achieved.

Currently, 92% of the Colonial Group's portfolio of offices in operation has LEED or BREEAM energy certification.

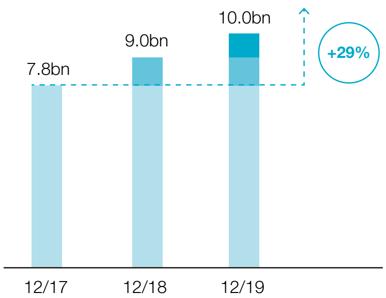
In particular, at December 2019, €2.011 billion of assets have LEED ratings and €9.008 billion of assets have BREEAM ratings. This level of energy certification is above the sector average.

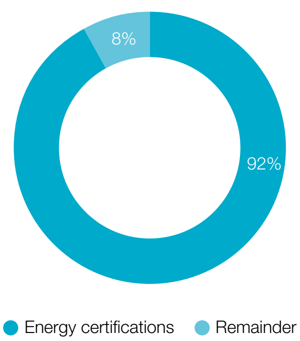
This level of certification is clearly above the sector average. Likewise, the strategic sustainability plan executes energy efficiency initiatives, committed to continuous improvement asset by asset.

BREEAM AWARDS 2019 WINNER

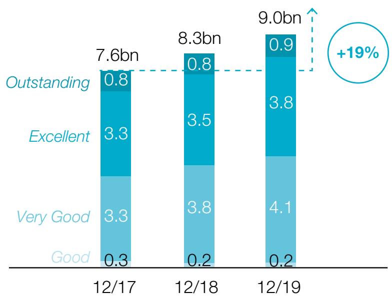
The high quality of the Colonial portfolio is reflected in the high level of certification of the assets. In March 2019, BREEAM/GRESB recognised the Colonial Group as the number one leader in Europe in responsible investment through the Award for Responsible Real Estate Investment in the large portfolio category.

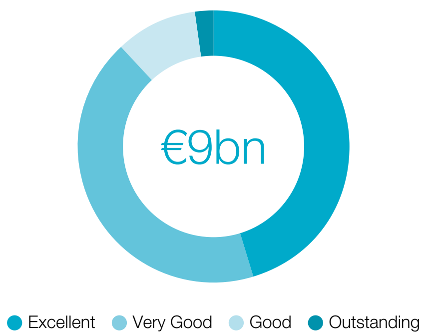
Portfolio with LEED / BREEAM[1] - Value



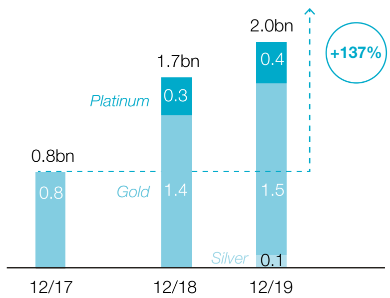


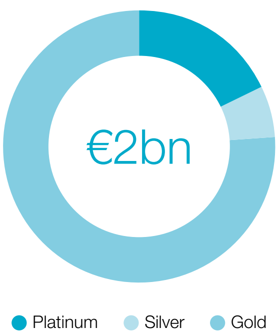
BREEAM Certifications - Value





LEED Certifications - Value





(1) Portfolio of Offices in operation.

I. ENERGY EFFICIENCY CERTIFICATES

In France all of its buildings have energy certification and in Spain, all properties must have an energy rating in compliance with Royal Decree 235/2013. In this respect, **100% of the Colonial Group's portfolio of offices in operation** has an energy efficiency certificate.

II. SO 14001 AND 50001 CERTIFICATES

In addition, in its commitment to the environment, society and its customers, Colonial Group has implemented a system that enables the environmental aspects and the energy consumed in the activity to be managed, while guaranteeing continuous monitoring of the organisation's energy aspects and the direct and indirect aspects that influence environmental management.

The system therefore includes activities related to maintaining the correct technical operation of the building to guarantee the satisfaction of customers who rent the various office spaces, as well as guaranteeing the comfort of the company's workers at its corporate headquarters.

The references used for the implementation of the integrated management system for environmental and energy management are the international standards ISO 50001 and ISO 14001, since they offer an adequate framework to develop its integrated environmental policy and organise both energy and environmental aspects (including the analysis of the energy and environmental planning process, energy review, environmental review, environmental and legal energy aspects, objectives, goals and action plans, risks and opportunities).

The environmental management system (EMS) is integrated with the energy management system (EMS) in the Avinguda Diagonal buildings, 532 in Barcelona as well as in the Paseo de la Castellana property, 52 in Madrid, and each year renews its certification through the mandatory External Audit.

100%

Energy efficiency certification

(portfolio of offices in operation)

Barcelona	Madrid	Paris
100%	100%	100%

III. BREEAM, LEED AND HQE CERTIFICATIONS

BREEAM

The GRESB/BREEAM award for Responsible Real Estate Investment given to the Colonial Group has meant that Colonial's commitment to creating sustainable value in its portfolio has been recognised, which encourages the organisation to continue working in this regard.

At the end of 2019, €8,829m of Colonial Group's assets are BREEAM certified. In this respect, the Group has established in the Paris portfolio the guideline for applying design criteria aligned with BREEAM in all the new reforms carried out.

For all the certified buildings and for the renewal of said certifications, Colonial has worked with sheets for analysing the required actions in each building to improve the classification levels in the successive renovations in the future.

BREEAM AWARDS 2019 WINNER

LEED

In relation to the LEED certification, €2,011m of the properties in the portfolio have this certification. At the end of 2019, 4 assets had the Platinum level, 15 the Gold level and 3 the Silver level, which represents an increase of 19% of buildings that have achieved these certifications compared to 2018.

HQE

Haute Qualité Environnementale certification is a hallmark in the French real estate sector. This certification evaluates properties based on their energy, environmental and health performance as well as the comfort of users. 30% of the Group's assets in France have this certification.

IV. DETAILS OF CERTIFICATIONS BASED ON THE VALUE OF THE PROPERTIES

Following the EPRA Best Practices, the following table shows the percentage of the total value of the portfolio and the level of certification achieved:

	Nº of certified assets		Value of certified assets		% certified value	
EPRA Cert-Tot	2018	2019	2018	2019	2018	2019
BREEAM						
≥ Excellent	18	17	3,661	3,845	36%	36%
Very Good	20	20	3,598	3,965	36%	37%
Good	3	3	165	175	2%	2%
Total BREEAM	**41**	**40**	**7,423**	**7,985**	**74%**	**74%**
LEED						
Platinum	4	4	338	370	3%	3%
Gold	8	10	561	684	6%	6%
Silver	0	3	0	113	0%	1%
Bronze	0	0	0	0	0%	0%
Total LEED	**12**	**17**	**899**	**1,167**	**9%**	**11%**
BREEAM AND LEED (Double certification)						
≥ BREEAM Very Good and LEED Gold	5	5	797	844	8%	8%
TOTAL	**58**	**62**	**9,119**	**9,996**	**91%**	**92%**

V. SUSTAINABLE CERTIFICATIONS PER BUILDING

The environmental certifications for the Group's properties are detailed below.

Environmental certifications of the Group's properties

	Building name	HQE	BREEAM In-Use PART 1	BREEAM In-Use PART 2	ISO 50001	ISO 14001	LEED BD + C	BREEAM New Construction
BARCELONA								
1	Paseo de los Tilos, 2-6						Gold	
2	Av. Diagonal, 682		Good	Excellent				
3	Av. Diagonal, 609-615		Good	Very Good				
4	Travessera, 11		Very Good	Very Good			Gold	
5	Amigó, 11-17		Very Good	Very Good			Gold	
6	Av. Diagonal, 530		Good	Very Good	●	●		
7	Av. Diagonal, 409		Very Good	Very Good			Gold	
8	Via Augusta, 21-23		Good	Very Good				
9	Sant Cugat Nord		Excellent	Excellent				
10	Torre Marenostrum							
11	Av. Diagonal 220-240, Glòries		Very Good	Very Good				
12	Illacuna		Very Good	Excellent				
13	Berlín, 38-48 / Numància, 46		Good	Very Good				
14	Plaza Europa, 42-44						Gold	
15	Torre BCN		Good	Very Good				
16	Parc Glòries						Platinum	
17	Travessera de Gràcia, 47-49							
18	Plaza Europa, 34							
19	Gal·la Placídia							
20	Av. Diagonal, 197						Gold	
21	Park Cugat						Silver	
22	Av. Diagonal, 525							
23	Parc Glòries II							
MADRID								
1	Recoletos, 37-41		Very Good	Excellent				
2	Génova, 17		Very Good	Very Good				
3	P. Castellana, 52		Good	Excellent	●	●		
4	P. Castellana, 43		Very Good				Gold	
5	Miguel Ángel, 11		Good	Excellent				
6	José Abascal, 56		Good	Very Good				
7	Santa Engracia, 120		Good	Very Good				

Environmental certifications of the Group's properties

	Building name	HQE	BREEAM In-Use PART 1	BREEAM In-Use PART 2	ISO 50001	ISO 14001	LEED BD + C	BREEAM New Construction
8	Capitán Haya, 53		Good	Excellent				
9	Estébanez Calderón, 3-5						Platinum	
10	López de Hoyos, 35		Very Good	Very Good				
11	Príncipe de Vergara, 112-114						Gold	
12	Francisco Silvela, 42		Good	Very Good				
13	Ortega y Gasset, 100							
14	Ramírez de Arellano, 37		Good					
15	Martínez Villergas, 49		Very Good	Excellent				
16	Alfonso XII, 62		Very Good	Excellent				
17	José Abascal, 45							
18	Serrano, 73		Good					
19	Santa Hortensia, 26-28							
20	P. Castellana, 163							
21	Arturo Soria, 336							
22	Campus Méndez Álvaro							
23	Ramírez de Arellano, 15						Gold	
24	Manuel de Falla, 7						Gold	
25	Sagasta, 27							
26	Sagasta, 31-33						Silver	
27	Almagro, 9						Gold	
28	Miguel Ángel, 23							
29	Velázquez-Padilla, 17							
30	Don Ramón de la Cruz, 82						Platinum	
31	Recoletos, 27							
32	Francisca Delgado, 11						Gold	
33	Cedro-Anabel Segura, 14							
34	Av. Bruselas, 38						Gold	
35	Puerto de Somport, 8							
36	Puerto de Somport, 10-18							
37	Ribera de Loira, 28						Gold	
38	Tucumán							
39	Egeo		Good					
40	Josefa Valcárcel, 40 Bis							
41	Josefa Valcárcel, 24							
42	J.L. Luca de Tena, 7						Platinum	
43	Alcalá, 506						Silver	

Environmental certifications of the Group's properties

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	Excellent				
2	Ozone	●	Excellent	Excellent				
3	96 Iéna	Exceptional						
4	103 Grenelle	●	Very Good	Excellent				
5	104-110 Haussmann		Very Good					
6	112 Wagram	●	Excellent	Excellent				
7	131 Wagram		Very Good					
8	176 Charles de Gaulle		Very Good	Excellent				
9	Édouard VII		Very Good	Excellent				
10	Galerie des Champs-Élysées		Very Good	Very Good				
11	Louvre Saint Honoré		Very Good	Very Good				
12	Le Vaisseau		Very Good					
13	Cézanne St Honoré		Excellent	Excellent				
14	Rives de Seine		Very Good	Excellent				
15	Washington Plaza		Excellent	Very Good				
16	Condorcet		Very Good	Excellent				
17	90 Champs-Élysées		Very Good	Very Good				Good
18	#Cloud	Exceptional	Excellent				Gold	Excellent
19	Percier		Very Good	Very Good				
20	Emile Zola	Exceptional						
LOGISTICS CENTRES AND OTHER - NON CORE								
1	Azuqueca II		Good					
2	San Fernando Logistics Park I						Gold	
3	San Fernando Logistics Park Ii							
4	Alcalá de Henares I		Good					
5	Las Mercedes Open Park							
6	Les Gavarres							
7	Viapark							

VI. WELLNESS

The Colonial Group's Wellbeing Policy aims to maximise the wellbeing and health of users by recognising the relationship between buildings and their occupants, as the wellbeing of users is directly related to factors such as natural light, green spaces and areas for socialising, among other things.

Colonial Group aims to implement measures that allow future users to certify their office spaces with the WELL seal because they are located in a setting that already meets the requirements of this certification or aids their implementation.

Francisca Delgado, which is due to be completed in the second half of 2020, will be certified as an International WELL Building.

INTERNATIONAL WELL BUILDING INSTITUTE™


7.4. Management of the Sustainable Value Chain

7.4.1 Renewable energy

In line with the Sustainable Development Goals and the Near Zero-Energy Buildings (NZEB) guidelines, the Group values implementing the various renewable energy technologies on site. Feasibility studies of the different options based on climatic factors, use and maintenance have been carried out in 2019 for this reason. Likewise, the possible use of off-site renewable energy, including those nearby (such as district heating and cooling), is assessed.

I. CURRENT STATUS AND OBJECTIVE

> The Group currently has on-site photovoltaic solar installations in several of its assets with an accumulated installed power amounting to approximately 166 kWp.

> After the implementation of the actions of the PDI 20-24, an increase in the installed photovoltaic solar power up to 640 kWp is expected, that is, an increase of more than 280% of the installed power, and a production of renewable origin of approximately 800,000 kWh.

In the integral reform of the Diagonal 525 building, the implementation of crystalline silicon slat photovoltaic cells in the facade glass has been studied.

One hundred and seventy sq m of this technology will be installed, which will impact the building's energy saving by generating electricity and, consequently, reducing the building's carbon footprint.

II. GREEN ENERGY SUPPLY

With the aim of reducing the organisation's carbon footprint, since 2018 the certificate of guarantee of origin (GoO) from renewable sources has been included in electricity purchase agreements. In 2018 the certificate was included in 32% of the Group's asset portfolio, and in 2019 it was included in 58% at Group level, an increase of +266pp, mainly due to the increased supply of renewable energy in Spain, which has risen from 13% in 2018 to 67% in 2019.

	2019	2018	var.
Spain	67%	13%	+539 pp
France	49%	50%	–9 pp
Group	**58%**	**32%**	**+266 pp**

7.4.2 Supply Chain

I. RESPONSIBLE SOURCING OF MATERIALS

The consumption of materials and supplies is one of the most relevant indicators for the Group, which is why the Group has worked on performing better in this regard since 2018, especially in scopes 1 and 2 and consolidating throughout 2019 in scope 3. Additionally, thanks to the implementation of the Integrated Environmental Management Policy, since 2018 exhaustive work has been carried out to monitor the material supply data, in collaboration with the organisation's different business partners.

As a result of these efforts, purchase requirements have been established to ensure that materials and products have environmental certificates, such as Type III, DAP or ECV environmental labels, FSC and/or PEFC certified woods, local supply (<800km from the distribution point), high recycled and recyclable content and/or low level of emissions in Volatile Organic Compounds.

The relevant indicators on the consumption of materials during 2019 are shown below.

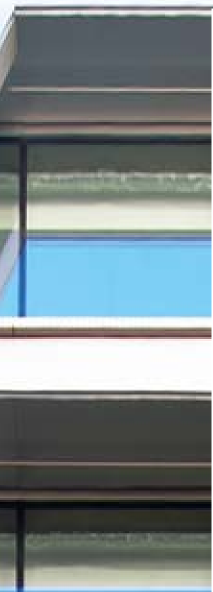
Supply of materials

Type of Material[1]	Total kg	Total % total	Responsible sourcing of materials kg	Responsible sourcing of materials % of each mat	Recycled material kg	Recycled material % of each mat	Recyclable material kg	Recyclable material % of each mat	Renewable material kg	Renewable material % of each mat	Regional material kg	Regional material % of each mat
Stone and ceramic	1,143,925	35%	903,701	79%	549,084	48%	571,963	50%	0	0%	745,610	65%
Concrete and mortar	525,462	16%	378,333	72%	26,273	5%	341,550	65%	0	0%	525,462	100%
Glass	680,699	21%	588,685	86%	42,049	6%	330,384	49%	0	0%	540,629	79%
Metal	350,354	11%	329,333	94%	147,149	42%	234,737	67%	0	0%	350,354	100%
Wood	404,256	12%	400,213	99%	129,362	32%	181,915	45%	404,256	100%	404,256	100%
Plaster	134,212	4%	132,870	99%	3,355	3%	127,501	95%	0	0%	134,212	100%
Insul. / waterproofing	77,439	2%	75,890	98%	46,463	60%	65,049	84%	0	0%	77,439	100%
Paints and varnishes	2,744	0.08%	2,470	90%	0	0%	0	0%	0	0%	2,607	95%
Other	1,200	0.04%	924	77%	48	4%	60	5%	0	0%	900	75%
Total	**3,320,291**	**100%**	**2,812,418**	**84.70%**	**943,783**	**28.42%**	**1,853,160**	**55.81%**	**404,256**	**12.18%**	**2,781,469**	**83.77%**

(1) Supplied materials are included for new construction works and major reforms, minor reforms and maintenance of communal areas. Material purchased by tenants is not included as the organisation has no control over this. In France, there is no information about materials supply, because the construction and refurbishment works for which this information is collected and that have been under development in 2019, have not finished yet.
The list of materials may be modified if any other representative material is reported.
Only very minor and unrepresentative materials will be included in the “other” category.

From these data it is worth highlighting the effort Colonial makes to purchase materials in the region where they are going to be used, **85% of the total materials used met this criterion, which allows for a considerable reduction in the carbon footprint linked to their transportation and distribution**.

Regarding responsible sourcing, Colonial strives to ensure that most of the materials **purchased come from these sources through the Guide to Approved Products. Eighty-six percent of the materials comply with this guide in 2019**. Wood is one of the most significant since Colonial makes an exhaustive follow-up on its origin. This has the objective that most of the wood purchased is certified as sustainable or good practice. In 2019, 99% of the total wood purchased had a certificate.



Percentage of wood certified by standard

Sustainability Indicators	Certification system/standard	Quantity kg	Percentages %
DJSI: 2.5.1.	FSC (Forest Stewardship Council)	324,173	81%
	PEFC (Program for the Endorsement of Forest Certification schemes)	76,040	19%
	SFI (Sustainable Forestry Initiative)	–	–
	CSA (Canadian Standards Association)	–	–
	Other (specify)	–	–
	Total wood certified	**400,213**	**99.00%**
	Total wood used	**404,256**	

2019 Initiative

In 2019, the Guide to Approved Products was developed and implemented, which has proven to be effective and has greatly facilitated compliance with responsible procurement of the various works and services for designers, and especially for contractors and maintainers.

As of today, the Guide to Approved Products includes at least 680 materials, products and equipment that meet the environmental requirements defined in Colonial's environmental policy, as well as another 182 that do not meet those requirements. Many of the materials that meet the requirements are also classified as "Colonial Model", which means that they are commonly used in the works on Colonial assets.

This Guide is periodically updated, 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 evaluation.

II. INITIATIVES TO PROMOTE THE CIRCULAR ECONOMY

Being aware of the new demands for best economic, environmental and social practices, Colonial Group seeks to adapt its processes with the aim of improving its performance in these matters. That is why a circular economy model has recently been implemented, in order to promote a more sustainable production system. This strategy aims to reduce the input of primary materials and the production of waste, closing the economic and ecological flows of resources.

The principles to achieve a circular economy are the following:

II.a. Reduce the amount of waste. Since the Group is aware that the best way to reduce waste is not to generate it, sustainable purchasing of materials and equipment is promoted, such as reusable containers or materials and it has established control indicators.

In this regard, the Group monitors the amount of waste generated in its buildings to control it and promotes and controls the responsible purchasing of materials with a high percentage content of pre and post-consumer recycled material and recyclable material. This is one of the requirements for the environmental compliance of 70% of the CEP on sustainable purchasing in renovation works and new construction.

II.b. Re-use those items that cannot be recycled so they can be used again and reduce purchasing new materials. The discarded product shall thus be given a function, either with the same or a different use. In France SFL has partnered with two companies to increase the reuse of materials resulting from restructuring and renovation projects. Eleven tonnes of which have been reused, thus preventing almost 170 tonnes of CO_2e being emitted.

II.c. Recycling. The Group helps waste enter the recycling chain correctly. In 2019 it completed the installation in all its buildings of containers for recyclable waste (cardboard and paper, plastics, glass, organic, even hazardous waste such as batteries and fluorescent lights) to sustainably manage waste that can be reused.

These initiatives have led to a considerable improvement in monitoring the waste generated, as well as managing it in the portfolio. This explains the significant increase in the amount of waste generated compared to 2018; however, Colonial Group is aware that it must continue working to improve in this regard in order to contribute, as far as possible, to the transition towards a model based on the circular economy.

III. SUPPLIERS

Group suppliers are classified into two categories based on the type of services and goods provided:

> Maintenance service providers.

> Construction service providers during the remodelling, renovation and improvement works of the buildings.

At Colonial, we are committed to using local suppliers in order to help generate value in the community where they operate. Consequently, 93% of the 1,096 suppliers Colonial worked with in Spain during 2019 were local. As for the suppliers in France, 100% of the suppliers were local. Additionally, in line with this commitment to add value to the community, 92% of all suppliers were located in Île-de-France, the region where all the portfolio's buildings in France are located.

In 2019, the average period for payment to suppliers was 23 days. This is below the legal maximum of 60 days laid down in Law 31/2014 of 3 December, which establishes measures to tackle late payment in commercial transactions. In addition, this has been reduced compared to 2018 (32 days).

IV. RESPONSIBLE SUPPLY CHAIN MANAGEMENT

The Colonial Group is aware that its social responsibility goes beyond its business activities, and it must demand an exemplary attitude from the suppliers it works with. For this reason, the company extends the commitments and basic principles of its Code of Ethics to suppliers, and ensures that these are applied in each phase of its activity. Specifically, the organisation strives to ensure that both its employees and suppliers respect the conventions set by the International Labour Organization (ILO) regarding:

> Freedom of association and collective bargaining.

> Elimination of any type of discrimination in relation to access to employment and occupation.

> Suppressing the use of forced and/or compulsory labour.

> Effective elimination of child labour.

Likewise, Colonial Group encourages the responsible and sustainable nature of its purchases, by including ESG criteria when selecting suppliers, such as the suppliers' adherence to the organisation's Corporate Social Responsibility Policy. In this respect, within the framework of the ESG Strategic Plan, the Colonial Group has developed the ESG Criteria Policy for Supplier Selection and is working on implementing a global questionnaire that incorporates greater requirements in this regard.

Finally, to avoid any illegal employment situation and fulfil its documentation gathering duties, as in previous years, SFL outsourced this process by using a collaboration platform (E-attestation). This platform manages all administrative documents deposited by suppliers, checks their integrity and, if necessary, issues reminders.

At the organisational level, technical proposals are formulated that can encourage responsible behaviour, particularly in the following areas:

> Optimisation of energy and liquid consumption.

> Use of ecological products in cleaning.

> Decrease in packaging and volume of waste.

> Enhanced occupant comfort.

> Increased level of building operation certifications (BREEAM In-Use).

Likewise, Colonial Group has adopted special measures with the construction service providers during the remodelling, renovation and improvement works of the buildings with a dual objective: guarantee the good progress of the works and the safety of the people who participate in these processes. In this way, the health and safety procedure incorporates:

> Training/information on the environment.

> Identification of personnel by means of badges.

> Risk prevention.

> Presence of first aid teams on site.

> Incident file.

> Instructions on personal protective equipment and rest breaks in accordance with the regulations.

V. SUPPLIER APPROVAL QUESTIONNAIRE

In line with the ESG Criteria Policy, in 2019 Colonial approved a draft of the supplier approval survey with ESG criteria. This survey was sent on a trial basis to all the usual suppliers, in this case, contractors, and general service, cleaning and gardening maintenance providers. This completed survey was reviewed by Inmobiliaria Colonial, who issued a definitive document, including the scoring system for the various ESG questions in the survey. Thus, starting in 2020, the approved survey will be incorporated into the selection process of any Company's supplier.

The questionnaire has the following sections to complete:

E: environmental performance

This includes questions about Commitments to the Sustainable Development Goals established in the UN Global Compact, environmental management systems, GHG emissions reduction objectives, supply chain, purchases of sustainable materials, sustainable management of waste, toxic substances and discharges, biodiversity and energy and water consumption.

S: performance in social matters

This includes issues on workers' rights, discrimination, work-life balance, child labour, subcontractors and OH&S systems.

G: governance performance

This includes questions about adherence to the Colonial code of ethics, codes of conduct, ethical compliance, quality management systems, communication channels, satisfaction surveys and Corporate Social Responsibility.

In addition, both Colonial and SFL extend their ethical, sustainable and social commitment to their whole supply chain, with the aim that all their operations are carried out based on the social responsibility criteria (ESG) set by the Group. These principles are also applied to its subsidiaries.

For this reason, Colonial applies the following points throughout its supply chain:

> Integration of ESG criteria in supplier selection.

> Efficient use of resources to guarantee maximum sustainability in its operations.

> Suppliers' adherence to Colonial's Corporate Social Responsibility Policy (ESG Policy).

> Creation of value in the local communities where Colonial operates, by contracting local suppliers as far as possible.

In this regard, SFL is committed to encouraging local employment in agreements with contractors for new projects, where as part of the contract the contractor agrees to carry out an action to integrate unemployed persons from the local community into the workforce.

> Health and safety in all operations, with special focus on preventive measures.

> Compliance with the Colonial Code of Ethics in all phases of the collaboration.

> Average payment period of 23 days compared to 32 in 2018.

> SFL establishes a maximum of two levels of vertical subcontracting to avoid abusive subcontracting.

> Compliance with the conventions established by the International Labour Organization (ILO) such as:

– Freedom of association and collective bargaining.
– Elimination of all labour discrimination.
– Suppressing the use of forced and compulsory labour.

In the event of non-compliance with any of these points, the collaboration agreement may be unilaterally cancelled by Colonial.

7.4.3 Customer Management and Sustainable Mobility

I. COMMITMENT TO SUSTAINABLE MANAGEMENT WITH TENANTS

Colonial Group aims to maintain a proactive service in constant communication with the client in order to improve the degree of satisfaction and intensify long-term relationships and to this end, it guarantees the quality, technical safety and environmental values of its properties.

To this end and in line with the Group's Health and Wellbeing Policy, the following goals have been set:

> Encouraging innovation and being leaders in the service offering available in communal areas (enabling spaces such as adapting rest areas or installing equipment such as water dispensers to be used by tenants).

> Tying in tenants in strategies to improve the environmental performance of the buildings.

> Promoting the incorporation of environmental and social aspects in satisfaction surveys, as well as preparing surveys on specific aspects that may concern their customers (environment, accessibility, services, etc.).

II. MANUAL OF GOOD PRACTICES IN ENVIRONMENTAL MANAGEMENT

As part of these services, the User Manual of Good Practices in Environmental Management has been prepared, where specific guidelines on the building are provided. The aim of this is for the tenant to manage their implementation works and the maintenance of their offices in a manner consistent with the sustainability criteria of Colonial Group's Environmental Policy.

It is a proactive, bidirectional and transparent document between the different clients and Colonial Group and is published on the Group's website and can be accessed for consultation and dissemination.

In the case of SFL, an environmental annexe is included in all the office rental contracts signed since 2016, which includes a guide for the occupants of the buildings, with all the necessary information on both accessibility and technical management, including energy, water and waste. Additionally, a meeting is held at least once a year with the main users where issues of use, accessibility, investment or environmental impacts are addressed.

III. SUSTAINABLE MOBILITY

As indicated above, sustainable mobility is one of the key aspects in Smart Cities and quality of life for city citizens. This trend is corroborated by surveys carried out on the workers of the Colonial Group:

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

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

In both cases, it has been concluded that the location of the workplace is one of the main factors related to employee wellbeing, since this determines the travel time between their home and workplace. In this respect, offering employees a workspace located in the best areas of large capitals, accessible by the widest range of public transport services and with a diversified range of services at their fingertips, is critical to ensuring this group’s satisfaction. Furthermore, said location strategy not only ensures the quality of life of employees, but also promotes sustainable mobility and therefore supports Colonial’s objective of reducing the impact on Scope 3 of its carbon footprint.

Employee Commuting Survey Results

> Significant participation of people employed in Spain.

> 47% of km travelled to the workplace are done using public transport. A substantial increase from 27% in 2018.

> 7% of the kilometres travelled to the workplace have been with zero-emission means of transport (on foot or by bicycle). During 2019, 3% of employees opted for this means, more than twice as many employees than in 2018.

Paris Workplace survey results

> Eighty-three percent of the respondents declared that they were satisfied or very satisfied with the proximity to public transport.

> One hundred percent of assets in France are less than eight minutes from a metro station, which is reflected in the fact that 77% of those surveyed use the metro, tram or train and 14% use sustainable means of mobility.

The results of both surveys reflect the convenient location and accessibility of the properties. However, in line with its Sustainability Master Plan, Colonial Group continues to work proactively in introducing services that favour the use of more environmentally-friendly transport, such as electric cars, bicycles or scooters. An example in this regard would be the two major renovations carried out in France of the 83 Marceau and Biome buildings. These have involved reducing private parking spaces by 65% and 60% respectively and expanding sustainable mobility spaces by 120 and 284 spaces, thus contributing to reducing greenhouse gas emissions.

Additionally, the possible deployment in Spain of a mobility survey of tenants of portfolio buildings similar to that carried out by SFL is being studied, which have been producing useful results for years when planning activities and strategy.

2019 Initiatives

With the aim of promoting the sustainable mobility of both Colonial's own employees and the users of its assets, the following initiatives have been carried out in 2019, many of them linked to new trends in urban transport.

Colonial Group has recently installed electric vehicle charging stations in many of the buildings in the property portfolio. In 2019 there are 21 units installed in the Madrid and Barcelona buildings. At the same time, the existing number of bicycle racks in the parking lots of the buildings has continued to increase. In 2019 there are 369 units installed in the Madrid and Barcelona buildings.

Likewise, in accordance with its implementation in the main Spanish cities, in 2019 an agreement was signed with the company WIND (shared scooters) to allow parking in private spaces of Colonial's buildings and electric scooter parking racks have been installed in various buildings as well as boxes for folding bikes.

For 2020, it is planned to increase the number of electric charging stations and enable spaces to park both conventional and folding bicycles and electric scooters.

IV. TECHNOLOGICAL INNOVATION TO IMPROVE THE SUSTAINABILITY OF OUR CLIENTS

Within the framework of continuing to innovate and provide proactive value to customer management and understanding the needs of customers and users of our buildings, Colonial has launched the PROPNET platform.

PROPNET is an internal initiative by Colonial that, through collecting and centralising data on a single platform, enables:

> Colonial to better understand and measure customer needs.

> Colonial to improve the decisions it makes in its value chain.

With PROPNET Colonial can measure, control and add a touch of artificial intelligence to its customer management. This platform makes it possible to measure the comfort of the user/client in the space they occupy, control all the facilities affecting the client's comfort and, by using artificial intelligence, forecast the client's needs according to behaviour patterns.

PROPNET focuses on the sustainability of Colonial's buildings. This tool makes it possible to measure the building's carbon footprint, control the use of resources to reduce and optimise energy consumption and be able to design new assets and spaces as efficiently as possible in the future and thus improve the client's ESG rating.

PropNet by Colonial

Colonial to better understand and measure customer needs

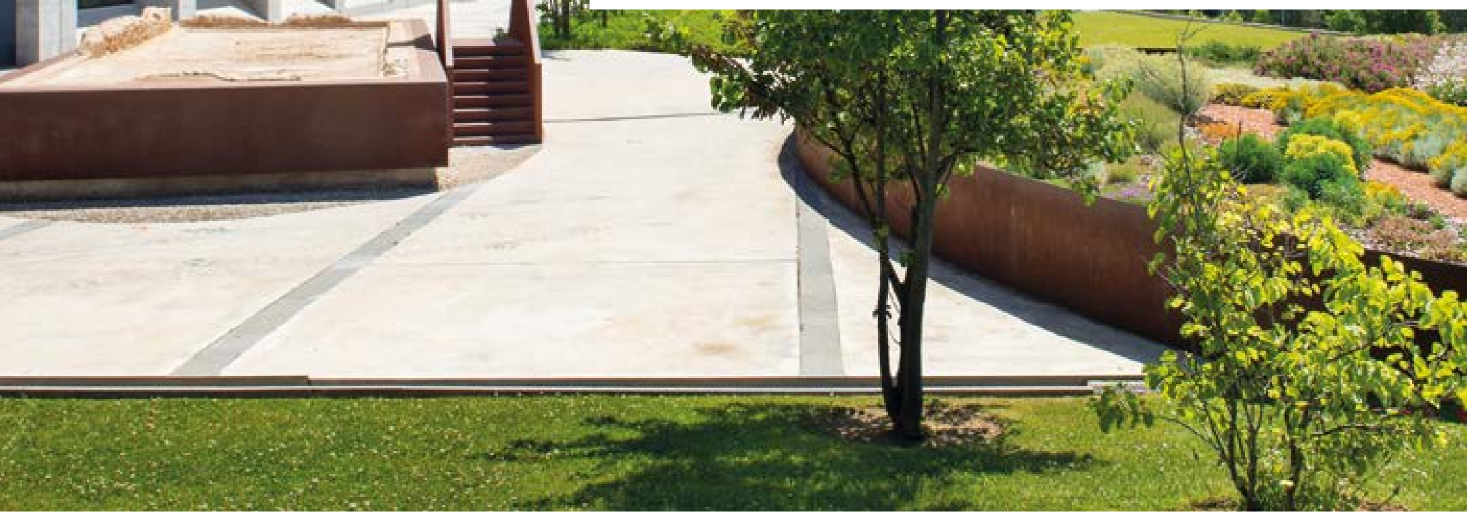
Colonial to improve the decisions it makes in its value chain

V. SUSTAINABILITY AS A KEY FACTOR IN CUSTOMER DECISION

Colonial believes that it must know the sustainability needs of its client portfolio and thus anticipate the demands of its clients and users. For this, Colonial carried out, as part of the European Think Tank for offices, a survey at a European level to understand how much importance the office client gives to the sustainability of its space.

From the survey results we can highlight the following points that will make it possible to define and serve as a basis for Colonial's sustainability strategy for Customer management:

- The sustainability of the spaces is important for all the companies surveyed and more than half expect it to become increasingly important.
- There has been a great change regarding the importance of sustainability as a decision factor for an office change.
- There is a correlation between the size of the organisation and the importance given to sustainability issues.
- Half of the respondents have a sustainability strategy whose responsibility falls on the Board of Directors.
- Recycling and waste management are the main actions carried out by those surveyed.
- For respondents, the next sustainable action to consider is temperature management and electricity use.
- Most tenants in France and Spain requested a high degree of proactivity in terms of sustainability.



7.4.4 Analysis of the Property Life Cycle & Comprehensive asset management

I. WE INTEGRATE OUR SUSTAINABILITY POLICY IN EACH PHASE

By applying its sustainability strategy for its projects and new asset developments, Colonial Group applies comprehensive Life Cycle Analysis (LCA) for each of its assets. To do this, Colonial group performs an exhaustive analysis of technical and environmental Due Diligence for all new building acquisitions, developments or major renovations. These measures included in the LCA, follow all phases and processes of the value chain including design, construction, development process and materials and raw materials. All processes consider and evaluate the environmental impact, as well as the role of the owner in the community and the future benefit for customers.

At present, it is worth considering that Colonial owns and internally manages a portfolio with a high degree of BREEAM/LEED certifications in its buildings and that it is among its objectives to obtain environmental certifications for all of its properties.

It is also important to highlight that the Colonial Group involves design teams, suppliers, contractors, maintenance providers and technical managers in the building's life cycle strategies. Its involvement in the strategic sustainability plan is key in order to have a sustainable and integrated value chain. As an example, the LCA analysis focuses mainly on the following phases:

PHASE 1: Land and building acquisitions

Integration of the sustainability policy in the acquisition analysis as it is an important factor in the decision-making.

PHASE 2: Comprehensive works and renovations

Design and construction with a clear objective in obtaining the highest standards in efficiency and sustainability in each process. Not only of the building but also of the environment in which it is located and how its construction affects it.

PHASE 3: Renovation / remodelling

Refurbishment approach to replace and improve the efficiency of building facilities to reduce consumption and improve customer experience.

PHASE 4: Management of real estate in operation

Monitoring all control points and sensors to be able to manage incidents quickly and with the least consumption of resources.

The following table explains the life cycle analysis applied at Colonial:

Life Cycle Assessment (LCA)

Land and buildings acquisitions	→	Comprehensive works and renovations	→	Renovations / remodelling	→	Management of real estate in operation
> Evaluation of environmental legal requirements. > Visit to the property or plot. > Contamination testing. > Energy certification.		> Study of the building's orientation. > High-performance enclosure (facade). > 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. > Minimising water consumption and use of recycled/reused water. > Targets for decarbonisation of buildings in line with the above eco-efficiency measures. > Certifications/sustainability indices. > Design according to clients and users.		> Management and control systems. > Optimise performance indicators. > Monitoring and control of energy, water and carbon footprint consumption.

2019 Initiative

As an initiative to improve the LCA analysis, a specific environmental and social clause was included in the contracts for due diligence procedures in new acquisitions with a detailed analysis of the environmental and social aspects considered according to the following phases:

PHASE 1: Prior Assessment

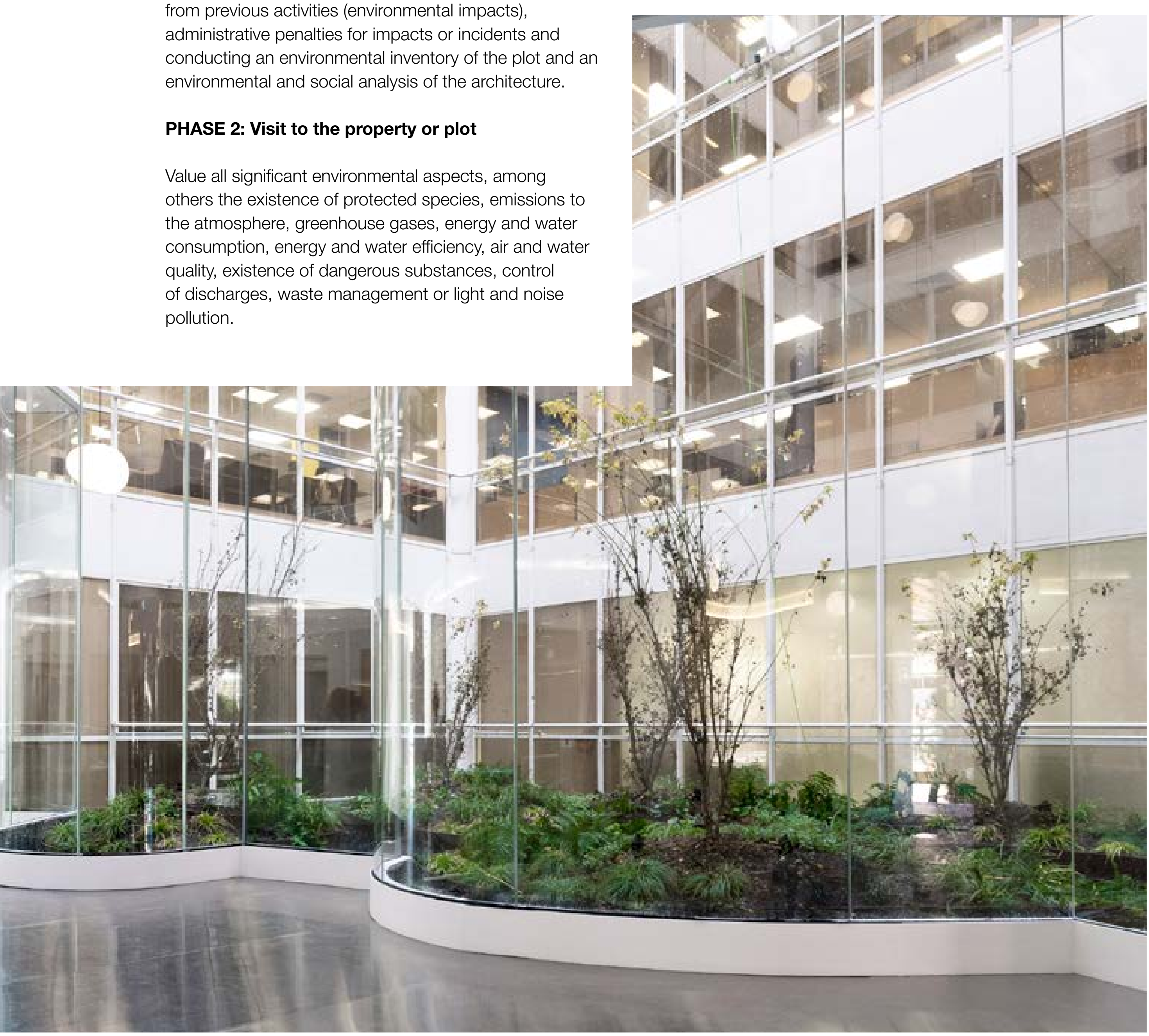
This includes, among other aspects, applicable environmental legal requirements, possible risks derived from previous activities (environmental impacts), administrative penalties for impacts or incidents and conducting an environmental inventory of the plot and an environmental and social analysis of the architecture.

PHASE 2: Visit to the property or plot

Value all significant environmental aspects, among others the existence of protected species, emissions to the atmosphere, greenhouse gases, energy and water consumption, energy and water efficiency, air and water quality, existence of dangerous substances, control of discharges, waste management or light and noise pollution.

Global environmental aspects such as measures adapting to climate change, resilience to natural disasters, technological and socioeconomic risks or public transport facilities and urban connections are also valued, as well as health and wellbeing issues in the building for its occupants.

PHASE 3: Preparation of a report and economic assessment of the risks detected




II. CASE STUDY: THE WINDOW BUILDING

Analysing an asset's life cycle is essential for Colonial's portfolio to thus understand what phase each of its buildings is in and be able to implement improvements in each of the phases of the value chain with the aim of improving its environmental impact. As a demonstration of this commitment, we will look at how this analysis was applied in The Window in Madrid CBD project.

In 2016 Colonial acquired a disused office building, located in Príncipe de Vergara 112, with more than 10,000 sq m and great potential for creating value both to invigorate the area in which it is located and for the shareholder.

In the following table we see how the project was planned from the outset with sustainability present in each project execution phase. As seen in other sections of this report, efficient and sustainable designs add value not only to the environment, but also to the client, the user and the owner.

The Window Building - Life cycle assessment application

Land and building acquisitions → **Comprehensive works and renovations** → **Management of real estate in operation**

Land and building acquisitions

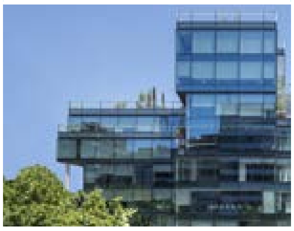
- Technical due diligence assessing the risk of building contamination.
- Mitigation and legal protections in the purchase of the building.

Comprehensive works and renovations

- Design: High performance enclosure, with minimum thermal transmittance and low emission glass.
- Sustainable procurement of materials.
- Low-impact construction solutions.
- 100% energy efficient installations.
- VRF air conditioning equipment by floor unit and not centrally.

- Draught reduction systems.
- Presence-sensing LED lighting and twilight sensors that adapt the power of the lighting according to the natural lighting.
- Sustainable certifications.
- Demolition and waste management - circular economy.

Management of real estate in operation



- Automation and control of installations (BMS).
- The carbon footprint derived from the use of the building including energy consumed, water, materials supply and waste management is monitored and evaluated to control compliance with the Group's decarbonisation and EECC targets.

III. INTEGRAL MANAGEMENT

Colonial's environmental policy approved in 2017 establishes the following commitments:

> Responsible purchasing of materials.

> Sustainable waste management.

> Reduction of the carbon footprint derived from the two previous activities.

For this, three scopes were established that cover the group's activity, as well as the environmental procedures to be met in each of these three scopes.

Scope 1
New construction works, large renovations and major refurbishments (CEP[(1)] > €500,000)

Responsible sourcing of materials
+
Sustainable management of RSW
+
Carbon footprint control and reduction
↓
Control tool
Monitoring table Environment A1
↓
Heads
Designer Team
Main Contractor
Project Manager

Scope 2
Minor renovations in existing buildings (CEP[(1)] < €500,000)

Responsible sourcing of materials
+
Sustainable management of RSW
+
Improvements in energy efficiency
+
BREEAM certification Enhancements
+
Updating of inventories
↓
Control tool
A2 certificate of responsible procurement and sustainable management of RSW
↓
Heads
Contractor
RSW Supervisory Management Company
Facility manager

Scope 3
Maintenance work in existing buildings (general services, gardening, cleaning and DDD)

Responsible sourcing of materials
+
Sustainable management of RSW
+
Carbon footprint control and reduction
↓
Control tool
Monitoring table Environment A3
↓
Heads
General Maintenance, Cleaning, Gardening and DDD Services

↓

ENVIRONMENTAL CONSULTANT

(1) CEP = Contract Execution Price.

In order to manage, supervise and report environmental aspects according to the indicated procedures, the Group regularly monitors the following aspects:

> Advice to contractors and maintenance providers in the use of sustainable products and in the sustainable management of waste.

> Updating the list of approved products.

> Recommendations for improving eco-efficiency and for BREEAM In-Use in the three Scopes.

> The quarterly data/documentation reports of the MA monitoring tables in S1 and S3, and the sustainable management certificates in S2 are verified.

> MA control visits are carried out in Scope 1 works.

> Random inspections are carried out on at least 50% of the Scope 2 reforms.

> Regular MA control visits are made to existing buildings (Scope 3).

> All the Colonial MA information is collected and reporting for CSR report and sustainability indices.

> Inventories of facilities are updated in coordination with the actions.

The different procedures for each scope are defined below:

Scope 1: NC works, major renovations and major reforms with CEP > €500,000.

To approve compliance with responsible supply, the Contractor must justify the environmental requirements for at least the materials, products and equipment corresponding to 70% of the work's CEP.

Likewise, regarding the sustainable management of waste, the Contractor must justify that at least 80% of the C&DW, including Hazardous and Non-Hazardous Waste, will be managed for its use and therefore 20% will be sent to landfill.

The contractor must perform quarterly monitoring during the construction phase and provide all the documentation for managing hazardous and non-hazardous waste to review compliance with the requirements, as well as provide data on CO_2 emissions from transporting supplies and waste to and from the site to control the carbon footprint (Scope 3).

Scope 2: Minor works with CEP < €500,000.

To approve compliance with responsible supply, the contractor or manufacturer must justify the environmental requirements for at least the materials, products and equipment corresponding to 70% of the work's CEP.

Likewise, regarding the sustainable management of waste, the company responsible for waste management must justify that at least 80% of the C&DW, including Hazardous and Non-Hazardous Waste, will be managed for its use and therefore at most 20% will be sent to landfill.

The contractor or manufacturer and the company responsible for waste management must provide certificates of responsible supply and sustainable waste management.

Scope 3: Any action derived from the continuous maintenance of the general services, gardening, cleaning and DDD.

In order to approve compliance with responsible provisioning of maintenance tasks, the maintenance provider must justify compliance with at least 70% by weight of the products used for maintenance in each reporting quarter.

Likewise, regarding the sustainable management of waste, it must justify that at least 80% of the C&DW, including Hazardous and Non-Hazardous Waste, will be managed for its use and therefore at most 20% will be sent to landfill.

The maintenance providers will be responsible for fulfilling the criteria for the responsible supply of materials, products and equipment contemplated in any action derived from continuous maintenance and for registering quarterly and controlling all the environmental aspects indicated in the Control table of maintenance actions. The table also includes data on CO_2 emissions from transporting supplies and waste to and from the building, from those derived from leaks of refrigerant gases to control the carbon footprint and travel by the maintenance provider and consumption from the headquarters of the maintenance companies (Scope 1 and 3).

Note: Both in scope 2 and 3, to meet the environmental requirements, they are provided with the "Guide for Procurement of Products, Materials and Equipment", where they can consult the requirements to review compliance with the requirements by the Environmental Consultant.

2019 Initiatives

> **Scope 1:** In representative or large-scale works, additional environmental monitoring has been carried out, consisting of more exhaustively monitoring the report prepared by the contractors, as well as verifying compliance with the company's environmental objectives, in such a way that an excellent level of compliance has been achieved.

> **Scope 2:** The procedure created in 2018 has been adapted to the organisation's situation for optimal implementation. The contractors are responsible for reporting and generating certificates of responsible supply and waste management to review compliance with the environmental policy's objectives, including conducting on-site audits.

> **Scope 3:** General services, cleaning, gardening and DDD general service maintenance companies have been included in this procedure.

> In 2019, awareness-raising work has been carried out especially for companies contracted to maintain general services.

> The best reporting results were obtained from the third quarter when the companies were familiar with the procedure.

> In 2019, Colonial Group has progressively increased the number of buildings covered in the system for reporting consumed materials and the management of generated waste, thereby ensuring improved monitoring and control.

7.4.5 Risks and Opportunities of Climate Change

The Group is aware that it must work to understand the effects of climate change on the portfolio in order to anticipate them and develop resilience plans adapted to each building's characteristics. In this respect, as part of the climate change axis of the Sustainability Master Plan, a Climate Change Policy has been developed, which includes the Group's priorities and commitments in this area.

According to these guidelines, to identify the risks and opportunities to which the Colonial Group is exposed, the Carbon Disclosure Project's analysis and classification methodology has been followed. The Group has participated in this sustainability index since 2017 (climate change programme). Each risk identified has been described and classified in detail, indicating the key impacts (financial and non-financial) and the methods used to take advantage of the opportunities identified and, in the case of risks, manage or mitigate them.

I. REPORTS ON MITIGATION MEASURES AND ADAPTATION TO CLIMATE CHANGE

One of the actions programmed in the Sustainability Master Plan in 2019 was the analysis of the ability of its assets to adapt to climate change and the related risks in order to anticipate the possible multiplication of exceptional climate events and the possible opportunities identified by evaluating resilience to climate change in buildings in the property portfolio. These identified opportunities and risks are classified into regulatory, physical and financial based on their potential impact on the company.

II. ACTION PLANS FOR ADAPTATION AND MITIGATION MEASURES FOR THE EFFECTS OF CLIMATE CHANGE

From these reports, specific actions were derived for each building according to the measures to adapt to the new scenarios and the mitigation measures to reduce the future effects of climate change.

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

Consequently, climate change adaptation and mitigation measures are planned in a coordinated and gradual way depending on the vulnerability of the building and its environment, paying particular attention to the synergies between them.

III. COMMITMENT TO CLIMATE CHANGE - BIOME EXAMPLE

The Colonial Group is clearly committed to climate change and shows that we highlight the two new certifications that the BIOME property will receive in Paris:

1. The property will receive and Excellent rating from the BiodiverCity label, which highlights the significant effort that has been made in replanting the place.

2. The asset will be one of the first buildings in France to obtain the BBCA renovation label (Low Carbon Building) as a result of efforts made in terms of greenhouse gas emissions.

Framework for analysing the risks and opportunities of climate change

7.5. Biodiversity

I. BIODIVERSITY POLICY AND GOOD PRACTICE MANUAL

Actions aimed at protecting and improving biodiversity are included in the Sustainability Master Plan. The Colonial Group strives not only to minimise its negative impact on biodiversity, but also to promote it as much as possible.

The Group's Biodiversity Policy includes the Group's framework for action, priorities and commitments in this regard. With this Policy, Colonial Group communicates its commitment to:

- > Preserve existing habitats in the locations of their buildings (urban and peri-urban environments).
- > Create new habitats and mitigate species reduction risks.
- > Reduce the heat island effect.
- > Reduce the use of irrigation water by selecting local plant species with very low water requirements.

A Manual of Good Practices in Biodiversity has been developed to complement the Policy. This is a design guide on biodiversity for designers in new construction, renovation and reform works as well as in existing buildings.

The Manual includes concrete measures to minimise the negative impact on biodiversity, protect it and favour new habitats.

In line with the Sustainability Master Plan and the set of actions scheduled for 2019, one of the Group's priorities is to continue working to achieve an increase in the percentage of green areas in buildings, focusing on designing vertical gardens and plant roofing in addition to promoting new habitats for native flora and fauna. Another objective in terms of biodiversity is to ensure that some of the buildings in the portfolio become certified in this regard.

II. IMPLEMENTATION OF BIODIVERSITY MEASURES

Colonial is aware that occupying the land and the materials used in construction have a negative impact on biodiversity; however, given the company's situation and goodwill, it has implemented strategies and set objectives to reduce this impact and extend its environmental commitment.

As envisaged in the Sustainability Master Plan and required by BREEAM re-certifications, during 2019 reports have been issued to promote biodiversity in which a set of measures have been reflected, specifying the reality of each of the 55 buildings where they were implemented (34 in Madrid and 21 in Barcelona).

After these reports were completed, the work to be carried out was awarded and the necessary steps were taken to implement the measures in 2020.

The Group has made significant effort in this respect with more than seven types of measures implemented. These measures include: (1) the installation of gardening elements such as: sustainable drainage and irrigation systems, planting species in flower beds, outdoor areas, indoor patios, indoor and outdoor plant pots,

Vertical garden - Sant Cugat Nord

Insectarium in Martínez Villergas

Plant roofing in Estébanez Calderón

plant roofing, vertical gardens and developing habitats for native flora; (2) promoting native fauna such as installing nest boxes for birds, insect hotels and (3) other measures tailored to the reality of the 55 buildings after visits by environmental consultants and ecologists.


Outdoor plant pots in Sant Cugat Nord


Plantation in inner courtyard at Arturo Soria 336

III. ACTIONS TO PROTECT BIODIVERSITY

Colonial has spent years implementing various measures to protect biodiversity in all its assets. These are included in the Sustainability Master Plan and some of which are listed below.

Since 2018, the Group has worked on bird protection initiatives, for some buildings that interact with migratory currents and their nesting areas.

One of these cases is the new project in the Parc Glòries building in Barcelona. In this building, work is being done to install nests in the building to make them available to swifts and sparrows, both migratory birds that nest under ledges and eaves of buildings. The populations of both species are in decline in the city due to the lack of nesting spaces. To implement this initiative, a study was carried out to ensure that the nest boxes are installed properly. Thus ensuring the safety of the users of the buildings, as well as birds. As a result, a vertical garden has been incorporated into a significant part of the building's façade through integrating planter modules on the different balconies and terraces. This will promote the creation of its own population of insects that will feed the swifts (insectivorous bird).

In addition, nests have been set up for two pairs of falcons in collaboration with the Generalitat of Catalonia to contain the current seagull plague in the city of Barcelona. Thanks to initiatives like these, the new Parc Glòries project has been certified with a Platinum LEED rating.

Furthermore, in France, noteworthy work has been carried out to redesign the Emile Zola 112/114 building, now known as Biome. The term Biome refers to a natural community of flora and fauna that occupies a large habitat. This building is being renovated by following the Biophilic design architectural trend, which seeks to reconnect humans with nature. Incorporating elements of nature in buildings have been shown to promote greater health and wellbeing for their users. This building has become a clear benchmark in this regard, both in the Group's own portfolio and at the sector level in general. The building is expected to receive an Excellent rating in the BiodiverCity certification.

In the Edouard VII and 9 Percier buildings, the exterior areas have been redesigned to improve the green space and offer a better experience to tenants and users. In addition, two vertical gardens have begun to be constructed in the Cézanne Saint-Honoré building.


BIOME

2019 Initiatives

The leading positioning of offices in Paris, Madrid and Barcelona implies greater responsibility and a project has been launched to design measures aimed at improving the biodiversity of these sites.

This project also seeks to take advantage of the potential of uniting the capacity of more than 20 locations distributed throughout each of the two cities to generate synergies that have a deeper impact on their biodiversity.

Thus, complementary measures have been designed between nearby buildings that make it possible to have an exponential effect on species of flora and fauna (mainly birds), as well as to establish relationships with and around the city's natural spaces. In addition, the ecological corridors defined by the regional organisations through the cities have been analysed to design support measures for these essential infrastructures from an ecological standpoint.

With this strategy, it is expected that Colonial buildings will become points of support for fauna species and act as nodes from where the biodiversity of cities is promoted. Thus, the bird species will be in charge of transporting the propagules of the flora species planted in the buildings to enrich the natural spaces around the cities with species that have a high ecological value.

> In the Príncipe de Vergara 112 building (The Window Building), landscaped areas have been integrated into the building's large terraces and a vertical garden has been built in one of its interior courtyards.

> Follow-up of the initiatives carried out in previous years such as the butterfly garden and the nest boxes installed in Sant Cugat Nord.


The Window Building


Sant Cugat Nord

7.6. Innovation and Proptech

Within the Group there are various working groups that hold monthly and quarterly meetings focused on innovation and digitisation of the real estate spaces in Colonial's portfolio.

From the point of view of the real estate business, there are several trends at the technological level that allow improvements in the efficiency of buildings at an environmental level and in terms of costs.

As a result of this work, the Group is aware of the high potential for improving energy performance and water consumption derived from the conductive management of the facilities. To this end, a global plan has been drawn up to standardise building automation and control systems, "Building Management Systems" (BMS) and tools for real-time monitoring of consumption and calculation of the carbon footprint, including scopes 1, 2 and 3.

Within the Colonial Group's plan for the sustainable improvement in asset maintenance, as well as an improvement and efficiency in costs, the following initiatives have been undertaken:

I. "PROPTECH" PROJECT

In 2019, an ambitious project, called the "Proptech" project, began to be implemented. It is expected to conclude in 2020 for most of the assets and the remainder will be completed in 2021.

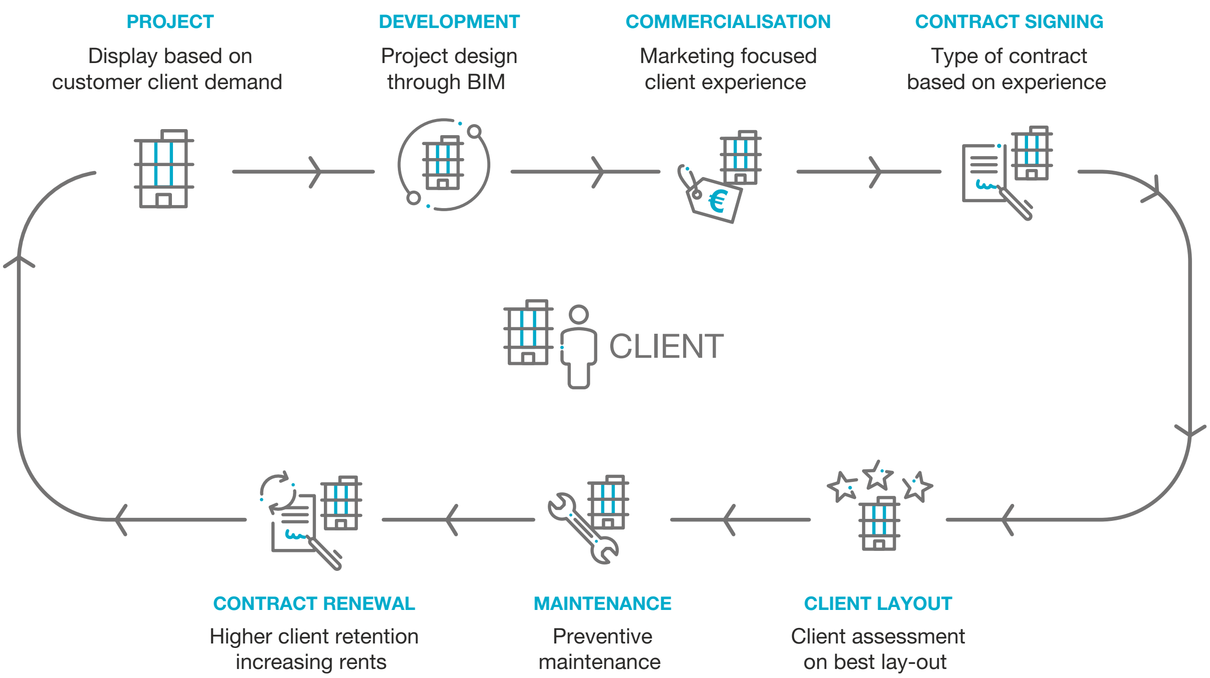
It includes replacing BMS ("Building Management Systems") in order to control all the facilities that represent significant energy consumption in buildings, as well as installing energy and water meters to calculate in real time the general consumption of each building, and those that are specific to each facility. In addition, it will enable general consumption data to be digitised (historical consumption will be included to be able to compare with previous data) and submetering for new data.

It includes installing an EMS (Energy Management System) per building to monitor and tele-manage (IoT) in real time the consumption per facility and the performance of production machines with the aim of detecting inefficiencies generated by deviations in the operation of facilities or inadequate patterns of behaviour by building maintenance operators and users.

II. PROPNET PROJECT

Within the framework of continuing to innovate and provide proactive value to customer management and understanding the needs of customers and users of our buildings, Colonial has launched the PROPNET platform.

PROPNET is an internal initiative by Colonial together with its service providers where it focuses its entire portfolio management strategy on the client.



Through gathering and centralising data on a single platform, this tool enables:

> Colonial to better understand and measure customer needs.

> Colonial to improve the decisions it makes in its value chain.

With PROPNET Colonial can measure, control and add a touch of artificial intelligence to its customer management. This platform makes it possible to measure the comfort of the user/client in the space they occupy, control all the facilities affecting the client's comfort and, by using artificial intelligence, forecast the client's needs according to behaviour patterns.

Implementing this platform allows us to obtain a competitive advantage over our competitors since it allows us to know our clients better based on their current experience and thus be able to satisfy their needs more efficiently and quickly.

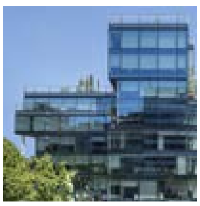
Likewise, PROPNET focuses on the sustainability of Colonial's buildings. This tool makes it possible to measure the building's carbon footprint, control the use of resources to reduce and optimise energy consumption and be able to design new assets and spaces as efficiently as possible in the future and thus improve the client's ESG rating.

This platform will be deployed gradually. At present it has been installed and connected in 6 buildings in the Madrid portfolio. All new Colonial projects will be directly connected to PROPNET.

PropNet by Colonial

Implemented in 6 assets in Madrid


López de Hoyos


The Window Building


Castellana 52


Discovery Building


Francisco Silvela 42


Ribera del Loira 28

III. CARBON FOOTPRINT APP

In parallel to undertaking the PropNet project, a digital tool for controlling greenhouse gas emissions began to be developed in 2019, with the aim of quantifying the environmental impact in real time. This is not only in terms of the organisation's direct emissions, but also the indirect ones and their contribution to climate change.

With this development, the limits of the carbon footprint calculation can be increased, including a developed scope 3. This will make it possible to have extensive information to make decisions in line with the company's environmental policy and to make greater efforts to reduce the organisation's direct and indirect environmental impact.

This tool has been developed so that the carbon footprint can be calculated in accordance with the "GHG Protocol" international carbon footprint calculation standards and UNE EN-ISO 14064.

The following emission sources will be included:

Scope 1 (direct emissions)

- Fuel consumption.
- Refrigerant gas leaks from air conditioning machines.
- Transport of company vehicles.

Scope 2 (indirect emissions)

- Electricity consumption of communal areas and shared services.
- Electricity consumption of Colonial's headquarters.
- Thermal energy consumption (heating and cooling) of the assets that are connected to the heating and distribution network of the 22@ district in Barcelona.

Scope 3 (other indirect emissions)

- Electricity consumption of private areas.
- Water consumption.
- Business trips.
- Workers travelling.
- Clients travelling.
- Purchase of consumables and equipment assets.
- Materials used in the reforms and works.
- Waste management.
- Transport and logistics.

Some emission sources will be automatically included based on the digital emission control systems available in each asset, while others will be entered manually depending on when the data is available.

IV. INNOVATION AWARD

The Window Building has received the 2018 Innovation Award from the Spanish Association of Offices (AEO). This building is an innovative operation due to the singular and representative architectural solution in a complex urban layout and a highly demanding municipal regulation.

The building proposes an architectural solution that very effectively solves this equation of urban uncertainties, while also providing it with an adequate degree of efficiency and high-quality equipment in its facilities.

08

08 Clients and users

8.1. Client Management

8.1.1 High quality and solvency client portfolio

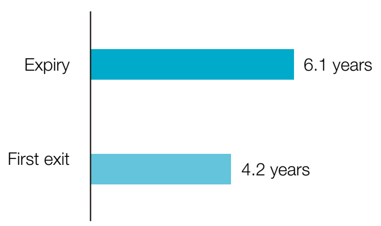
Colonial's operational strategy with its more than 400 clients and more than 1,000 contracts with which it is committed not only to fulfilling its contractual obligations but also to covering the needs of its clients and to support them so that they are highly satisfied with the leased spaces, as well as with the services and treatment received.

As a result of the work of the entire Colonial team, which has broad experience in this field, Colonial has a high renewal rate for its rental contracts. Proof of this is that 78% of our clients have been with us for over 5 years and 46% have been renting spaces in assets in our portfolio for over 10 years. At a financial level, this high capacity for client retention should be regarded as providing great resilience and consistency to the company's revenue and therefore a sustainable business in the long term.

As explained in this report, Colonial's asset portfolio consists of grade A assets in the best locations in the Paris, Madrid and Barcelona markets. The prime status of our assets allows us to attract the best clients. Colonial measures the resilience and strength of its clients by their degree of solvency and proof of this is that more than 80% of our main clients have an Investment Grade rating. It should also be noted that Colonial has a historic minimum default ratio – less than 1% in the last 15 years.

Our client portfolio is highly diversified in many sectors, which gives a great deal of solidity to income given the low turnover of clients. Likewise, among the different sectors those that require quality offices located in the central business areas due to the type of their business stand out.

Defensive maturity



AAA Tenants

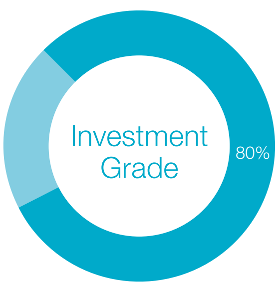
Freshfields, Schibsted Spain, Natixis, TV5Monde, McKinsey&Company, ashurst, KBL Richelieu Banque Privée, CaixaBank, Digi mobil, CBRE, Allen & Overy, Exane, Sellbytel Group, webhelp, accenture, Konica Minolta, Cuatrecasas, Huawei, Oracle, facebook, Jones Day, Grant Thornton, Liberty Seguros, Cartier, IBM, BlaBlaCar, gasNatural fenosa, Luxottica, Alstom, Ajuntament de Barcelona

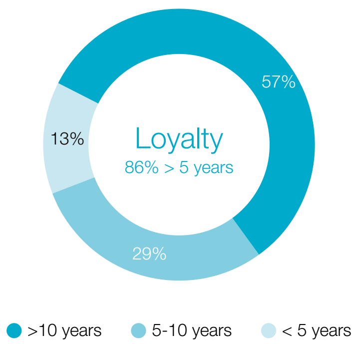
Ranking of the top 20 tenants (45% Total Rent)

Top tenants 12/19

	Tenant	City	Sector	%total income	Maturity (years)	Loyalty (years)	Credit Rating
1	Fondation Cartier	Paris	Fondation	4%	20.0	–	Strong
2	GRDF	Paris	Industry	3%	5.0	155	AA
3	Natixis Immo Exploitation	Paris	Finance	3%	1.0	16	A+
4	La Mondiale	Paris	Finance	3%	0.0	12	A–
5	International Busines Machines	Madrid	Information Technology	3%	4.0	8	A+
6	Exane	Paris	Finance	2%	5.3	4	AAA
7	H&M	Paris	Fashion	2%	2.2	10	
8	Zara France	Paris	Fashion	2%	1.6	10	AA+
9	Freshfields Bruckhaus Deringer	Paris	Law firm	2%	0.9	16	Strong
10	Grupo Caixa	Barcelona/Madrid	Financial	2%	1.2	8	BBB+
11	Proparco	Paris	Finance	2%	4.3	5	AA
12	Facebook France	Paris	Digital	2%	3.9	4	AAA
13	Cuatrecasas Gonçalves Pereira	Madrid	Law firm	1%	1.0	8	Strong
14	Klepierre	Paris	Real estate	1%	3.7	6	AA
15	TV5 Monde	Paris	Media	1%	7.0	5	
16	M&L L'Occitane	Paris	Other	1%	3.6	2	
17	Grupo Comunidad de Madrid	Madrid	Government Bodies	1%	2.0	15	AA
18	Naturgy Energy Group	Barcelona	Consumer Goods & Industry	1%	0.9	14	BBB
19	Werkhaus	Barcelona/Madrid	Retail	1%	8.1	15	
20	Grupo Schibsted	Barcelona	Promotion services	1%	3.9	17	
21	Iberia, Líneas Aéreas de España	Madrid	Consumer Goods & Industry	1%	2.8	7	BBB–
22	Sellbytel Group	Barcelona	Telecoms	1%	1.3	5	BBB–
23	Loterías y Apuestas del Estado	Madrid	Government Bodies	1%	0.7	2	AA
24	Ingeniería y Econ. Transporte	Madrid	Engineering	1%	1.9	6	
25	T-Systems ITC Iberia	Barcelona	Consulting	1%	3.0	16	BBB+
26	Ajuntament de Barcelona	Barcelona	Government Bodies	1%	1.0	13	A
Main Tenants				**44%**	**4.5**	**19**	

Top tenants breakdown 12/19





8.1.2 Client Satisfaction Management

The Colonial Group places the relationship with its clients at the forefront of its concerns and its organisation. Being able to know and understand the current and future needs is key for the operation of its assets and in the scheduling of its activities and proposals. In order to achieve this, Colonial's policy is based on its customer strategy, measuring the improvement and monitoring the satisfaction of its customers and users. In its three operating markets, Paris, Madrid and Barcelona, Colonial carries out different satisfaction surveys on a regular basis. They control and monitor how the needs of the clients develop and evaluate how Colonial is responding to them.

I. BARCELONA AND MADRID

In Barcelona and Madrid, the client satisfaction survey is carried out annually involving more than 200 clients from different sectors and sizes to ensure that the entire client base is represented.

From the result of the 2019 client satisfaction tracking survey, we have learned that 86% of Colonial's clients who responded to the survey said they were satisfied or very satisfied with the assets' common services and facilities. In addition, Utopicus customers give an 8 out of 9 rating to the promotion of the relationship and communication between co-workers, the resolution of doubts and the work carried out in the spaces.

Likewise, during 2019, within a framework of continuous improvement, a number of actions have been carried out to respond to the expectations identified through the Satisfaction and Quality Survey for 2018 and those requests and messages received through other communication channels available to clients. It revealed that clients wanted additional services for users such as electric vehicle chargers, changing rooms, cafeterias, package lockers or scooter parking.

In order to fulfil these requests, the following actions have been carried out in this regard during 2019:

1. Collaboration agreement with the electric scooter company Wind.

2. Electric vehicle chargers.

3. Creation of common spaces: a lounge on the Castellana terrace, 163, a changing room in the Torre BCN building in Barcelona or a communal dining room in Ribera del Loira in Madrid.

4. Collaboration agreement with the company OuiWash for a green car wash service.

5. Expansion of the Citibox multi-service locker network in the Ciutat de Granada (Barcelona) and Ribera del Loira (Madrid) buildings.

6. Extension of the installation of racks for parking electric scooters and lockers for storing folding bikes. With the ultimate objective of having all multi-user car parks with these facilities, by 2020 this network will be increased to all multi-user buildings in the portfolio.

7. Creation of outdoor lounges, with the aim of generating spaces for leisure and corporate events. The creation of these lounges is planned in the garden of Arturo Soria 336 in Madrid and the upper terraces of Diagonal 197, Diagonal 523 and Berlin 48 in Barcelona.

8. Expansion of the network of chargers for electric vehicles, as by 2020 we plan to install 78 more chargers in buildings in Madrid and 21 in buildings in Barcelona.

Additionally, Utopicus, as an expert in the user experience of the Group's flexible spaces, carries out a regular satisfaction survey among its users and clients. The management team of UTOPICUS believes that since the company is in an expansion phase, the satisfaction of its clients is essential to properly design its space and client management strategy.

This survey is carried out four times a year, which allows them to continuously monitor the degree of satisfaction of their clients and at the same time check the degree of acceptance of the new measures that are being implemented.

In the last survey carried out, the responses of 222 users and clients present in the different centres of Madrid and Barcelona were taken into account.

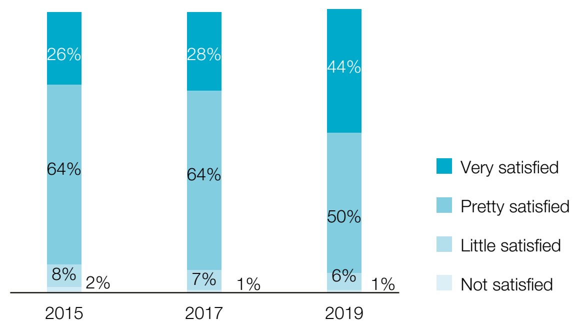
All the centres have a score above 8 out of 10 in terms of satisfaction with the Utopicus community and the assessment of the space also received a very good mark.

II. PARIS

Within the framework of customer satisfaction monitoring, during 2019, the Colonial group once again carried out the satisfaction survey of its customers in Paris, as it is conducted every two years, and 750 users of its properties participated. The survey had a dual purpose: to get to know the satisfaction levels of the workers who occupy the SFL's assets, as well as to identify the personal profile and their needs and expectations. Likewise, these inputs will allow the SFL governing bodies to assess whether the initiatives are in line with user expectations and to be aware of the current degree of user satisfaction.

The overall result of the survey is that 94% of respondents are satisfied or very satisfied with the facilities, far exceeding the target of 80%, and having increased the percentage of very satisfied respondents from 28% to 44% in just two years. Among the most highly valued aspects is the proximity of the facilities to public transport.

Evolution of customer satisfaction



8.1.3 Service & Communication Management

In recent years, the Colonial Group has been committed to implementing tools that allow it to communicate more directly with its clients, as well as to involve them in building management, particularly regarding ESG issues.

I. PERSONALISED CARE - PROPERTY MANAGER AND COMMUNITY BUILDERS

Proximity and speed of response are critical in resolving issues that may arise in the daily operation and management of the property. Therefore, the Colonial Group offers its clients in Spain and France a manager in each property, with the following duties:

> **Customer service**, as a direct interlocutor between the latter and the Colonial Group.

> **Control of operating activities**, analysing the profitability and economic viability of the property.

> **Sustainability and the Environment**, managers should promote measures to reduce energy consumption, and report regularly on progress made. The property managers are trained in sustainability issues, specifically in relation to the requirements of the BREEAM certification.

> **Maintenance and conservation of the buildings**, keeping clients informed about any relevant actions or works carried out in their properties.

The coworking spaces that the Colonial Group makes available to its clients through Utopicus have a **Community Builder** and information screens at the entrance of the buildings, in order to provide more specialised assistance regarding the services offered.

II. ACTIONS TO INVOLVE USERS AND CLIENTS WITH THE SPACES

The Colonial Group has a regular communication policy with its clients and users to involve them in the management of its buildings and thus improve their experience. To this end, the following actions have been established through 3 channels:

> **Focus group communication:** in order to promote a closer relationship with clients, in both Spain and France the following are promoted:

– Green Committees: the Colonial Group presents the main environmental indicators to its clients in Paris and there is an exchange of views on buildings and planned improvements.

– “Coffee with the manager” (Spain): in a relaxed atmosphere we get suggestions, comments and expectations from the client. It has been carried out since 2012.

> **Online communication:** the Colonial Client can communicate telematically with Colonial and the managers of its spaces using the following tools:

– Client intranet: allows telematic consultation and management all those aspects related to the use of the property.

– The Colonial Blog and social networks: created in 2013, its content brings us closer to our clients and presents the latest trends in the real estate sector and the field of sustainability and well-being.

@inmocolonial

@ColonialOficina

Inmobiliaria Colonial

Colonial

> **Digital communication:** users and clients are offered different publications and brochures to keep them updated and facilitate the use of the Colonial Group's spaces:

– Biannual newspaper at Washington Plaza: is published twice a year to report on developments in the building.

– Welcome brochures: addressed to the occupants of their buildings, both in Spain and in France, to provide all the information related to the building and its operation.

– Newsletter (France): aims to inform about news related to the building, the promotion of cultural activities and advice, etc. It also promotes green initiatives undertaken in the asset in question.

III. CLIENT SERVICE MANAGEMENT - COLONIAL - UTOPICUS INTEGRATED OFFERING

One of the new needs of clients is to be able to grow inside the buildings and to be able to choose office spaces in a flexible way. To meet this need and within the framework of promoting the services available from the Colonial Group to its clients, the Colonial team has developed a strategy of joint marketing of UTOPICUS services and spaces to Colonial clients who occupy "traditional" office spaces.

The CUCO (Utopicus Colonial Commercial) project began in the third quarter of 2019 with the aims of (i) speeding up the occupation of Utopicus' spaces, (ii) providing Utopicus with access to larger Corporate clients, and (iii) giving an option of flexible spaces to traditional office clients with a desire to grow.

This communication strategy has been carried out for a group of 50 selected clients. Potential flexible space and location needs close to Utopicus centres have been identified for this group. These services were marketed and communicated through 5 workshops (breakfasts) in Utopicus centres in Madrid and Barcelona in very small groups with a maximum of 10 clients. Each of the breakfasts were focused on clients with similar profiles and presented new options for clients and how this can help them enjoy a better working experience.

During the fourth quarter of 2019, there were meetings at the Orense, The Window Building and Gran Vía centres in Madrid, and at the Gal·la Placídia and Plaza Cataluña centres in Barcelona.

Likewise, and in order to improve the marketing of the Utopicus centres at a corporate client level, meetings were held in very small groups with the main real estate consultancies in Barcelona and Madrid, Cushman & Wakefield, JLL, CBRE Savills Aguire Newman and Knight Frank. These meetings discussed the benefits of a corporate client having a flexible space in Utopicus centres.

The Window Building

■ **Utopicus Colonial - Commercial Utopicus COlonial**

CUCO - Commercial actions

Faster commercial space occupation in spaces

Acceleration for larger corporate clients
> Increase the current average number of users per company.
> Increase the duration of contracts (higher in this segment).

Facilitating the Utopicus option for those who opt for flex
> Anticipate traditional office customers who are evaluating the option of flexible working, so that they choose Utopicus and not spaces from competitors.

8.1.4 New market trends

As one of the main players in the European office market, Colonial is constantly involved in various initiatives and partnerships to understand the current market and future trends in order to be able to plan ahead and offer its clients the best services.

To this end, and within the European framework, Colonial participates in the following associations, which regularly carry out market research to understand and forecast the development of the office property market.

I. PARIS WORKPLACE BAROMETER (FRANCE)

As every year, in 2019 SFL has been again carried out the Paris WorkPlace study, in which 3,000 managers from the Paris area participated. SFL has been participating in this survey since 2016. It should be noted that this survey is conducted in the largest office market in Europe and reflects its trends that then usually spread to the rest of the European markets.

This year the survey focused on the subject of mobility, one of the most material aspects for the Group. This barometer allows us to receive high value inputs, in order to adapt our business to the needs of users.

One of the pieces of data that stand out is that employees with a commuting time to the workplace of less than 40 minutes are those who rated their degree of well-being the highest. The results of the Paris WorkPlace show that the importance the Group attaches to the accessibility and location of properties is in line with customer expectations.

II. THINK TANK

Colonial is part of a European Think Tank that is one of the six leading real estate companies in the office business: Coima, Alstria, Gecina, NSI, Great Portland and Colonial.

It was created at the end of 2017 with the aim of developing best practices in the areas of innovation and digitalisation, flexible offices as well as environmental sustainability.

Along with this Think Tank, and with our sustained interest in knowing what our client wants from the future, Colonial has participated in the first European survey to identify the main trends in offices from an end-user perspective: the Client.

8.2. Clients & users - Coworking in Colonial

8.2.1 Leadership position

Within the office market, one of the main trends to adapt to the demand of clients and users has been the creation of offices with a flexible space offer or coworking. By 2019, flexible office spaces in Madrid and Barcelona represent more than 2% of total supply and both supply and demand are expected to increase considerably in the coming years. Proof of this is that the main co-working operators in Spain have gone from 15 centres in 2018 to 34 centres in 2019.

After carrying out an analysis of this new trend at the end of 2017, Colonial acquired Utopicus, a startup founded in 2010, which is a pioneer in the coworking sector in Spain. Since then, Colonial has driven its growth and launched various initiatives to convert Utopicus into one of the main operators in the sector, with 14 centres under management and approximately 40,000 sq m.

During 2019, Utopicus has focused its efforts on two main areas. First, to offer innovative content and services to the users of the Colonial Group. Second, to expand its presence in Spain through the properties of the Colonial group.

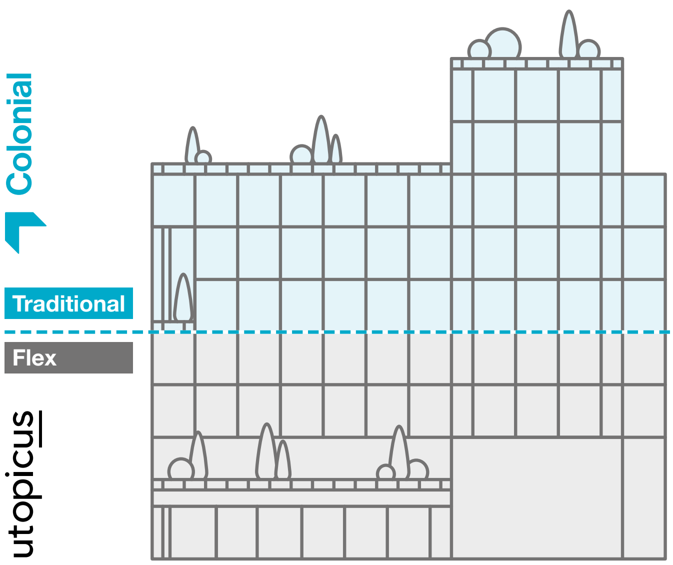
8.2.2 Hybrid product - Colonial/Utopicus

Learning from its experience since the acquisition of Utopicus, the Group has identified an opportunity for Colonial to offer a hybrid product. This consists of combining the traditional office concept with a flexible office in the same building. With this concept, traditional office clients gain flexibility. In the same building they can have additional spaces for their teams, meetings and events, as well as benefit from all the digital content and courses offered by Utopicus. Clients and users of flexible spaces benefit from being in a more professional environment and from the HUB effect of companies in the same sector.

At a company level, the hybrid product reduces long-term liabilities and allows Utopicus to access the best city centre locations in Colonial buildings. The hybrid product also allows Colonial's internal teams to be involved in design, sales and costs.

In this regard, during 2018, taking advantage of the delivery of the new office project undertaken by Colonial, The Window, the first hybrid pilot building was launched. The property combines a 4,000 sq m Utopicus centre next to the area of traditional offices. The result was a success, increasing the occupancy of the building with rental incomes higher than expected and positioning The Window as a benchmark for companies in the Madrid Fintech sector.

■ **Colonial's vision of the flexible office**



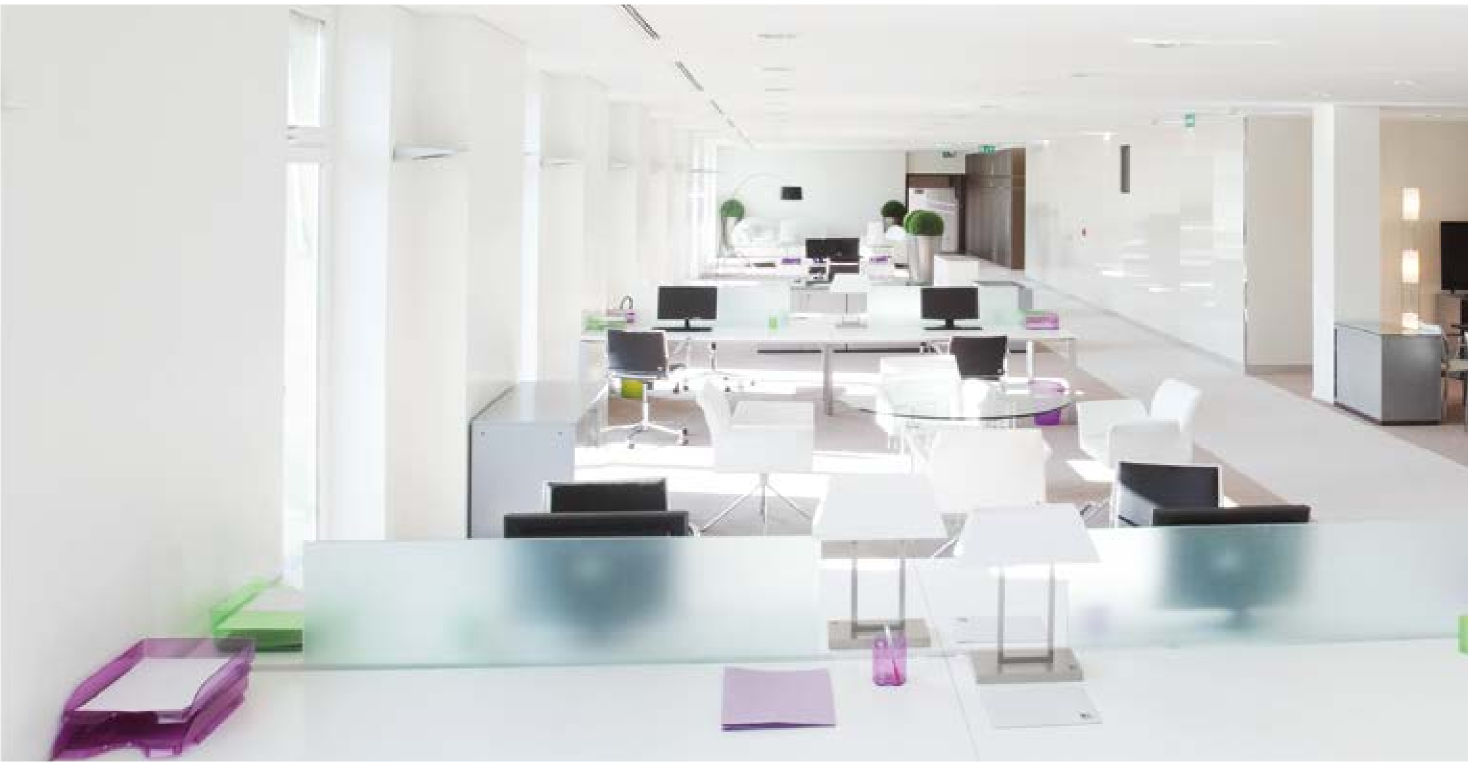
The Window Building (Madrid)

1. **Prioritise Colonial properties**
   - ✓ Reduce long-term liabilities
   - ✓ Access to the best locations in the city center
2. **Hybrid Product: combination of traditional and flexible office**
   - ✓ Traditional customers gain flexibility
   - ✓ Flexible office gains stability and access to wider community
   - ✓ Higher client retention ratio
3. **Internal operations team**
   - ✓ Cross-selling opportunities - CUCO project
   - ✓ Control of the fit-out process
   - ✓ Economies of scale in costs
4. **Low financial risk**
   - ✓ No financial debt linked to the flexible office operator
   - ✓ Exit windows with third-party rentals

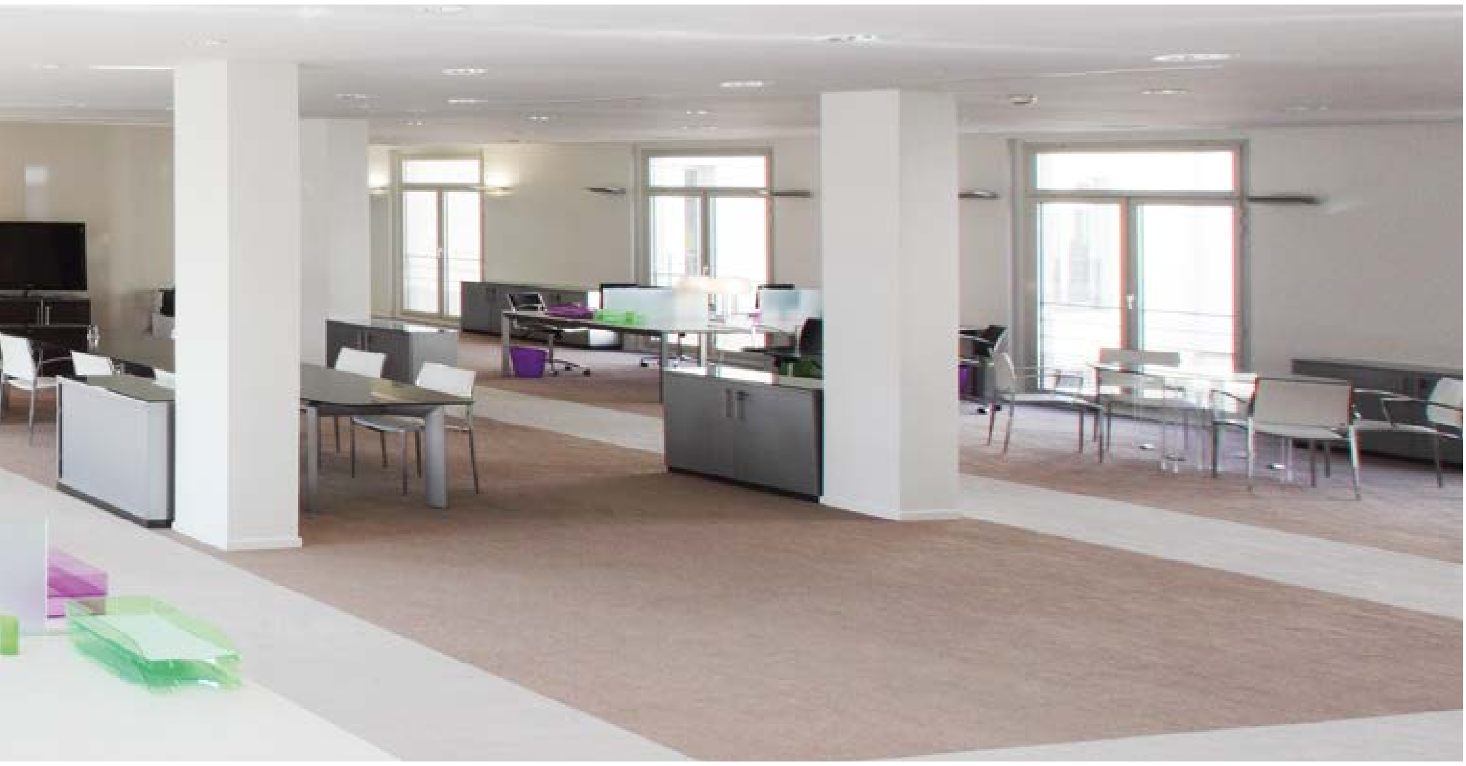
During 2019, Colonial has been successfully replicating this concept of a "hybrid" building in other group properties. At the end of the year, 6 buildings had flexible office space. The new openings carried out during this year 2019 have been the following:

- **Clementina** (Barcelona), opened in January 2019, is located in the heart of Barcelona's Gràcia neighbourhood, has 600 sq m and capacity for 75 jobs in a very lively area of the city.
- **Gran Vía** (Madrid), opened during the month of March, is Utopicus's hub on Gran Vía, the most symbolic street in Madrid. The space has an area of 5,000 sq m and is made up of offices for up to 100 people, a club, a restaurant, innovation rooms and an auditorium.
- **Parc Glòries** (Barcelona), opened during the second quarter, occupies part of the new Colonial building, located in the best area of 22@ in Barcelona, the main technology hub in southern Europe. The space will make it possible to combine flexible uses with traditional office uses and it has a surface area of 2,000 sq m for 195 workstations.
- **Gal·la Placídia** (Barcelona), opened in July, it is located in Barcelona's traditional CBD just a few minutes from Avenida Diagonal and has been designed for large companies looking for flexible spaces. The space offers more than 500 jobs and spaces to develop events, courses... and a fantastic terrace to enjoy Barcelona's Mediterranean climate.
- **José Abascal, 56** (Madrid), opened at the end of 2019, is located in the centre of Madrid's Chamberí district. It has 2,351 sq m of flexible work areas, private offices for companies of any size, meeting and training rooms and 4 large meeting places that you will be able to discover as you walk through its corridors that are full of rhythm and colour.

Work is also continuing successfully on the opening of four new centres in the coming months. Once completed, Utopicus will manage 14 centres with a surface area in operation of nearly 40,000 sq m and a capacity of more than 4,700 jobs, strengthening its leadership in the segment of flexible space management and coworking content in Spain.



Centre		City	Status	Entry into operation	Surface area	MAX users
1	Colegiata	Madrid	In operation	2010	1,222	121
2	Conde Casal	Madrid	In operation	2017	1,089	144
3	Plaça Catalunya	Barcelona	In operation	2018	1,400	197
4	Orense	Madrid	In operation	2018	1,827	239
5	Príncipe de Vergara	Madrid	In operation	2018	3,852	500
6	Clementina	Barcelona	In operation	Q1 2019	600	75
7	Gran Vía	Madrid	In operation	Q1 2019	4,990	465
8	Parc Glòries	Barcelona	In operation	Q1 2019	2,002	195
9	Gal·la Placídia	Barcelona	In operation	1H 2019	4,000	532
10	José Abascal, 56	Madrid	In operation	2H 2019	2,351	278
11	Castellana,163	Madrid	Project	1H 2020	3,660	448
12	Torre Marenostrum	Barcelona	Project	1H 2020	3,856	413
13	F. Silvela, 42	Madrid	Project	1H 2020	3,098	421
14	Habana	Madrid	Project	2H 2020	5,791	762
Total					**39,738**	**4,790**




09

09 Team of professionals

9.1. People

For the Colonial Group, the **excellence and professionalism** of its staff are key pillars to ensure the viability of its **business strategy**. This chapter reflects the Group's efforts to enhance the skills, motivation and health of its staff.

9.1.1. Human Resources Strategic Plan

With the aim of promoting the creation of sustainable value through the social pillar of the ESG Strategic Plan, Colonial has continued to implement the **2018-2020 Group's Human Resources Strategic Plan** in 2019. The Plan covers the social aspect, and aims to arouse a spirit of contribution, impact and added value through the duties that Colonial professionals carry out on a daily basis.

The Plan consists of seven "planets" of action that seek to trigger results that revolve around the excellent performance of the company, and, therefore, a continuous contribution of value to the company and its activity. The key to this is the well-being of the worker and his or her contribution as a critical part in the creation of the corporate culture.

■ **Components of the Group's Human Resources Strategic Plan**

MAIN INITIATIVES OF THE HUMAN RESOURCES STRATEGIC PLAN CARRIED OUT IN 2019

During 2019, Human Resources management shared the main conclusions and results of the biannual Great Place to Work survey carried out in the previous year. The aim was to highlight the strengths and weaknesses of Colonial's collaborative environment, as well as to define the roadmap to respond to the concerns and needs of Colonial's employees.

Overall participation was very positive, reaching 88% of employees. The category most valued by the workers was "Pride", which analyses the relationship of the employee with the company and its mission, increasing the appreciation of the person's work, the successes achieved by the team and the company's contribution to society.

The second most valued segment is "Credibility" where it focuses on how the leaders manage the business and if they do so in a proficient and ethical way.

Thirdly, the value "Respect" stands out, referring to the valuation of the company's resources, training and facilities.

As a result, during 2019, work has been carried out to respond to the main concerns of the team:

> Through the "R€T" compensation and benefits policy, we have worked on the analysis of positions, market and trends in **remuneration** with the aim of making it fair and motivating.

> Through "Colonial Cuenta Contigo" (Colonial Is With You), we have stimulated **fluid and cross-sectional communication** in the company, increasing the number of communication effects by 40% compared to the previous year.

> **Organisation**: Thanks to an analysis of the activity of several departments, we have fulfilled the need to incorporate new collaborators to balance the **workload** of teams. More specifically, we analysed the activities of Property Management Department, within the Business Area, and the Property Administration Department, within the Financial Operations Area, to align their structure to the demands of activities.

It should be noted that the second edition of the Great Place to Work survey will be carried out during the first half of 2021, and will be the main driver for evaluating the current Strategic Plan, as well as defining and prioritising the initiatives of the next strategic plan for human resources.

9.1.2 The Colonial team

The Colonial Group has a strong commitment to its collaborators and considers it key to guarantee their well-being by offering them a positive work space, which helps to achieve the company to function properly and grow sustainably.

The Group bases staff management on respect, ongoing communication, flexibility, training, equal opportunities, diversity and non-discrimination on the basis of gender, age or disability.

At the end of 2019, the Colonial Group had a staff of 234(1) employees, composed of 142 women (61%) and 92 men (39%).

68% of the staff worked in Spain and 32% in France.

The year 2019 has been a year of important progress in the creation of stable employment. The team has increased by +17% (*versus* new hires of the previous year), hiring 75 people. It has also improved the experience of the staff, having a solid index of 9 years.

Number of employees

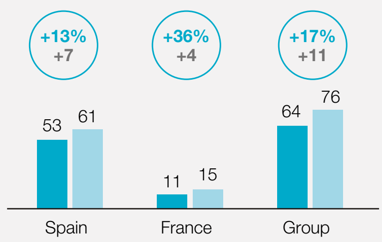
	2019					2018			Variance	
	Total	Men	Women	% Men	% Women	Total	Men	Women	Men	Women
Colonial Management Committee	**8**	**4**	**4**	**50%**	**50%**	**8**	**4**	**4**	**0%**	**0%**
Job category										
General and area managers	21	13	8	6%	3%	21	14	7	–7%	14%
Technical graduates and middle managers	101	47	54	20%	23%	74	34	40	38%	35%
Office clerks	112	32	80	14%	34%	105	31	74	3%	8%
Group Total	**234**	**92**	**142**	**39%**	**61%**	**200**	**79**	**121**	**16%**	**17%**
Age										
Under 30	44	15	29	6%	12%	24	7	17	114%	71%
30-50	129	54	75	22%	32%	122	52	70	4%	7%
Over 50	61	23	38	11%	17%	54	20	34	15%	12%
Total	**234**	**92**	**142**	**39%**	**61%**	**200**	**79**	**121**	**16%**	**17%**

(1) Includes 57 Utopicus collaborators.

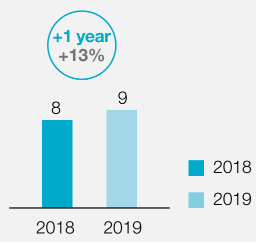
Colonial is among the leaders of the IBEX 35 with gender equality within its Management Committee: 50% women and 50% men

Stable and quality employment

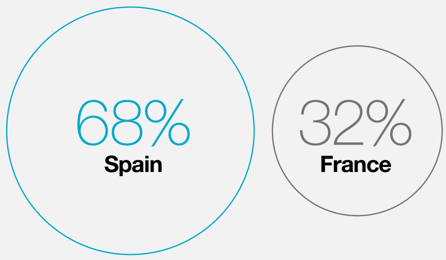
New recruits



Average seniority



Colonial Group Staff



9.0%
turnover index(1)

98%
permanent contracts

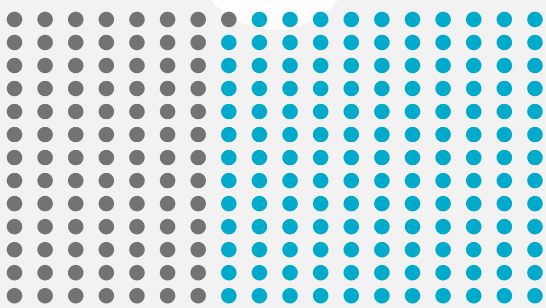
3
accidents

9 years
average seniority

92
men

234
employees

142
women



Colonial Management Committee

50%
men

50%
women

Colonial Group

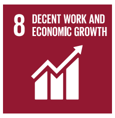
39%
men

61%
women

(1) The turnover rate only takes into account the stabilised core business and therefore does not consider the subsidiary Utopicus in the initial phase of its development as it is a recently acquired start-up.

It should be noted that recruitment reflects the commitment of the Colonial Group to diversity and gender equality. Of the total number of new hires in 2019, 63% were women, currently representing 61% of the total workforce.

Furthermore, this commitment to equal opportunities does not only apply to recruitment, but also to the promotion of the current staff. As a result, all the people who were promoted within SFL during 2019 were women.



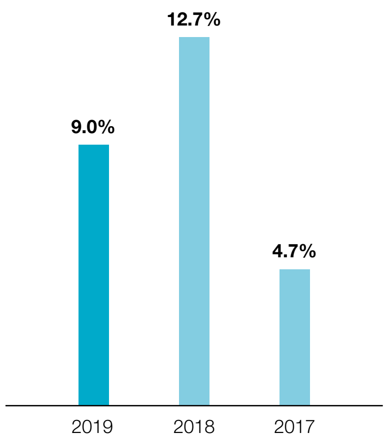
SDG 8: DECENT WORK AND ECONOMIC GROWTH

	Performance of Indicators		
	2018	2019	Var.
Colonial's activity contributes to the economic growth of the communities in which it operates through the creation of quality employment, its value chain and its services, which facilitate the operations of many more companies.	64 recruits	76 recruits	+17%
Strategies / lines of action > Human Resources Policy > Business growth objectives and strategy	8 years of experience on average	9 years of experience on average	+13%

The increase in staff is aimed towards meeting the guidelines of the Strategic Plan, to balance the organisation of work among employees, ensuring the team's well-being, as well as offering the best possible service to clients.

In relation to employee departures, 16 departures were recorded, representing a turnover rate of 9.0%(1). This rate has again stabilised compared to historical data (in 2018 it was higher than usual due to exceptional conditions resulting from the Axiare merger), improving by 3.7 percentage points. This improvement represents Colonial's commitment to job stability in the workforce. Among the 42 people that have left Colonial Group (including utopicus) only 8 of them were dismissed. The specific details are: 4 men and 4 women, 2 middle managers and 6 administrators, 7 between 30 and 50 years of age, while 1 is over 50.

Turnover(1)



(1) The turnover rate only takes into account the stabilised core business and therefore does not consider the subsidiary Utopicus in the initial phase of its development as it is a recently acquired "start-up".

It should be noted that 98% of the Group's staff have a permanent employment contract, and temporary contracts are only offered exceptionally and on a case-by-case basis, which provides stability to the employment created by the business.

Type of contract in the Group

	2019		2018		Variance	
Contract type	Permanent contract	Temporary contract	Permanent contract	Temporary contract	Permanent contract	Temporary contract
Job category						
General and area managers	21	0	22	0	–5%	0%
Qualified technicians and middle managers	98	3	72	1	36%	200%
Office clerks and others	110	2	105	0	5%	0%
Age						
Under 30	41	3	23	1	78%	200%
30-50	129	0	121	0	7%	0%
Over 50	59	2	55	0	7%	0%
Gender						
Women	138	4	119	1	16%	300%
Men	91	1	80	0	14%	0%
Total	**229**	**5**	**199**	**1**	**15%**	**400%**

Regarding the type of working day, 99% of the staff are full-time, with only one employee working part-time in 2019.

Type of working day in the Group

	2019		2018		Variance	
Type of workday	Full time	Part time	Full time	Part time	Full time	Part time
Job category						
General and area managers	21	0	22	0	–5%	0%
Qualified technicians and middle managers	99	2	71	2	39%	0%
Office clerks and others	107	5	100	5	7%	0%
Age						
Under 30	44	0	24	0	83%	0%
30-50	124	5	116	5	7%	0%
Over 50	59	2	53	2	18%	0%
Gender						
Women	136	6	114	6	19%	0%
Men	91	1	79	1	15%	0%
Total	**227**	**7**	**193**	**7**	**18%**	**0%**

9.2. Human capital development

9.2.1 Trainning

"Colonial Career Conversations"

The Colonial Group believes that investment in the human capital of the organisation allows it to promote the culture and values of the Group, ensuring the creation of sustainable value. It also helps to meet the growth expectations of the Group's employees by providing them with the necessary skills to develop and advance in their careers. With the aim of continuing to improve, the Strategic Plan in ESG provides for specific actions in the area of the development of the organisation's human capital.

I. TRAINING PLAN

The Training Plan of the Colonial Group is based on:

1. Colonial Career **Conversations**. Through individual identification of training needs according to the business plan.

2. Exploration of market developments, for the acquisition of new skills.

3. Acquisition of collective skills for the achievement of the company's strategic objectives.

   "Learning requires skills. Unlearning requires an attitude".

Training our attitude is as important as training our skills. That's why Colonial works on both elements: learning and unlearning.

Each employee has to be aware that their knowledge and their way of using it is the main reason why they belong to a company. This knowledge and know-how can lead to an extraordinary contribution and personal and professional growth; on the other hand, it can lead to obsolescence.

In this VUCA (Volatile, Uncertain, Complex, Ambiguous) world, companies like Colonial understand that they have a very important role to play in testing knowledge and facilitating access to it for all the Group's employees.

The Colonial Training Plan provides for training and evaluations aimed not only at ensuring that professionals acquire and develop the necessary skills to carry out their daily duties properly, but also at promoting the acquisition of other skills that contribute to their personal and professional development.

II. SPECIFIC TRAINING

The specific training focuses on the professional training of the employee in the performance of the job. The aim is to create and guarantee conditions of access to continuing education for all the company's professionals, and to anticipate changes in the sector (office automation, secretarial, management and leadership courses, Cybersecurity, criminal, technical, legal and environmental risks, etc.) in order to improve the professional profile of employees and enable them to carry out their work in the best way possible.

In this regard, it is worth noting that, during 2019, an employee in the Colonial legal department started a specific Master's degree at ESADE University to develop the skills and knowledge necessary for his role. At SFL, training sessions were held mainly in the areas of financial management, law, leadership, automation, security, as well as training sessions for managers on interviewing and communication processes.

III. SUSTAINABILITY TRAINING

Much of Colonial's leadership in sustainability is based on its teams' belief in the importance of the ESG Strategic Plan for the Group, as well as their willingness to implement it in their day-to-day duties. Therefore, communication about the Group's management in ESG is crucial, as well as to receive feedback from the teams in order to develop collaboratively regarding sustainability aspects. An example of this communication was the training on ESG for all employees by the CEO and Director of Corporate Development in November 2019.

In France, SFL has carried out various initiatives to raise employee awareness of biodiversity and the environment. In this regard, in 2019 SFL continued its partnership with Graine Île-de-France initiated in 2018, organising four environmental awareness workshops for SFL employees, addressing topics such as waste management, the impact of plastics, biodiversity and the mechanisms of climate change and its consequences for employees and the company.

IV. LANGUAGE TRAINING

Under the slogan **Because speaking languages is important for you!** Colonial encourages the necessary development of language skills for its collaborators.

Colonial focused on efficiency in its actions. The private class is more effective than the group one and the weekly frequency enables learning to be quick yet consistent. Following a method is better than continuous improvisation; co-payment leads to a commitment and achievement leads to reward. Measuring results and progress through official exams addresses two areas: motivation and commitment. As a result, the total number of people enrolled in the September 2019 cohort increased by 20% over the previous year, total hours of language training provided increased by 50% and total hours per employee increased by 25%.

A co-payment system is used through which, if at the end of the school year in June, the employee has attended 85% of the classes committed to, and on taking the TOEIC (Test of English for International Communication) or TFI (Test de Français International), their performance in terms of points exceeds that corresponding to the subsidised classes, the employee's financial commitment is returned in full.

Calm	Dynamic	Fast
– Private class	– Private class	– Private class
– 1 hour/week	– 2 hour/week	– 3 hour/week
– In the office	– In the office	– In the office
– Co-payment 80% Colonial 20% employee	– Co-payment 80% Colonial 20% employee	– Co-payment 80% Colonial 20% employee
– Refund if you achieve your “Goal”	– Refund if you achieve your “Goal”	– Refund if you achieve your “Goal”

78% of its employees follow one of these three models:

> **“Calm”:** 1 hour private class per week

> **“Dynamic”:** 2 hours of private classes per week

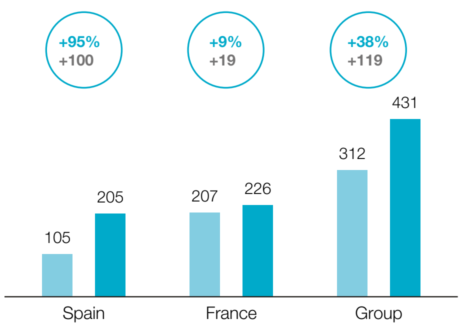
> **“Fast”:** 3 hours of private classes per week

V. TOTAL PARTICIPATION IN TRAINING IN 2019

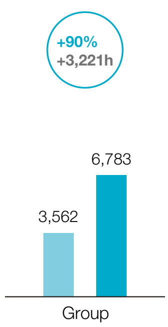
As a result of the focus and drive on the professional development of the Group's employees, €438,056 were invested in training actions in 2019, representing an increase of 44% in relation to last year, mainly due to the fact that investment in training in Spain has doubled, reaching levels similar to France.

In relation to total training hours, 5,209 hours were given in Spain and 1,575 hours in France, which means that the Group has given a total of 6,783 hours, an increase of 90% over the previous year. This translates into an average of 29 hours of training per worker, 12 hours more per person than the previous year. The data demonstrates Colonial's commitment to the training and professional development of its staff, as well as the success of the Group's Human Resources Strategic Plan.

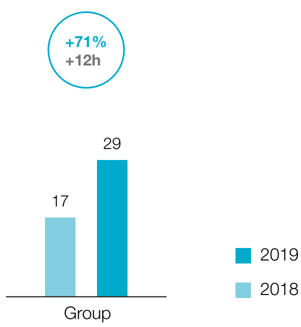
Investment in training (thousands of euros)



Hours of training provided



Training hours per employee



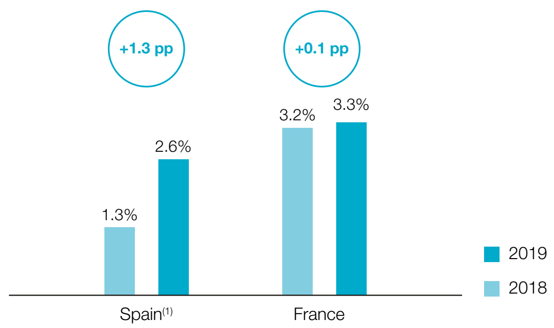
Below there is a table with breakdowns of training hours by country and job category.

Total participation in training 2019

	2019			2018			Variance		
	Spain	France	Group	Spain	France	Group	Spain	France	Group
Job category									
General and area managers	1,830	251	2,081	118	115	233	1,451%	118%	739%
Qualified technicians and middle managers	374	1,016	1,390	434	909	1,343	–14%	12%	3%
Office clerks	2,495	307	2,802	1,701	284	1,985	47%	8%	41%
Utopicus professionals	509		509						
Total	**5,208**	**1,574**	**6,783**	**2,253**	**1,307**	**3,561**	**131%**	**20%**	**90%**
Gender									
Men	2,752	665	3,418	734	407	1,141	275%	64%	200%
Women	2,456	909	3,365	1,520	901	2,421	62%	1%	39%
Total	**5,208**	**1,574**	**6,783**	**2,253**	**1,307**	**3,561**	**131%**	**20%**	**90%**

The effort made in the development of human capital also results in an increase in the percentage of trained employees, reaching 97% of the Group's workforce. Furthermore, it also increases the percentage of the payroll dedicated to training, being 2.6% in Spain and 3.3% in France.

Percentage of payroll assigned to training



(1) Utopicus has not been taken into account as its employees have access to Utopicus School.

Number of employees trained by the Group

	2019			2018			Variance		
	Spain	France	Total	Spain	France	Total	Spain	France	Total
Gender									
Men	64	25	86	26	22	48	146%	14%	85%
Women	97	41	138	42	34	76	131%	21%	82%
Total	**161**	**66**	**227**	**68**	**56**	**124**	**137%**	**18%**	**83%**
% Employees trained	**101%[1]**	**88%**	**97%**	**52%**	**81%**	**62%**	**49 pp**	**7 pp**	**35 pp**

(1) Employees who have left the company have been trained, resulting in a percentage of more than 100% in the number of employees trained with regard to the workforce at the end of 2019.

The investment in training covers different topics and skills, both specific to the employee's job and those that are cross-sectional.

The hours of training carried out by subject, country and gender are below.

2019

	Spain			France			Group		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Software tools	111	187	298	77	119	196	188	306	494
Skills	52	108	160	74	203	277	126	311	437
Cybersecurity	18	33	51	0	0	0	18	33	51
Languages	1,805	1,984	3,789	192	180	372	1,997	2,164	4,161
Technology	96	0	96	0	0	0	96	0	96
Treasury and secretary's office	8	80	88	0	0	0	8	80	88
Marketing	0	8	8	0	0	0	0	8	8
Tax	24	0	24	28	81	109	52	81	133
Human Resources	0	24	24	38	56	94	38	80	118
Other training	638	33	671	258	270	528	896	303	1,199
Total	**2,752**	**2,457**	**5,208**	**666**	**909**	**1,575**	**3,418**	**3,366**	**6,783**

SDG 4: QUALITY EDUCATION

	Performance of Indicators		
	2018	2019	Var.
In order to empower its employees, Colonial invests significantly in the development of its human capital through training and evaluation plans. Ensuring that each employee has goals relating to professional growth is vital to having a motivated and ambitious team.	3,358 training hours	6,783 training hours	+90%
Strategies / lines of action > Training Plan	62% trained employees	97% trained employees	+35 pp

In addition to technical or language training, Colonial promotes initiatives to develop corporate values in order to motivate teams and ensure the best experience for customers. In that sense, part of the training plan is aimed at promoting in-depth knowledge of the group's products and service by collaborators. As part of "Colonial Cuenta Contigo" (Colonial Is With You), several teambuilding activities have been carried out in 2019, such as:

"Más que Valores" (More Than Values)

In order to promote the values of commitment, excellence, transparency, leadership, professionalism and thoroughness, Colonial held several workshops in a teambuilding session. Different activities were carried out in an iconic and unconventional space in Barcelona which stimulated all the senses, as well as cross-sectional and team work.

"Navidad con Talento" (Talented Christmas)

One of the most valuable pieces of feedback from the Great Place To Work survey was the possibility of employees "experiencing our assets more closely" at headquarters. To respond to this concern, as well as to expand our collaborators' knowledge about the services offered by Colonial, several activities were organised so that they could participate in the client's experience through the tours organised both to Colonial's assets and to Utopicus's spaces.

Moreover, on an ongoing basis, we every opportunity to provide additional activities for employees, such as private passes for film premieres or attendance at conferences on current economic and social issues.

9.2.2 Professional development

I. PROFESSIONAL EVALUATIONS

So far, at Colonial, we have conducted professional evaluations according to the needs of each team, focusing on compensation and career goals. In order to shape, enhance and streamline the professional assessment process, as well as its scope, Colonial will fully implement the assessment tool Colonial Career Conversations in 2020. In addition, the goal is to formally evaluate 100% of its employees by 2021.

Colonial Career Conversations is an agile, conversation-based tool. It aims to empower each individual with management and responsibility for their personal and professional development and growth in a constructive manner. It allows for a conversation focused on:

> The day to day
> Goals
> Tools
> Networking
> Career Plans
> Remuneration

The implementation of the tool includes a process of more than 200 hours of training on pillars such as reflections on leadership style, improving communication and learning to set objectives, as key elements for the success of its operation.

These career conversations will allow for nurturing an understanding of how each individual contributes to the organisation, setting goals for personal and professional growth. In turn, they will enable Colonial to understand ambitions and needs for training, remuneration, etc.

II. SUCCESSION PLAN

In order to ensure a forward-looking and sustainable vision of the Group's key positions, Colonial has developed a Succession Plan for management positions and other key positions. This plan is included in the Colonial Crisis Contingency Plan.

9.2.3 Compensation and remuneration "R€T"

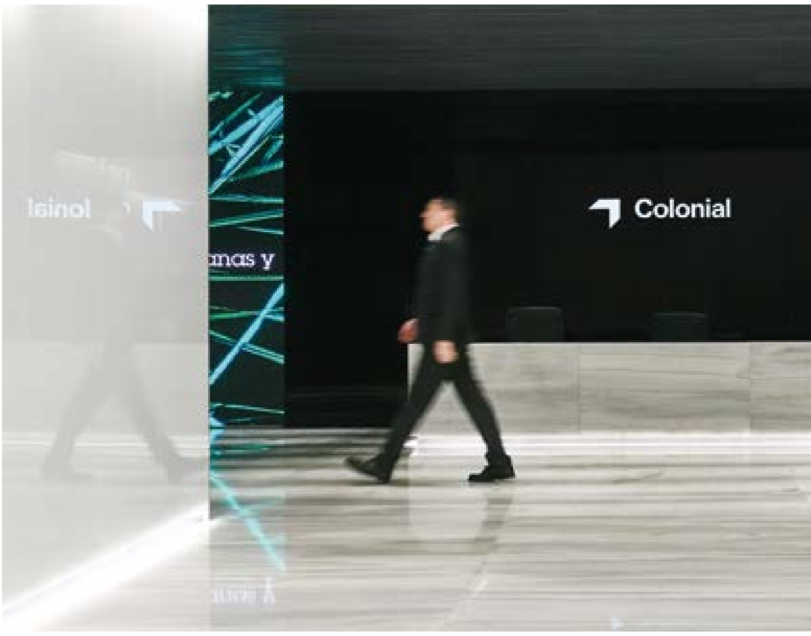
To guarantee fair pay in the Colonial Group, the organisation has a remuneration map and a remuneration policy.

The **remuneration map** aims to ensure fair pay among professionals and maintain wage competitiveness in the market. This map is reviewed annually by the Human Resources team taking into account:

> The contribution, value contribution and impact on results by each employee.

> Principle of equal pay for men and women.

> Salary data from the market, through national surveys or from the industry itself.



Furthermore, the Colonial Group's **remuneration policy** is structured on the following three pillars:

The suitability of remuneration for each job. Colonial Group understands that remuneration corresponds to the employee's contribution. Tools are used to evaluate the contribution (3C) and market research support to operate within objectivity.

Equal opportunities. For Colonial it is of vital importance that all its employees feel valued regardless of their gender, age, disability, or any other circumstance that sets them apart.

The remuneration policy is based on the recommendation of external experts who continuously advise the Group on market practices.

Competitiveness with regard to the market. The company is well aware that remuneration is a vital tool for attracting and retaining talent and therefore Colonial looks to the outside and aims to make its job offers, development, compensation, and professional and personal growth challenging and competitive in the marketplace.

The Group's remuneration system consists of:

> Fixed pay
> Variable pay
> Social and training benefits

The fixed part of the salary is analysed annually to ensure that it is in line with the pillars of the Remuneration and Market Policy. In addition, one of the topics included in the Colonial Career Conversations.

Colonial is firmly committed to complying with the Group's ESG Strategic Plan. Consequently, the milestones to be achieved each year are part of each employee's personal objectives. The Chairman, CEO, and the Management Committee have a portion of their variable annual compensation linked to the achievement and implementation of the objectives of the ESG Strategic Plan.

In order to evaluate pay equity in Colonial Spain, the wage gap is studied in depth. The gender pay gap for each of the occupational categories is presented below.

Colonial Spain	2019			2018			Development		
Professional category	Department[1]	Heads	Admin.	Department[1]	Heads .	Admin.	Department[1]	Heads .	Admin.
Wage gap	–3%	22%	11%	–5%	20%	14%	–2 pp	+2 pp	–3 pp

Department: General and area managers.
Heads: Qualified technicians and middle managers.
Admin.: Office clerks and others.
(1) Not including the Executive Directors.

The third form of compensation is through social benefits. These are available to the entire workforce. In this area, the Colonial Group offers general benefits and specific benefit plans for each country. In 2019 these benefits have been distributed as follows:

General social benefits of the Group - Thousands of Euros

	2019	2018	Variance
Health insurance	276	241	15%
Life and accident insurance	177	168	6%
Lunch Tickets and service charge for kindergarten and transportation tickets	206	159	29%
Total	**659**	**568**	**16%**

General social benefits Spain - Thousands of Euros

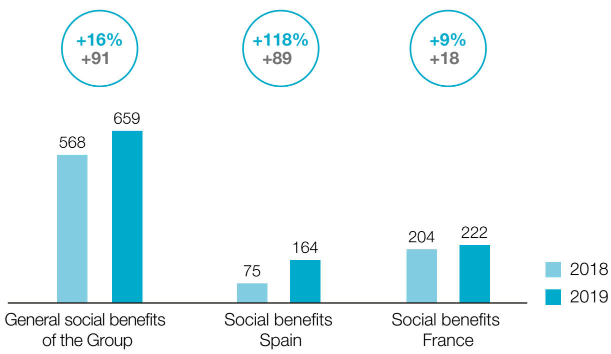
	2019	2018	Variance
Parking places	6	2	211%
Christmas hamper, Christmas dinner, layette gift, company events and others	158	73	116%
Total	**164**	**75**	**118%**

General social benefits France - Thousands of Euros

	2019	2018	Variance
Pension plan - PERCO[1]	222	204	9%

(1) PERCO stands for "Plan d'épargne pour la retraite collectif", a business savings system used in France.

Social benefits - Thousands of Euros



As you can see, the social benefits offered and enjoyed by employees have increased compared to 2018, with a total increase of 16%, almost entirely due to the effort made in Spain in this area, as it has doubled the amount allocated to these items.

Of particular note is the retirement savings of SFL employees in France. In 2019, a standard contribution of 400 euros per employee was granted to PERCO (pension system), in addition to the contribution resulting from voluntary payments, set at a maximum amount of 4,500 euros a year. This is supplemented by other benefits such as a time savings account providing for the monetisation of unused holiday time and its transfer to PERECO (PER d'entreprise Collectif, replacing PERCO) universal service vouchers financed in full by the company and its works council, and the employer's participation in the financing of catering costs (restaurant vouchers and/or inter-company restaurant).

9.2.4 Workers' representatives

Both in Spain and in France, they have a representative body for employees in accordance with the law. This body is in a position to collaborate in the circumstances that arise from the needs and concerns that the employees of each company may have.

Colonial's Works Council is composed of 6 members, of which 5 belong to the Barcelona offices and 1 to the Madrid offices. During 2019, a total of 6 ordinary working meetings were held and 3 with the Human Resources Department. The main topics discussed, in addition to the ordinary operation of the Company and the Committee, were related to the Control of the working day, elections, outsourcing of payroll, Equality Plan, Incentive Plan, development of the team and Team Building.

SFL's representative body, the Unified Employee Delegation, has a total of eight members representing the company's various departments. The purpose of the delegation is to address employees' priorities in the working environment, such as the promotion of an optimal working environment, the making of proposals for changes in this area and their official communication so that these can be included in the collective bargaining agreement.

- **% of employees covered by the Collective Bargaining Agreement**

	2019	2018
Spain	98%	98%
France	100%	100%
Group	**99%**	**99%**

9.3. Diversity, equity and equal opportunities

Colonial's relationship with its employees and that between its employees is based on mutual respect, equal treatment and opportunities.

In line with its Code of Ethics and the Sustainable Development Goals (SDGs), the Colonial Group rejects any type of discrimination on the basis of the personal, physical or social circumstances of its employees. It also promotes equal treatment between men and women with regard to access to employment, training, promotion and working conditions. Colonial is working to adopt a policy against all types of discrimination and formalising diversity management measures in 2021.

In 2019, the Colonial Group has continued to work on the implementation of various actions aimed at guaranteeing equal treatment in all phases of the employment relationship. Within the framework of the ESG Strategic Plan, the Colonial Group has defined the following commitments in this area:

> Strive to obtain, as far as possible, the same number of male and female candidates in selection processes.

> Promote greater staff diversity (gender, age, origin...) in all professional categories.

> Favour, as far as possible, the hiring of people with disabilities; as well as to collaborate with organisations that promote access to the labour market for this group.

> Ensure equal access to training opportunities for women and men.

> Place paternity and maternity rights on an equal footing with the aim of protecting the interest of new-borns and children.

> Define the training activities necessary to encourage the return to the company of employees who return to work after taking leave related to the birth of a baby.

> Ensure that salary differences are due to performance, contribution, knowledge and impact on the organisation.

■ SDG 5: GENDER EQUALITY / SDG 10: REDUCE INEQUALITY

	Performance of Indicators		
	2018	2019	Var.
In line with its Code of Ethics, the Colonial Group rejects any type of discrimination on the basis of the personal, physical or social circumstances of its employees. It also promotes equal treatment between men and women with regard to access to employment, training, promotion and working conditions.	60% women in the Group	61% women in the Group	+1 pp
Strategies / lines of action > Promote greater staff diversity (gender, age, origin...) in all professional categories. > Ensure that women and men have equal access to training opportunities and that salary differences are due to performance, contribution, knowledge and impact on the organisation. > Place paternity and maternity rights on an equal footing with the aim of protecting the interest of new-borns and children.	10% women on the Board	23% women on the Board	+13 pp

These commitments have been transformed into specific actions during 2019:

I. EQUALITY PLAN

In November 2019 the Colonial Group signed the Commitment to the Equality Plan. The first step in the development of the Plan has been the establishment of the Equality Committee which, throughout 2020, will design the Plan under a negotiating partnership between worker and company representatives. The objective of this Plan is to include all the measures adopted to promote equal treatment and opportunities between men and women, the management of diversity, measures aimed at making sure there is a work-life balance and promoting the co-responsibility of both parents among the employees of the Colonial Group.

In December 2017 in France, SFL negotiated and finalised an agreement on professional equality between men and women for the next three years, finalising a series of measures with objectives and progress indicators in three specific areas: recruitment and access to employment, professional promotion through vocational training and actual remuneration.

II. WORK-LIFE BALANCE MEASURES

One of the main measures to promote equality is to facilitate parental work-life balance. In that sense, Colonial is a **Baby Friendly Company** in the bronze category and meets all its requirements and responsibilities. In 2019, 14 people took leave related to a new-born baby in the organisation, 10 women and 4 men. In Spain, 100% of the people who took leave have returned to work and are still at Colonial 12 months later.

Colonial Group has continued to work on the implementation of procedures and tools that allow for a work-life balance and for its professionals to disconnect from their jobs. In this regard, the organisation ensures that the following requirements are met:

> Offer reasonable schedules that allow the employee to have a work-life balance.

> Non-discrimination due to being parents.

> Convey support and joy upon the announcement of future parenthood. It's a celebration of life!

> Give a gift to the employee when the baby is born.

> Provide information to employees about their legal processes and rights due to paternity/maternity.

> Be flexible regarding the reality that each employee faces in his or her new parental situation.

> Show flexibility in dealing with paediatricians, medical emergencies and school meetings.

> Support their job growth without gender discrimination, but especially for women who have children and want to grow in their role.

> Respect the type of leave your employees choose: maternal, paternal or shared.

> Innovate by giving new parents the tools to develop and improve their parenting skills.

III. GENDER DIVERSITY

As previously mentioned, the Colonial Group encourages gender diversity at all levels of the workforce, as well as in the initiatives carried out by human resources management. In this regard, not only is the recruitment and promotion of women encouraged, but professional development is as well.

In SFL, during 2019, women who benefited from at least one training activity during the year represent more than 60% with an average duration of 22 hours (27 hours for men). Taking into account the average workforce as at 31 December 2019, the rates of access to vocational training were 95% for men and 93% for women.

In France, as part of the annual negotiation on wages, a report was made in 2019 to discuss the wage gap between men and women. The parties noted the absence of any form of discrimination based on gender and called for the need to respect the principle of equal pay when allocating individual raises. Between 2018 and 2019, women's base pay (excluding variables) increased on average by 3.68% with a permanent workforce compared to 2.55% for men.

IV. AGE DIVERSITY

Colonial is committed to respecting the principle of non-discrimination based on the age of its employees, since 28% of its staff is over 50, and only 19% is under 30. At SFL, the average age within the company is 44: As of 31 December 2019, employees aged 45 or over accounted for 51% of the workforce, and less than a quarter for those under 35 (23%).

V. DIVERSITY OF SKILLS

Colonial has 1% of its staff with disabilities. In addition, it seeks to collaborate with initiatives and organisations that promote a diversity of skills.

In addition, as part of its policy to support the professional integration of workers with disabilities, SFL renewed its financial support in 2019 for the implementation of activities from ADAPT (Association for the Social and Professional Integration of People with Disabilities). The support is part of an annual grant and an allocation of a portion of its apprenticeship tax for the year in question.

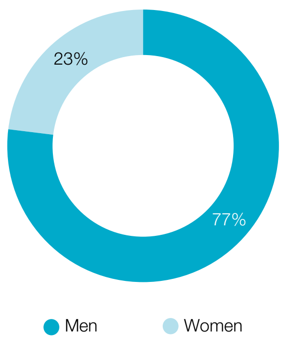
SFL also requested the services of the company ANRH, a company which is included in the category of establishments and labour assistance services (ESAT). In addition, it also subscribed to the ARPEJEH association, which aims to promote the training, qualification and employment of people with disabilities by supporting students between the ages of 15 and 30 in their training course and the building of their professional career.

The following table presents the gender diversity in the Colonial Group in detail by different labour groups:

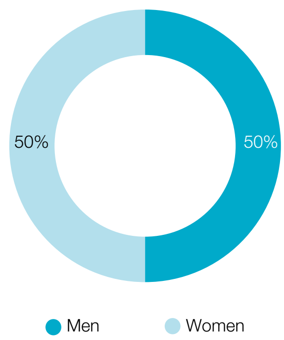
	2019				2018			
	Women		Men		Women		Men	
	No.	%	No.	%	No.	%	No.	%
Board of Directors	3	23%	10	77%	1	9%	10	91%
Colonial Management Committee(1)	4	50%	4	50%	4	50%	4	50%
Group Managers(2)	62	51%	60	49%	34	53%	30	47%
Rest of the staff(3)	80	71%	32	29%	79	72%	30	28%

(1) Members of the Management Committee excluding the Chairman.
(2) Includes General Managers and heads of department, graduate technicians and intermediate managers.
(3) Includes administrative and others.

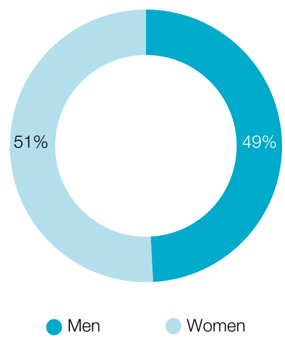
Board of Directors



Colonial Management Committee



Group Managers



9.4. Health, safety and welfare

9.4.1 Health and safety

In order to provide a safe and stable environment for its professionals, the Colonial Group applies current Health and Safety regulations and has occupational risk prevention measures in place to prevent and reduce the risk of any incidents.

In Spain, Colonial has a Health and Safety Committee, made up of four people (two representing the company's management, and another two representing employees) representing 100% of the organisation's staff. This Committee ensures the correct application of safety measures and the prevention of occupational risks, while guaranteeing a healthy working environment.

In the case of France, SFL has adopted, as part of its human resources policy, the Colonial Group's commitment to the health and safety of its professionals. In this sense, following the comprehensive reflection on the optimisation of quality of life at work carried out in 2017, the company has set itself the objective of renewing the Working Life Quality (QVT) survey at least every two years, in order to identify possible points for improvement in this area.

The Colonial Group, in its commitment to the safety of its employees, monitors the main indicators in this area. As 3 accidents were recorded during 2019 in the Group, the frequency rate is 1.6 calculated per 200,000 hours worked.

Accident rate

	2019	2018
Accidents	3	0
Commuting (*in itinere*) accidents	5	0
Frequency rate(1)	1.6	0
Frequency rate of accidents with serious consequences	0	0
Severity rate(1)	72.1	0

(1) Calculated per 200,000 hours worked.

In the same period, no occupational diseases were recorded, a result which reinforces the approach to preventing psychosocial risks and improving quality of life at work.

Finally, the absence rate has increased up to 2.8% in 2019, compared to 1.2% in 2018. The total number of absence hours for the Group in 2019 was 10,419.

Absences

	2019	2018(1)	Change
Number of absence hours	10,419	1,944	8,475
Absence rate	2.8%	1.2%	1.6 pp

(1) 2018 data only considers Colonial Spain.

SDG 3: HEALTH AND WELLBEING

	Performance of Indicators		
	2018	2019	Var.
Colonial is committed to ensuring, above and beyond the safety of its employees, their health and well-being. Being ambitious with measures above and beyond what is legally required, Colonial seeks to create environments and facilities that add to healthy living in and out of work for its teams.	0 incidents of non-compliance related to health and safety	0 incidents of non-compliance related to health and safety	0%
Strategies / lines of action > Training in Occupational Risk Prevention > Medical check-ups > Measures in welfare: flexible working hours, ergonomic spaces, Mindfulness workshops, etc.	0 accidents	3 accidents	+3 accidents

9.4.2 Demands above the legal requirements

In line with the commitment to ensure the well-being of its employees, the Group takes its commitment beyond just its own staff, carrying out health and safety assessments on all its assets with the aim of avoiding risks before they can materialise. In 2019, 99% of the Group's assets were assessed for health and safety, a 5 percentage point improvement over 2017. This year, 100% in Spain and 93% in France of assets were subject to at least one such assessment.

Along this same line, with the commitment to provide the best working conditions to both workers and clients, the Colonial Group goes beyond the legal requirements, promoting a series of initiatives to make its buildings healthier, and thus reduce the risk of contamination, with an impact on both people and the environment. Best practices include the following:

> Disposal of materials and products containing asbestos.

> Establishment of lead exposure risk assessments before work is carried out.

> Removal of PCB transformers.

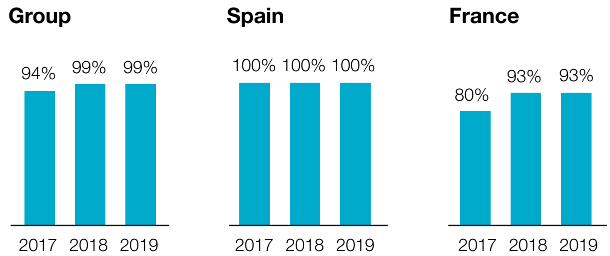
> Disposal of all equipment containing HCFC refrigerants, especially R22.

> Removal of fuel boilers.

> Studies of replacement of open cooling towers to avoid risks of legionella.

> Analysis twice a year of legionella in domestic hot water.

% of assets that are assessed for health and safety risks



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Incidents of non-compliance related to health and safety

9.4.3 Well-being

The Colonial Group believes that the well-being of its employees is an essential aspect of ensuring the sustainability of the business and offering the best services to its clients. Therefore, as part of "Colonial te Cuida" (Colonial Cares for You), the Group has undertaken a series of initiatives in 2019 with the aim of improving the well-being of its employees.

I. PROMOTING HEALTHY DIETS

Colonial has made juicers and cold-press blenders available to all employees and collaborators, so they can enjoy the weekly deliveries of organic fruit to our spaces and therefore seek the healthiest breakfast. The kitchens are perfectly equipped with everything required for a nice breakfast and lunch. Coffee lovers have some coffee makers with ground coffee and coffee capsules. For those who want an alternative to coffee, a range of teas and infusions are available.

II. FACILITATING WELL-BEING SPACES

At Colonial we listen, react and strive to create healthy habits in open spaces and with natural light. Standard building terraces provide the opportunity to enjoy the benefits of natural light and sunshine by increasing our mood and energy levels. The spacious multi-purpose rooms are prepared for coaching, yoga, relaxation and postural training sessions, projects on which work is currently underway. Well-being at work is key to sustainable health.

III. ENCOURAGING PHYSICAL ACTIVITY

One of the highlights was Colonial's participation in the Business Race held in Madrid on 15 December 2019, in which 1% of the workforce took part. Colonial subsidised the bibs of the runners in this sporting event made up of teams of runners, all belonging to the Colonial and Utopicus teams. Following this first good approach, Colonial & Utopicus have created a training programme, suggested diet guidelines and a proposal of races in which to participate, in Madrid and Barcelona, where employees sponsored by the Colonial Group will run.

In addition, since 2017, all Colonial employees have been given access to a wide network of gyms (1,600 throughout Spain and more than 50,000 worldwide) through a collaborative app. This initiative has been well received by collaborators, registrations have continued to increase and more memberships are expected with very favourable prices for employees and their families.

IV. "COLONIAL TE CUIDA" (COLONIAL CARES FOR YOU) – 2020 GOALS

Happiness is a state of mind that helps to empower and develop skills and talents.

Colonial wants to embrace a life philosophy through meditation and relaxation where we learn to observe and listen to our body and our mind in order to better control stress, anxiety and thereby reduce problems with insomnia, improve interpersonal relationships, increase attention spans and develop emotional intelligence.

Colonial offers an annual programme of activities and actions through the "Colonial te Cuida" (Colonial Cares for You) website, the new design of which will be presented to the Team at the beginning of 2020. The aim is to use and take advantage of this valuable tool that keeps employees up to date on the prevention of some common ailments, nutritional advice and provides key examples with the goal of putting more emphasis on health, nutrition and well-being at work.

New and diverse initiatives aimed at improving productivity and quality of life will be promoted:

> Mindfulness Workshops.

> Running club

> Seminars on stress management.

At the end of 2020, we intend to evaluate the results obtained from all these actions.

9.5. Human Rights

Colonial wants to base its development and growth on the basic principles of human rights, integrity and transparency. This is why in 2019 it became a signatory of the United Nations Global Compact, supporting the ten 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.

Human Rights

> Principle 1. Colonial must support and respect the protection of internationally recognised fundamental human rights within its sphere of influence.

> Principle 2. Colonial must ensure that its companies are not involved in human rights abuses.

Environment

> Principle 7. Colonial should have a preventive approach that favours the environment.

> Principle 8. Colonial must encourage initiatives that promote increased environmental responsibility.

> Principle 9. Colonial must encourage the development and diffusion of environmentally friendly technologies.

Labour regulations

> Principle 3. Colonial must support freedom of association and the effective recognition of the right to collective bargaining.

> Principle 4. Colonial must support the elimination of all forms of forced or compulsory labour.

> Principle 5. Colonial must support the eradication of child labour.

> Principle 6. Colonial must support the abolition of discriminatory practices in employment and occupation.

Anti-corruption

> Principle 10. Colonial must work against corruption in all its forms, including extortion and bribery.

Colonial through its Code of Ethics, applicable to the entire group, is committed to maintaining a work environment free of any discrimination based on gender, race, sexual orientation, religious beliefs, political opinions, nationality, social background, disability or any other personal, social or physical condition of its professionals.

Likewise, any display of violence, abuse of authority or any type of harassment, whether physical, psychological or in the workplace, is expressly prohibited, as well as any other conduct that could lead to an intimidating, offensive or hostile working environment for people.

Similarly, the Group undertakes to respect the laws in force both nationally and internationally in all the countries in which it operates. This ensures compliance with labour regulations, allowing freedom of association and the right to collective bargaining, while eliminating all forms of forced and child labour. Colonial extends these commitments to its entire supply chain.

In the area of corruption, the Group categorically rejects practices related to improper payments, gifts, handouts or favours that are outside the uses of the market or that may alter the development of commercial, administrative or professional relationships in which the Group may be involved.

EPRA Table Social Indicators

Indicator	EPRA Code	Scope	Unit of measurement			2018	2019
Gender diversity	Diversity-Emp	Corporate operations	% of employees	Managers	M	67%	62%
					W	33%	38%
				Technical graduates	M	46%	47%
					W	54%	53%
				Office clerks	M	30%	29%
					W	70%	71%
Remuneration by gender	Diversity-Pay	Corporate operations	Ratio(1)	Managers		–5%	–3%
				Technical graduates		20%	22%
				Office clerks		14%	11%
Training and development	Emp-Training	Corporate operations	Average hours			16.8	29.0
			Average hours women			19.2	23.7
			Average hours men			13.1	37.1
			General directions			8.3	99.1
			Technical graduates and middle managers			17.7	13.8
			Office clerks			17.9	25.0
Performance evaluations	Emp-Dev	Corporate operations	% of total staff			32%	32%
New recruits	Emp-Turnover	Corporate operations	Total number			64	76
		Corporate operations	Ratio			32.0%	32.5%
Turnover		Corporate operations	Total number			14	16
		Corporate operations	Ratio(2)			12.7	9.0%
Accident rate	H&S-Emp	Corporate operations	Per 200,000 hours worked			0	1.6
Lost days index		Corporate operations	Per 200,000 hours worked			0	72.1
Absence rate		Corporate operations	Ratio			1.2%	2.8%
Number of fatal accidents		Corporate operations	Total number			0	0
Health and Safety Impact Assessments	H&S-Asset	Office portfolio	% of properties			99%	99%
		Residential portfolio				N/A	N/A
Number of defaults	H&S-Comp	Office portfolio	Total number			0	0
		Residential portfolio				N/A	N/A

(1) Includes only Colonial.
(2) Without Utopicus, 2018 has been recalculated, following the 2019 methodology.


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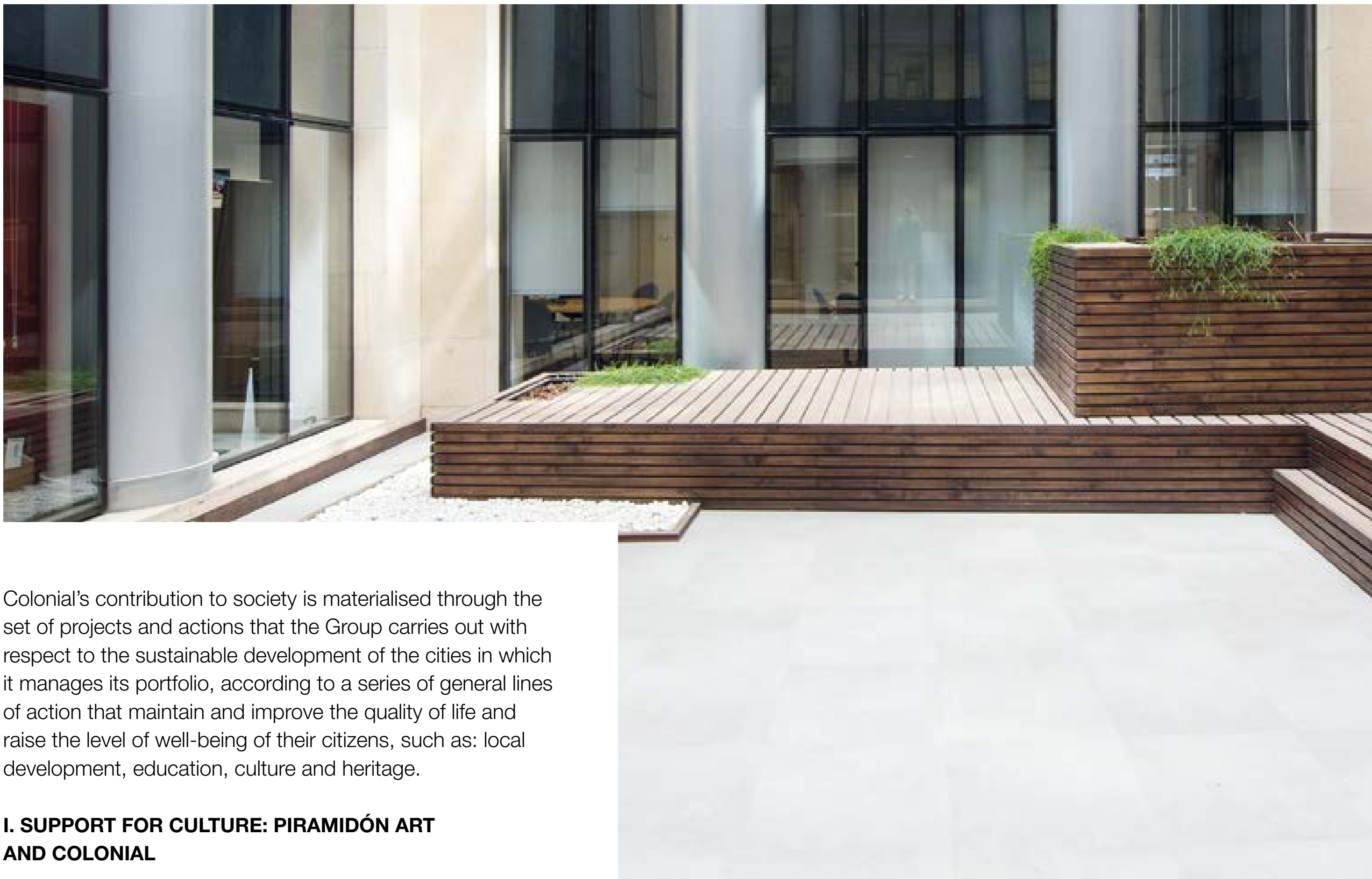
10 Social contribution



Colonial's contribution to society is materialised through the set of projects and actions that the Group carries out with respect to the sustainable development of the cities in which it manages its portfolio, according to a series of general lines of action that maintain and improve the quality of life and raise the level of well-being of their citizens, such as: local development, education, culture and heritage.

I. SUPPORT FOR CULTURE: PIRAMIDÓN ART AND COLONIAL

As a result of Colonial's interest and sensitivity for art, a collaborative relationship with Piramidón Centre d'Art Contemporani has emerged, with the aim of uniting artistic practice and business activity in order to give visibility to creativity. Colonial has established a standing partnership with Piramidón, installing works of art in the common areas of its buildings, bringing well-being and beauty to the users of these buildings.

Piramidón is a space created in 1990 with the aim of providing the necessary infrastructure for the development of artists' work and investigation. A hybrid space between a factory of creation and an art gallery, Piramidón merges the production of art with the dissemination, exhibition and sale of works of art.

Currently, the buildings with its works are Castellana 52 and José Abascal 45, in Madrid. In addition, Illacuna and Ciutat de Granada 150, in Barcelona, are underway.

PIRAMIDÓN
CENTRE D'ART
CONTEMPORANI

II. SUPPORT FOR EDUCATION: COLLABORATION WITH UNIVERSITIES

The CEO, the Corporate Director and the Human Resources Director received two ESADE scholarship students in April 2019. In November, Colonial participated in the ESADE conference "The Challenge of the Energy Transition and the Circular Economy". In addition, our Corporate Director hosted IESE students at Barcelona MBA Day organised by Barcelona Global, in October. These meetings seek to empower young talent in search of professional challenges and to share the experience of our professionals, who can give advice for their careers and introduce them to the real estate sector.

III. SUPPORT FOR ARCHITECTURE: PAVILLON DE L'ARSENAL

Support by SFL for the Pavillon de l'Arsenal, an information, documentation and exhibition centre for architecture and urban planning in Paris. The aim of this association is to contribute to the influence and dissemination of urban and architectural knowledge of Paris and its metropolis to all

audiences. These objectives are very consistent with the history of SFL, which is deeply rooted in the development of Parisian urban planning since the late 19th century.

IV. SUPPORT FOR ARCHITECTURE: FONDATION PALLADIO

SFL has been a sponsor of the Palladio Foundation for six years. It was created in 2008 and brings together companies from the real estate sector to foster discussion on urban planning.

During 2019 SFL has supported the Foundation's desire to create the conditions so that each actor in the real estate and urban sector is even better able to respond to the great challenges of today and tomorrow.

V. FOULÉES DE L'IMMOBILIER

SFL brought together a team of runners who participated in the 2019 edition of Les Foulées de l'Immobilier. This race is organised by the students of the Master in Real Estate Management of the Paris Dauphine University for the benefit of the Dauphine Foundation as part of its Equal Opportunities Program. The proceeds of this event are used to finance scholarships that enable students of the program to find accommodation.

VI. CLIMATE CHANGE AWARENESS

From this year, three buildings of the Colonial portfolio (and two more being designed) 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 to a new future that redefines our relationship with the Earth.

The aim is to use the large number of users who cross the building lobbies every day as platforms for raising awareness and disseminating information on climate change.

Currently, this initiative has been implemented in the Diagonal 615 and Torre Marenostrum buildings in Barcelona and in Ribera del Loira 34 in Madrid. In addition, Miguel Ángel 23 and Ortega y Gasset 100 are in the pipeline in Madrid.

VII. PROPTECH UNCONFERENCE MADRID 2019

As a bronze sponsor, Colonial took on the sponsorship of PropTech Unconference Madrid 2019, hosting it at the facilities of The Window Building (Utopicus auditorium). This was another edition of the sectorial meeting of the most outstanding fintech start ups grouped together in the ecosystem thriving under the umbrella of the Finnovating accelerator in the Utopicus coworking of The Window Building itself.

PropTech Unconference Madrid 2019

VIII. SFL PARTNER OF ADAPT AND MEMBER OF ARPEJEH

SFL, as part of its commitment to the social integration of workers with disabilities, contributed to the European Disability Employment Week organised by ADAPT, to which it contributes through an annual grant.

Also, in 2019 it became a member of the association ARPEJEH, with the aim of fostering the training, qualification and employment of people with disabilities by supporting students between the ages of 15 and 30.

IX. COMMITMENT TO LOCAL COMMUNITIES

Dialogue and consultation are at the heart of SFL's strategy, conducting participatory processes with the local community before carrying out building renovations. The most recent example of this commitment is the Biome restructuring project, where SFL involved the local community through 10 meetings with district officials, neighbours and the Paris city council in which the project and its progress were presented taking into account the complaints of local residents. Local authorities are also systematically involved through the elected district representatives. This project represents the 1,8% of the total portfolio in terms of value.

Channels of information and communication have also been established so that local residents can follow the development of the project and the progress of the workplace, such as a website or the creation of a physical space to present the project at each location.

This consultation format has allowed the project to evolve, as the programme has been revised with the input of the local community to create housing (700 sq m), a work space open to the neighbourhood, a business centre equipped with an amphitheatre and meeting rooms that can be used by the principle neighbourhood users and a landscaped botanical garden in the heart of the block.

This commitment also includes encouraging local employment via agreements with contractors for new projects where, as part of the contract, the contractor agrees to carry out an action to integrate unemployed persons from the local community into the workforce, occupying up to 5% of the planned hours.

X. ASSOCIATIONS, DONATIONS AND SPONSORSHIPS

Associations

The Colonial Group has collaborated with various organisations and associations in order to stay informed of the main developments in the real estate sector and to understand the needs of the company's stakeholders. Some examples:

> The **European Public Real Estate Association (EPRA)** is the main non-profit association with the mission of promoting, developing and representing the European real estate industry, bringing together companies, investors and suppliers.

> **GRESB** is an organisation that specialises in evaluating the sustainability performance of real estate and infrastructure sector portfolios and assets throughout the world.

> For 20 years, the **GRI Club** has been promoting relations between the leaders of the real estate and infrastructure sectors.

> The **Urban Land Institute (ULI)** is the oldest and largest network of real estate and land use experts in the world.

Donations

Colonial contributes financially to various social initiatives of local associations and foundations such as:

Entity	Concept	Amount
CITpax	CITPax-Colonial 2019-20 Agreement	€20,000
Fundació ESADE	Beca Esade 2019	€25,000
Fundació Princesa de Girona	2019 Donation Aid exchange	€34,200
Fundació Paideia	2019 Donation	€3,400
URL - Universidad Ramon Llull	2019 Donation	€12,000
Universidad de Navarra - IESE	IESE Agreement	€18,000
World Nature Foundation	2019 Donation	€1,000
		€113,600

Sponsorships

Entity	Description	Amount
Asoc. de Antiguos Alumnos ESADE	Patrocinio Club Inmobiliario 12018/19	€10,660
LECE_European League for Economic Cooperation		€1,500
Consorci Zf Internacional	Sponsorship Meeting point 2019	€28,000
EPRA	Sponsorship of 2019 annual conference	€20,000
Iberian Property	Patrocio Iberian Reit Conference 2019	€4,000
		€64,160

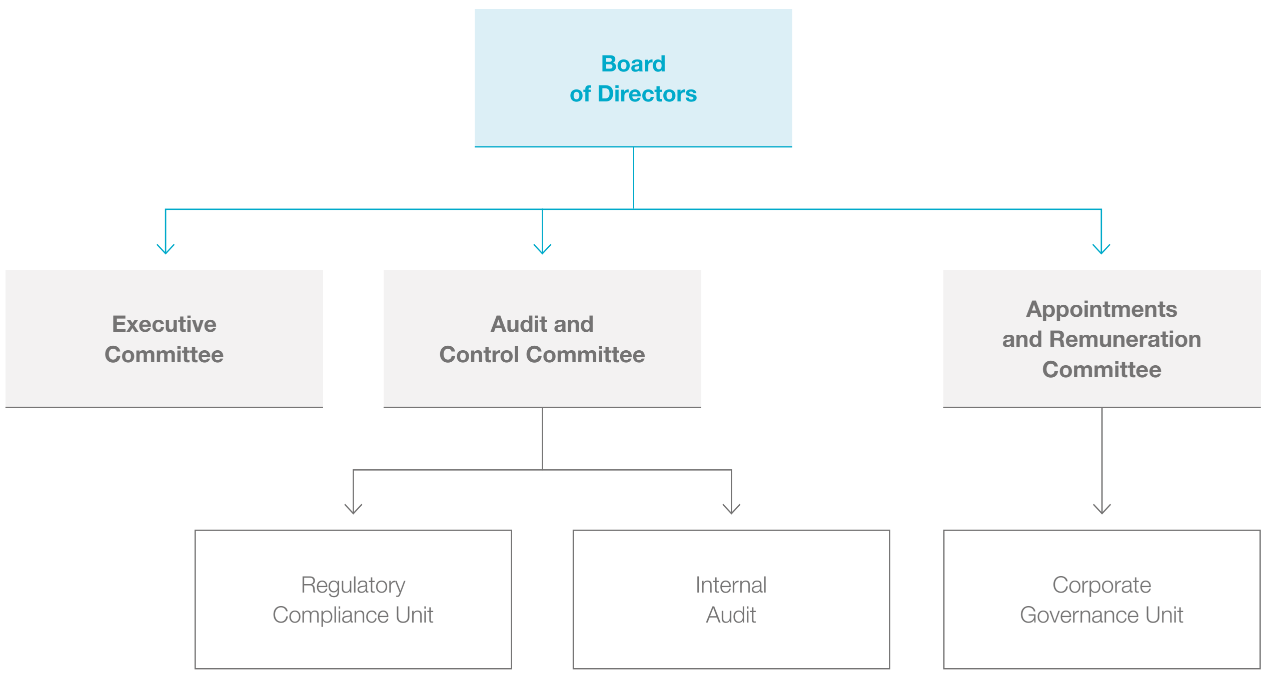

11

11 Governance

11.1. Corporate Governance Structure

I. Corporate Governance Structure

One of the essential pillars for the sustainability of the Colonial Group is to ensure compliance with the best practices of corporate governance. First, this is conveyed in the organisational structure of the company and the group and second, it is included in internal decision-making procedures. In relation to the first of the above-mentioned aspects and with specific competencies in this area, Colonial has a Corporate Governance Unit which, reporting directly to Colonial Group's Appointments and Remuneration Committee, advises and proposes to that Committee the actions required to maintain the Company's corporate governance in line with the best national and international practices and recommendations. Likewise, with regard to internal decision-making procedures, Colonial has a Code of Ethics that sets out the principles of action of the Colonial Group. These principles of action have been developed through different policies whose application is materialised through different internal procedures reviewed by the Internal Audit Department.



■ ODS 16: PEACE, JUSTICE AND STRONG INSTITUTIONS

	Performance of Indicators		
	2018	2019	Change
Colonial understands its role as a company in contributing to SDG 16 through its ambition to lead in good governance, transparency and corruption prevention.	36% independent directors	46% independent directors	+10 pp
Strategies/lines of action > Board Update Plan	9% women on the Board	23% women on the Board	+14 pp

At 31 December 2019, of the total 64 recommendations of the Good Governance Code for listed companies, the company complied with practically all of those applicable to it, specifically 59 recommendations, while three were not applicable to it due to the characteristics of the company itself, and two were not complied with. With regard to the latter, although the percentage of independent directors falls short of the level of 50% of the board of directors established by the recommendation, taking into account the current shareholding structure of the company, it is considered that the representation of this type of director is adequate, so that all interests are duly represented on the governing body. With regard to the other unfulfilled recommendation, the company considers that, taking into account its current structure, in particular, the number of employees and managers, as well as its organisation and activity, it is advisable to maintain one appointments and remuneration committee, instead of having a separate appointments committee and a remuneration committee.

Without prejudice to the recognition received in recent years in the area of corporate governance, particularly by MSCI with a grade of AA, which is among the highest internationally and a significant improvement in governance, the Company continues to evolve in order to confirm its position as a reference in this area. In this regard, improvements have continued to be made in 2019, including the approval of a new policy for the selection and diversity of directors and the promotion of the training and refresher plan for directors.

II. General Shareholders' Meeting

The General Shareholders' Meeting is the meeting of Colonial's shareholders in compliance with the formalities and requirements established by law, to deliberate and decide by majority vote on matters within their competence, thus expressing the corporate will in the form of an resolution. For this purpose, the formalities, requirements and powers are regulated by Royal Legislative Decree 1/2010, of 2 July, which approves the revised text of the Spanish Limited Liability Companies Law (LSC), in the **Bylaws** and the **Regulations of the General Meeting of Shareholders**. The latter are available to the public on the Colonial website.

The system for adopting resolutions is set out in the Articles of Association, although there are no differences from the system provided for in the Spanish Limited Liability Companies Law.

As regards 2019, the General Meeting of Shareholders was held on 14 June and approved all the resolutions that the Board of Directors agreed to submit for its approval. The corporate website contains both the **proposed resolutions** and the **outcome of the votes**.

Colonial guarantees, at all times, the equal treatment of all shareholders who are in the same position, especially with regard to information, participation and the exercise of voting rights at the Meeting.

III. Board of Directors

The **Board of Directors of Inmobiliaria Colonial**, in accordance with the Company's Bylaws, is vested with the broadest powers for all matters related to the administration, representation and management of the Company, with all the powers not attributed by the Law or by the Bylaws held by the General Meeting of Shareholders.

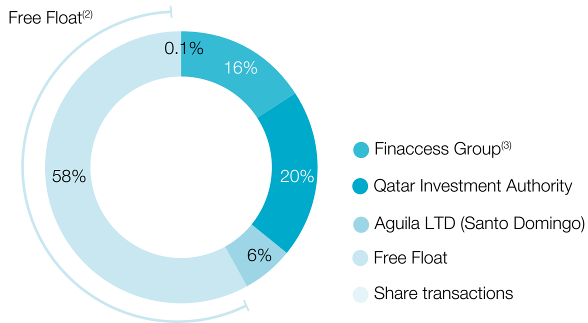
By virtue of the foregoing, the Regulations of the Board of Directors establish that the Board of Directors is responsible, without delegation thereof allowed, for determining the general policies and strategies of the Company, including the corporate social responsibility policy; for approval of the investment and financing policy, the strategic or business plan, the annual management objectives and budgets and the policy regarding treasury stock, as well as determining the corporate governance policy of the Company and the Group and the dividend policy. Further, the Board of Directors shall determine the risk control and management policy, including tax policies, identifying the main risks of the Company and implementing and supervising the internal information and control systems, in order to ensure future viability and competitiveness of the Company, adopting the most relevant decisions for its best development.

In the exercise of its functions, the Board acts with unity of purpose and independence of criteria, treating all shareholders in the same position equally and guided by the corporate interest, understood as the achievement of a profitable and sustainable business in the long term, which promotes its continuity and the maximisation of the economic value of the Company. Likewise, in the pursuit of the corporate interest, in addition to respect for laws and regulations and conduct based on good faith, ethics and respect for commonly accepted customs and good practices, the Board of Directors seeks to reconcile its own corporate interest with the legitimate interests of its employees, suppliers, customers and any other affected stakeholders, as well as the impact of the Company's activities on the community as a whole and on the environment.

As regards the composition of the Board of Directors, as well as the procedure for appointing its members, the evaluation of their performance and the proposals and measures for improvement in the management and administration of the Company, these are determined by the very functions attributed to it, as well as by the legal and statutory provisions.

IV. Shareholder Structure

Shareholder Structure at 31/12/2019(1)



(1) Data according to communications to the CNMV and communications received by the company.
(2) Free float: shareholders with minority interest and without representation on the Board of Directors.
(3) Through Hofinac BV, Finaccess Capital, S.A. de C.V. and Financcess Capital Inversores, S.L.

11.2. Board of Directors

I. Composition of the Board of Directors

As laid down in current law, directors are designated by the Annual General Meeting or in the event of an early vacancy, by the Board of Directors in the exercise of its powers of co-option. In accordance with the foregoing, the procedure and criteria to be followed in the appointment and re-election of candidates to the Board of Directors is subject to the provisions of Royal Legislative Decree 1/2010, of 2 July, which approves the consolidated text of the Spanish Limited Liability Companies Law (LSC), the Articles of Association and the Regulations of the Board of Directors.

I.I DIVERSITY AND COMPETENCIES OF MEMBERS OF THE BOARD OF DIRECTORS.

The appointment or re-election of candidates to the Board of Directors will be made in compliance with the **Selection and Diversity Policy** of Colonial, in this regard, as provided in the Policy itself, the Board of Directors shall ensure that it is observed in the processes of selection of directors for appointment by co-option, as well as in the proposals for appointment for approval by the General Shareholders' Meeting. Likewise, the Appointments and Remuneration Committee shall take the Policy into account when preparing the mandatory reports on the appointment of executive and proprietary directors, as well as in proposals for the appointment of independent directors.

Colonial's Selection and Diversity Policy is based on the principles of diversity, and for the composition of the Board of Directors takes into account criteria such as diversity of gender, skills, nationality and non-discrimination, as well as the principles of balance, all with the general objective of providing this social body with working effectiveness and professionality as well as increasing the quality of the company's management. In this sense, the Company, in the process of selection or re-election of the candidates to the Board of Directors, will be guided by the purpose of reaching an adequate balance in the Board of Directors in the best interest of the Company.

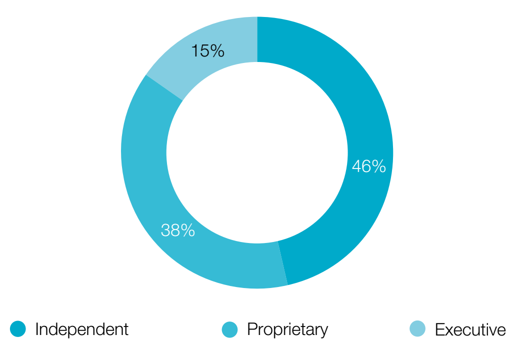
In accordance with foregoing, the selection of candidates will require a prior analysis of the company's needs, which will be carried out by the Board of Directors based on a report by the Appointments and Remuneration Committee. In this process, individuals will be sought who meet the requirements of professional and personal qualifications and honesty, as well as capacity, set out in the Selection and Diversity Policy. Once these requirements have been met, the selection process will undertake to ensure diversity (of age, gender, education, nationality, etc.) as well as general professional suitability and experience in the composition of the Board of Directors.

The matrix of competencies of the members of the Board of Directors is included below:

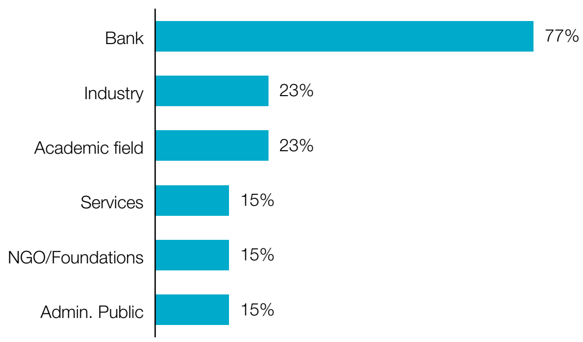
Competency Matrix of the Board of Directors of Inmobiliaria Colonial, SOCIMI, S.A.

Name	Title	Real Estate	Internat.	Managem. and admnist.	Finance	Audit and risks	ESG	Corporate Govern.	Legal and tax	Planning and strategy
J. J. Brugera Chairman	Executive	●	●	●				●		●
P. Viñolas CD and VP	Executive	●	●	●	●		●	●		●
Sheikh Ali Jassim	Proprietary	●	●	●	●			●		●
A. Mousannif	Proprietary	●	●	●	●			●	●	●
J. C. García	Proprietary	●	●	●	●			●	●	●
C. Fernández	Proprietary	●	●	●	●	●	●	●	●	●
J. López	Proprietary	●	●	●	●	●	●	●	●	●
S. Alonso Castrillo	Independ.	●	●	●			●	●	●	●
C. Fernández-Lerga	Independ.	●	●			●	●	●	●	
J. Iglesias de Ussel	Independ.	●	●	●	●	●				
L. Maluquer	Independ.	●	●			●		●	●	●
A. Bolado	Independ.	●	●	●	●	●		●		●
A. Peralta	Independ.			●	●	●		●		●

Type

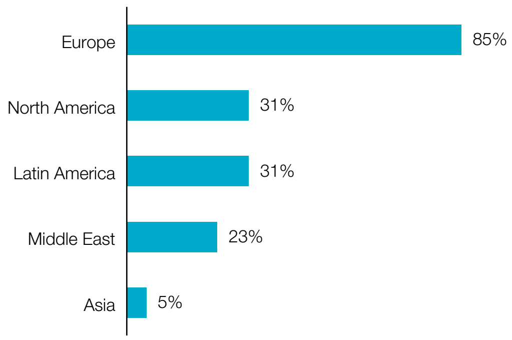


Professional experience



Knowledge

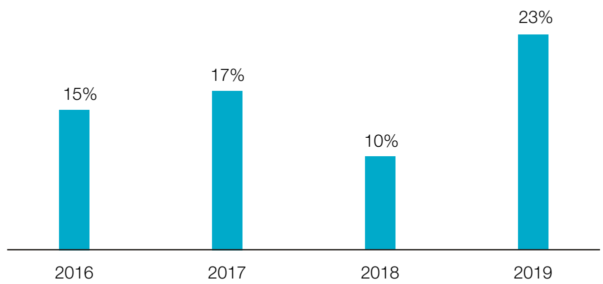
International experience



7 different nationalities on the Board

6.3 years of average length of service

Women on the Board



In relation to diversity, Colonial's objectives include the monitoring of international standards and recommendations for good governance of listed companies, including those relating to the strengthening of the presence of female directors on the Board of Directors. Pursuant to this objective, the Board of Directors agreed to submit the proposal for the ratification and appointment of Ms Silvia Mónica Alonso-Castrillo Allain, as well as the appointment of Ms Ana Peralta Moreno and Ms Ana Bolado Valle, all of them as Independent Directors, for the statutory period of four years, to the 2019 Ordinary General Meeting of Shareholders for approval.

These proposals were approved by the Ordinary General Meeting and as a result of these appointments the number of independent directors has increased to a total of six, as the category of directors most represented on the Board of Directors, and the number of women on the Board of Directors has tripled. In percentage terms the percentage of independent directors has increased from 36% to 46% of the total Board of Directors, as the most represented category in the board. Likewise, the total number of female directors accounts for 50% of the total number of the Company's independent directors.

Likewise, within the objectives of the Policy, the appointment of directors is expected to conform the general criteria on the composition of the Board of Directors, especially that relating to the balance in the presence of executive, proprietary and independent directors, with respect to the principles and recommendations contained in the CBG. In this regard, the recent appointments align with the objectives of the Policy, in which the appointment of directors is expected to conform the general criteria on the composition of the Board of Directors, especially that relating to the balance in the presence of executive, proprietary and independent directors, with respect to the principles and recommendations contained in the CBG.

At present, Colonial has two executive directors who hold the positions of Chairman of the Board of Directors and CEO, the latter of whom is also Vice-chairman of the Board of Directors. The Chairman of the Board of Directors has all the powers set out in the law and in the Regulations of the Board of Directors, as well as broad management powers. The Chief Executive Officer has been delegated with all the powers that may be delegated in accordance with the law and, in his capacity as Vice-chairman, a position he has held since 25 July 2019, he may perform the duties of the Chairman in the latter's absence.

In accordance with the foregoing and in compliance with applicable regulations, insofar as the Chairman of the Board of Directors is an executive director, the Board of Directors has a lead independent director (Mr Carlos Fernández-Lerga Garralda), who is especially empowered to, among other things, call for a meeting of the Board of Directors or for the inclusion of new items on the agenda of a meeting of the Board that has already been called, to coordinate and bring together the non-executive directors and to direct, where appropriate, the periodic evaluation of the Chairman of the Board of Directors.

I.II COMPOSITION OF THE BOARD OF DIRECTORS

As at 31 December 2019, the composition of the Board of Directors of Inmobiliaria Colonial, SOCIMI, S.A. was as follows:

Composition of the Board of Directors at 31/12/2019

Name	Position	Shareholder who proposed their appointment	Years in post
Mr. Juan José Brugera Clavero	Chairman - Executive Director	–	11.5
Mr. Pedro Viñolas Serra	Vice-Chairman and Chief Executive Officer - Executive	–	11.5
Mr. Sheikh Ali Jassim M.J. Al Thani	Proprietary Director	QIA	4.1
Mr. Adnane Mousannif	Proprietary Director	QIA	3.5
Mr. Juan Carlos García Cañizares	Proprietary Director	Aguila LTD	5.5
Mr. Carlos Fernández González	Proprietary Director	Finaccess	3.5
Mr. Javier López Casado	Proprietary Director	Finaccess	1.6
Ms. Ana Peralta Moreno	Independent Director	–	0.5
Ms. Ana Bolado Valle	Independent Director	–	0.5
Ms. Silvia Mónica Alonso-Castrillo Allain	Independent Director	–	0.9
Mr. Carlos Fernández-Lerga Garralda	Independent Director	–	11.5
Mr. Javier Iglesias de Ussel Ordís	Independent Director	–	11.5
Mr. Luis Maluquer Trepat	Independent Director	–	6.4
Mr. Francisco Palá Laguna	Secretary - non-board member	–	11.6
Ms. Nuria Oferil Coll	Vice Secretary - non-board member	–	9.6

The following table shows the percentage of attendance, either in person or represented, of the members of the Board of Directors of Colonial at the meetings of the Board of Directors, the Audit and Control Committee, the Appointments and Remuneration Committee and the Executive Committee during financial year 2019.

Director	Advice	CAC	ARC	Executive C.
J. J. Brugera Clavero	100%	–	–	100%
P. Viñolas Serra	100%	–	–	100%
Sheikh Ali Jassim M.J. Al Thani	100%	–	–	–
Adnane Mousannif	100%	–	87.5%(1)	100%
J. C. García Cañizares	100%	–	100%	100%
Carlos Fernández González	100%	–	–	100%
Javier López Casado	100%	100%	–	–
S. M. Alonso-Castrillo Allain	100%	–	–	–
C. Fernández-Lerga Garralda	100%	100%	100%	100%
J. Iglesias de Ussel Ordís	100%	100%	100%	–
L. Maluquer Trepat	100%	100%	100%	–
A. Bolado Valle	100%	–	100%	–
A. Peralta Moreno	100%	100%	–	–
A. Sainz de Vicuña Bemberg	100%	100%	–	–

(1) Mr. Mousannif attended, in person or represented, all the meetings of the Appointments and Remuneration Committee except, for just cause, one of the eight meetings.

Mr. Carlos Fernández-Lerga and Mr. Javier Iglesias de Ussel, independent Directors of the Company, have stated their willingness to resign as Directors of the Company and, therefore, of the Committees of which they are part, on 30 June 2020 after the Ordinary General Meeting of Shareholders for 2020 has been held as a consequence of having passed the maximum period established by the regulations for a Director to be considered independent.

I.III SCOPE OF ACTION OF THE BOARD OF DIRECTORS

The members of the Board are known to be solvent, competent, experienced and have the professional prestige referred to in Article 9 of the Regulations of the Board of Directors for the performance of their duties and the fulfilment of their objectives. In this regard, the academic and professional profiles of the Directors are available on the Company's corporate website (www.inmocolonial.com). Likewise, the data concerning their holdings in the share capital of Colonial is available on the website of the National Securities Market Commission at the following link: www.cnmv.es.

On the basis of all this, it can be concluded that both the quantitative and qualitative composition of the Board of Directors is appropriate for the performance of its activities and the quality and efficiency of its duties. With respect to the performance of their duties during the financial year 2019, the Board has carried out the following activities, among others:

ESG

- Ongoing promotion of the Group's Corporate Culture, mission and values.
- Approval of the policy for selection, diversity & promoting talent.
- Monitored compliance with recommendations of the Good Governance Code.
- Approved the integrated annual report, including financial and non-financial information.
- Monitor ESG policy and strategy as well as its implementation.
- Approved the report on risk management and control policy, business objectives and annual budget.

Strategy

- Approved the Company's Business Plan and strategy.
- Continue to promote coworking as a new line of business for the Company.
- Assessment of the working of the Board, its Committees and making proposals for improving the Board and Corporate Governance.
- Evaluated and approved, pursuant to the report of the Appointments and Remuneration Committee, the functioning of the Board of Directors, its Committees and the performance of their duties by the Chairman, the Chief Executive Officer, including certain measures to improve their operation.

Remuneration

- Approve the remuneration policy for directors for the years 2020, 2021, 2022 for subsequent submission to the Ordinary General Meeting of Shareholders in 2019.
- To report on the proposal and approve the variable remuneration of the Company's Management Committee, as well as the Chairman and the Chief Executive Officer.
- Recurring reviews of the Independent Directors under the Lead Director to promote new strategic initiatives and the Company's development.

II. Delegated Committees of the Board of Directors

The Board of Directors has set up three Delegated Committees, an Executive Committee, an Audit and Control Committee (ACC) and an Appointments and Remuneration Committee (ARC).

EXECUTIVE COMMITTEE

Making use of the powers conferred by the applicable regulations, the Board of Directors of Colonial has set up an Executive Committee to which it can permanently delegate all or part of its powers, except those which cannot be delegated. This Committee has the following composition and is governed by 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	Voting Member
Mr. Juan Carlos García Cañizares	Voting Member
Mr. Carlos Fernández González	Voting Member
Mr. Carlos Fernández-Lerga Garralda	Voting Member

AUDIT AND CONTROL COMMITTEE

The main function of the Audit and Control Committee is to support the Board of Directors in all its supervisory duties by regularly reviewing the process of preparing economic and financial information, the effectiveness of the Company's internal control, internal audit and risk management systems, and to discuss with the auditor any significant weaknesses in the internal control system detected during the audit, all without infringing its independence.

This includes the submission to the Board of Directors of a report on the risk control and management policy, identifying at least the different types of risk, both financial and non-financial, including operational, technological, legal, social, environmental, political and reputational risks. Likewise, the monitoring function of the rules of the Internal Codes of Conduct and the CSR Policy includes the assessment of non-financial risks.

At 31 December 2019, the Audit and Control Committee (ACC) was composed of the following directors:

Name	Position
Mr. Javier Iglesias de Ussel Ordís	Chairman
Ms. Ana Peralta Moreno	Voting Member
Mr. Luis Maluquer Trepat	Voting Member
Mr. Carlos Fernández-Lerga Garralda	Voting Member
Mr. Javier López Casado	Voting Member

During the 2019 financial year, the following changes took place in the composition of the Company's Audit and Control Committee:

> Ms Ana Sainz de Vicuña Bemberg tendered her resignation as a director of the Company, and consequently as a member of the Committee, at the Board meeting held on 24 January 2019, having informed the Chairman of her decision in a letter prior to the meeting.

> In addition, the Audit and Control Committee appointed Mr. Javier Iglesias de Ussel Ordís as Chairman at its meeting of 24 January, and the Board of Directors appointed Ana Peralta Moreno and Mr Javier López Casado as Committee members at its meeting of 25 July.

All members of the Committee have the expertise, skills and experience necessary to perform the duties of the Committee.

During the 2019 financial year, the Committee met nine times. The dates of the meetings were as follows: 24 January, 19 February, 25 February, 29 April, 24 July, 24 October, 5 November, 20 November and 19 December. As a result, the Audit and Control Committee fulfilled its duty to meet as often as necessary to effectively carry out its duties.

Regarding the preparation and development of the sessions, the Chairman of the Committee calls its sessions with sufficient notice, the Directors regularly attend the

sessions and in cases where, for just cause, they cannot attend, they delegate another Director to vote on their behalf and provide instructions to the representative. In this respect, during the 2019 financial year, all the Committee members attended 100% of the sessions, present or represented. Members of the Committee are also provided, prior to each meeting, with information relating to the matters to be dealt with at the same, thus encouraging their active participation and the informed adoption of resolutions.

In addition to the Committee members, the head of internal audit attended the meetings. Also, in cases where necessary, the following attended as guests: (i) the advisor to the Committee; (ii) the Chief Executive Officer; (iii) the corporate general manager; (iv) the Chief Financial Officer; (v) the Director of Corporate Development; and (vi) the Vice Secretary of the Board of Directors.

In addition, the audit team of PricewaterhouseCoopers, consisting of Mr. Josep Solé and Ms. Mireia Oranias, was invited and attended meetings of the Committee.

Finally, it should be noted that the Secretary drew up the minutes of all the meetings held, recording their development, content, deliberations and the resolutions adopted. The minutes of Committee meetings are available to both its members and the members of the Board of Directors.

The main activities carried out by the Audit and Control Committee during the 2019 financial year are detailed below:

> Acting as a channel of communication between the Board of Directors and the Company's external auditor in assessing the results of each audit.

> Issuing an report before the statutory auditor's report containing an opinion on whether the independence of the statutory auditors or auditing firms is compromised.

> Monitoring the effectiveness of the Company's internal control and its internal audit and risk management systems, including tax-risk management systems, and to discuss with the Company's auditor any significant weaknesses detected in the internal control system during the audit.

> Approving the internal audit plan for 2019.

> Approving the proposal for re-appointing the statutory auditor for 2020.

> Approving the report on the risk management and control policy.

> Monitoring of corporate social responsibility strategy and practices. Establishment of an internal committee to monitor the corporate social responsibility policy.

> Monitoring compliance with the internal codes of conduct.

> Monitoring the process of preparing and presenting the required financial reporting.

> Promoting and fostering culture of compliance with the Company's rules and corporate texts throughout the organisation.

> Reporting on the Annual Corporate Governance Report, which forms part of the annual accounts, for submission to the Board of Directors for approval.

> Evaluating its own functioning within the framework of the process of self-assessment of the functioning of the Board of Directors and its internal Committees.

> Analysing and reporting on the Company's treasury stock transactions for submission to the Board of Directors.

> Reporting to the Board of Directors, through its Chairman, of the content of Committee meetings.

> Updating the risk map and the map of processes of the Company, as well as to review and evaluate the risk inventory.

> Monitoring the implementation of the measures agreed in the framework of the action plan and improvement of the Company's cyber-security.

> Favourably reporting to the Board of Directors on the merger of the Company's wholly owned subsidiaries.

> Analysis of the reports presented by internal audit and business area on the contracting of suppliers for works and construction, as well as the formulation of certain recommendations related to the control of the processes of contracting and execution of the works.

APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remuneration Committee (ART) is responsible for reporting to the Board of Directors on proposals for the appointment of proprietary and executive directors, and for proposing the appointment of independent directors, after the corresponding evaluation 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 duties.

The following actions deserve special mention:

> Assessment and proposals for improving the Board and the Governing Bodies.

> Recurrent reviews and proposals for improving how the Governing Bodies work.

> Talent management and the promotion of ongoing training and career planning.

> Management of replacements in the Governing Bodies and management teams.

At 31 December 2019, the Appointments and Remuneration Committee was composed of the following Directors:

Name	Position
Mr. Carlos Fernández-Lerga Garralda	Chairman
Mr. Javier Iglesias de Ussel Ordís	Voting Member
Mr. Luis Maluquer Trepat	Voting Member
Ms. Ana Bolado Valle	Voting Member
Mr. Adnane Mousannif	Voting Member
Mr. Juan Carlos García Cañizares	Voting Member

During the 2019 financial year, there was a change in the composition of the Committee as a result of the appointment of Ms Ana Bolado Valle as a member of the Board of Directors at its meeting of 25 July 2019.

All the Committee members have the knowledge, skills and experience required to perform its functions.

In relation to its functioning, in financial year 2019, the Commission met on eight occasions, the dates of the meetings being as follows: 22 January, 21 February, 26 February, 2 April, 30 April, 16 July, 9 October and 11 December. As a result, the Appointments and Remuneration Committee fulfilled its duty to meet as often as necessary to effectively carry out its duties.

Regarding the preparation and development of the sessions, the Committee Chairman calls its sessions with sufficient notice, the Directors regularly attend the sessions and in cases where, for just cause, they cannot attend, they delegate another Director to vote on their behalf and provide instructions to the representative. During the 2019 financial year, all the members of the Committee attended 100% of the sessions, with the exception of Mr. Adnane Mousannif who attended all of them except for the meeting held on 21

February for just cause. Members of the Committee are also provided, prior to each meeting, with information relating to the matters to be dealt with at the same, thus encouraging their active participation and the informed adoption of resolutions.

In addition to the members of the Committee, the following attended as guests: (i) the Chairman of the Board of Directors; (ii) the Chief Executive Officer; and (iii) the Director of Human Resources.

Finally, it should be noted that the Secretary drew up the minutes of all the meetings held, recording their development, content, deliberations and the resolutions adopted. The minutes of Committee meetings are available to both its members and the members of the Board of Directors.

The main activities carried out by the Appointments and Remuneration Committee in the performance of their duties in 2019 were the following:

> Promoting the Training and Refresher Plan for the directors. The following presentations were made at Committee meetings in this connection: (i) "Macroeconomic risks", (ii) "Artificial Intelligence", (iii) "ESG/SDG sustainability", and (iii) "Director's responsibility".

> Fomenting Environment, Social and Governance (ESG) policy. The Company aspires to clear leadership in ESG, having obtained in 2019 (i) for the fourth year running, the classification of EPRA Gold sBPR which certifies the highest standards of reporting on ESG. The high portfolio quality of Colonial; and (ii) recognition by BREEAM/GRESB as the number one leader in Europe in responsible investment through the Award for Responsible Real Estate Investment.

> Analysing the qualification of the members of the Board of Directors in accordance with the provisions of its corporate texts, the Spanish Limited Liability Companies Law and the recommendations on corporate governance.

> Analysing the objectives of variable remuneration for the 2019 financial year to enable the performance of the Management Committee to be evaluated.

> Reviewing the succession plan of the Chairman of the Board of Directors and of the Chief Executive Officer.

CORPORATE GOVERNANCE UNIT

In the specific area of corporate governance, on 27 July 2016, the Board of Directors of Colonial resolved to amend the Regulations of the Board of Directors so as to assign responsibility to the Appointments and Remuneration Committee for supervision of compliance of corporate governance rules and matters related thereto.

In addition, in order to advise and propose to the Appointments and Remuneration Committee the necessary actions to maintain the conformity of Colonial's corporate governance with the best national and international practices and recommendations, the Appointments and Remuneration Committee resolved to create the Corporate Governance Unit. This Unit is managed by the Vice Secretary of the Board together with the Chairman of the Appointments and Remuneration Committee and has financial independence to obtain any external advice it considers necessary.

The duties of the Corporate Governance Unit include leading the refresher plan for the Board of Directors.

III. Communications

The Directors of Colonial Group are invested with the broadest powers to inquire into any aspect of the Company, to examine its books, records, documents and other background of corporate operations and to 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 concerning the Board of Directors, its committees, refresher plans, briefings, approved and signed minutes, new legislation, among other contents.

Colonial makes available to **new Directors**, through the Director's portal on its website, a welcome programme which aims to provide new Directors with quick and sufficient knowledge of the Company and the Group, as well as of the rules of corporate governance, so that they can actively perform their duties from the time of their appointment. In particular, the following is made available to new Directors: (i) general information about the Company; (ii) presentation of the Company's governing bodies and organisational structure; (iii) Code of Ethics; (iv) Articles of Association; (v) Regulations of the General Shareholders' Meeting; and (vi) Regulations of the Board of Directors. In addition, meetings are held with the management team/members of the management committee to inform them about the operation of the Company.

IV. Training Plan for the Board of Directors

In addition, in order to develop and enhance the collective knowledge of the highest governing body on economic, environmental and social issues, Colonial Group has a **Refresher Plan** for the Board developed by the Corporate Governance Unit under the leadership of the Lead Independent Director. Its purpose is to inform directors on new trends that have emerged in the sector and that are producing disruptive effects on the real estate business.

In this sense, an annual training plan is established for the Company's Directors that includes the different dates, content, recipients and speakers. In particular, during 2019, the following sessions have been held related to:

Macro-economics risks

ESG/SDG Sustainability

Artificial Intelligence

Responsibility of the Director

V. Performance evaluations of the chairman of the Board of Directors and the Delegated Committees

In accordance with the spirit of permanent improvement that Colonial pursues in the fulfilment of its corporate governance functions, extending the requirements that by regulation or recommendation of good practices are applicable to listed companies, through regulation and internal policies committed to progress in this area and transparency in its dissemination, an annual evaluation of the Board and its Committees is carried out. In this sense, as far as 2019 is concerned, certain improvement measures were implemented, despite the fact that the result of the evaluation for 2018 was satisfactory. In order to maintain the purpose pursued by the Company, the recommendations for improvement proposed for 2019 included the implementation of a greater degree of gender diversity on the Board of Directors, an aspect which, as indicated, has been implemented with the appointment of three new independent female directors in 2019, through the submission by the Board of Directors to the General Meeting, at the proposal of the Appointments and Remuneration Committee, of the appointment of these independent female directors. The proposals were approved by the General Meeting on 14 June 2019.

With regard to the 2019 financial year, the Board of Directors has evaluated the composition and competencies of the Board, the functioning and composition of the committees, and the performance of the Chairman, the Chief Executive Officer, the Lead Independent Director and the Secretary of the Board. To this end, all the directors were sent questionnaires for the evaluations indicated, dealing with various matters and requesting general recommendations for improvement. Once the responses were received, the Appointments and Remuneration Committee prepared the related reports evaluating the Board of Directors, Chairman, CEO, Lead Independent Director, and the Board Secretary, as well as its own composition, competences and operation, for submission to the Board. Similarly, the Audit and Control Committee formulated the assessment report on its composition, competencies and functioning. As part of these evaluations, the Appointments and Remuneration Committee commissioned the services of 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. As a result of the assessment made and the corresponding proposals for improvements in the Governing Bodies, the Board of Directors approved the assessment reports corresponding to the Board, its Committees, the Chairman, the Managing Director, the Lead Director and the Secretary.

VI. Conflicts of interest

In accordance with the Articles of Association, the director shall refrain from participating in the deliberation and vote on resolutions or decisions in which he or a related person has a direct or indirect conflict of interest. The votes of the directors affected by the conflict and who must abstain will be deducted for the purposes of calculating the majority of votes required. The above obligation shall not include abstention from resolutions or decisions that affect him in his office a director, such as his designation or revocation for offices in the governing body or others of a similar type.

In addition, the Regulations of the Board of Directors state that the duty of loyalty obliges a director to refrain from participating in the deliberation and vote on resolutions or decisions in which he or a related person has a direct or indirect conflict of interest. Similarly, directors must adopt the necessary measures to avoid situations in which his interests, whether on his own account or behalf of others, might conflict with company interests and with their duties to the company; in particular, the directors must refrain from the following: a) entering into transactions with the Company, except for ordinary, minor transactions executed in standard conditions for clients, which constitute transactions whose information is not necessary to present a view of the Company’s equity, financial position and income; b) using the name of the Company or invoking his state of director in order to exert undue influence in the pursuit of private transactions; c) making use of company assets, including confidential information of the Company, for private ends; d) exploiting business opportunities of the Company; e) obtaining advantages or remuneration from third parties other than the Company and its Group related to the performance of his office, except for mere courtesy benefits; and f) undertaking activities on his own behalf or on behalf of third parties that constitute actual or potential effective competition with the Company or that, in any other way, place him in a permanent conflict with the interests of the Company. 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.

Situations of conflict of interest incurred by directors shall be disclosed in the notes to the financial statements and in the Annual Corporate Governance Report.

The authorisation must necessarily be granted by the General Meeting when its purpose is to dispense with the prohibition on obtaining an advantage or remuneration from third parties, or affects a transaction whose value exceeds 10% of the company's assets. In the rest of the cases, it may be granted by the Board of Directors provided that the independence of the members granting the authorisation from the exempted director is guaranteed. In addition, it will be necessary to ensure that the authorised operation is harmless to the company's assets or, where appropriate, that it is carried out under market conditions and that the process is transparent.

The obligation to not compete with the Company may only be subject to an exemption if no harm to the Company is possible or if the such harm is expected to be offset by the benefits to be obtained. The exemption will be granted by an express and separate resolution of the Annual General Meeting.

In this regard, in 2019, the Board submitted a proposal to the General Shareholders' Meeting held on 14 June which approved the corresponding exemption for the director Ms Ana Bolado Valle for the position of member of the Board of Directors of Metrovacesa, S.A., insofar as, in the current situation, no damage could be expected for Colonial.

11.3. Remuneration of the Board of Directors

In accordance with the provisions of the Spanish Limited Liabilities Law, Colonial has a remuneration policy of directors (the "Remuneration Policy"); this policy aims to boost profitability for Colonial and its shareholders, the long-term sustainability of the Company and to furnish the necessary precautions to discourage excessive risk-taking and rewarding of adverse results. The Policy also seeks to remunerate directors' activities in achieving this purpose, while ensuring a proportional relationship with professional performance without depending excessively on general trends in markets or in Colonial's area of business or similar factors. The Company's primary objective is to ensure that the remuneration received by Colonial's directors is in reasonable proportion to the importance of the Company, to its current economic situation and to the market standards of comparable companies, both nationally and internationally.

The General Meeting approves at least every three years, as a separate item on the agenda, a Remuneration Policy (available on the website) in keeping with the remuneration system provided for in the Company Bylaws. The Ordinary General Meeting of 14 June 2019 approved the Remuneration Policy for the years 2020, 2021 and 2022.

The Remuneration Policy establishes the remuneration items that make up the remuneration of the directors in their capacity as such, within the remuneration system provided for in the Company's bylaws, and includes the maximum amount of annual remuneration for all Colonial's directors for their membership of the Company's Board of Directors and its committees. Based on the above, it is the responsibility of the Board of Directors to determine the remuneration that corresponds to each director. To this end, consideration is given to the level of dedication and the functions and responsibilities attributed individually, their membership of Board committees, and any other objective circumstances that could be relevant.

The annual remuneration established, in accordance with the provisions of the Remuneration Policy, takes into account the level of responsibility and time spent by the directors (in particular that of the executives) ensuring that it is competitive with the remuneration at other comparable companies based on their capitalisation, size and international presence, following examination and analysis of these factors for the purposes of determining Colonial's Remuneration Policy.

Unlike non-executive directors, executive directors of Colonial do not receive any specific remuneration for their membership of the Company's Board of Directors or of its committees, and these functions are included in items of fixed remuneration established for them in their respective contracts. In addition, the remuneration of executive directors under their contracts is consistent with the Remuneration Policy, which provides for (i) the amount of fixed annual remuneration and changes thereof in the period to which the policy relates, (ii) the various parameters for setting the variable components and (iii) the principal terms and conditions of their contracts, including, in particular, the term, early termination benefits or cessation of the contractual relationship and exclusivity, post-contractual non-competition and long-service or loyalty agreements.

The Board of Directors is responsible for setting the remuneration of the directors for the performance of their executive duties and the terms and conditions of their contracts with the Company in accordance with the law and with the Remuneration Policy. Likewise, on 21 January 2014, the General Meeting approved the establishment of a remuneration system including the delivery of shares to executive directors and members of the Management Committee, subject to compliance with certain parameters.

At present, only executive directors receive variable remuneration based on the performance of their duties.

With respect to advisory on remuneration, the Regulations of the Board of Directors provide that directors, committees and their members may request external advice on matters where they deem it necessary. In this regard, during the 2019 financial year, Spencer Stuart and Headway provided advice.

The specific determinations for directors in their capacity as such applicable to the year in progress are set out below:

> Directors are entitled to a fixed annual amount of 50,000 euros.

> The coordinating director is entitled to an additional fixed annual amount of 75,000 euros.

> Directors are entitled to the sum of 5,000 euros as attendance fees for each meeting of the Board of Directors they attend.

> Members of the Executive Committee are entitled to the sum of 3,000 euros as attendance fees for each meeting of the Executive Committee they attend.

> The Chairman of the Audit and Control Committee and the Chairman of the Appointments and Remuneration Committee are each entitled to an additional fixed annual amount of 50,000 euros.

> Other members of the Audit and Control Committee and of the Appointments and Remuneration Committee are each entitled to an additional fixed annual amount of 25,000 euros.

> The Chairman of the Audit and Control Committee and the Chairman of the Appointments and Remuneration Committee are each entitled to a attendance fee of 4,800 euros for each meeting of the aforementioned committees they attend.

> Other members of the Audit and Control Committee and the Appointments and Remuneration Committee are each entitled to a attendance fee of 3,000 euros for each meeting of the aforementioned committees they attend.

Executive directors receive no remuneration for their membership to the Board of Directors or to its committees; nor do they receive any annual fixed amounts, or attendance fees for meetings of the Board of Directors and committees. Their annual remuneration is as set out below. Pursuant to the Remuneration Policy applicable to the current year, the maximum amount of annual remuneration for all directors in their capacity as such is 2,280,000 euros.

The Remuneration Policy stipulates a fixed annual remuneration of 571,726 euros for the Chairman of the Board of Directors, and 665,282 euros for the Chief Executive Officer. These amounts remunerate all the duties that the executive directors perform in Colonial and its group companies, with the exception of the remuneration received for their positions as directors in Société Foncière Lyonnaise, and are automatically increased annually by applying the CPI published by the Spanish National Statistics Institute (INE) for the previous calendar year. In this regard, pursuant to the annual update of these amounts, for 2020, the fixed components of the remuneration of executive directors have been established as the sum of 576,300 euros for the Chairman and the sum of 670,604 euros for the Chief Executive Officer.

In addition to the above, the executive directors, that is, the Chairman and the Chief Executive Officer, who is also the Executive Vice Chairman, may receive, by way of annual variable remuneration, an amount of up to 100% of the annual fixed remuneration of each Director. In this regard, within the framework of the remuneration policy in force for 2019, the Board of Directors resolved that variable remuneration should be subject to compliance with certain quantitative and qualitative parameters or objectives, with the former accounting for 70% of variable remuneration and the latter accounting for 30% of qualitative objectives. Among the quantitative criteria, the main objective was compliance with the budget. In this regard, the estimated income, structural costs and EBITDA were in line with the budget, particularly earnings per share, which improved by 23% over the year 2018. In financial policy, loan to value decreased to 36%, as did finance costs compared to the budget. There was also a significant increase of 11% in net asset value. In terms of meeting investment and divestment targets, a highly positive result was observed, particularly in terms of the sale of the logistics portfolio. Consequently, the quantitative objectives for 2019 have been satisfactorily met in accordance with the proposal of the Appointments and Remuneration Committee to the Board of Directors. With regard to qualitative criteria or parameters, progress in the area of Environmental, Social and Governance (ESG) is noteworthy. Thus, there has been an improvement in the GRESB indicator, with the obtaining, for the fourth consecutive year, of the Gold level in EPRA sBPR, and recognition through the award given to the Company, GRESB/BREEAM 2019 Award for Responsible Investment. Likewise, corporate social responsibility policies, dedication and professional excellence have been taken into account, as well as the result of the evaluation of the performance of its functions, the supervision of corporate governance and its contribution to the improvement of Colonial's corporate reputation. Based on the foregoing, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, resolved that the variable remuneration to be received in the 2019 financial year by the executive directors should be 100% of the fixed remuneration.

Additionally, executive directors may also receive an additional variable remuneration each year, the maximum amount of which may be up to 200% of their annual fixed remuneration. This additional variable remuneration may be agreed in exchange for the participation of each of the executive directors in corporate transactions of acquisition, investment, restructuring or any other transaction or action

that, due to its nature, complexity, amount and results, may generate significant added value for shareholders or give rise to an economic benefit or a significant increase in equity to strengthen the sustainability of the Company. The Board of Directors, at the proposal of the Appointments and Remuneration Committee, shall resolve, where appropriate, and set the amount and settlement date of this additional variable remuneration for each of the executive directors.

Likewise, in accordance with the Remuneration Policy, the contracts of the Chairman and the CEO include so-called ‘clawback’ clauses that allow Colonial to claim, in certain cases, the total or partial refund of the amounts received as variable remuneration. (See more information in section B.2. of the 2019 Annual Remuneration Report).

In addition to the annual variable remuneration and any additional variable remuneration, the Chairman and the CEO are beneficiaries of a share delivery plan that was approved by the General Meeting of Shareholders of Colonial on 21 January 2014 and whose term was extended to the year 2021 through a resolution of the General Meeting of Shareholders of Colonial of 29 June 2017 (the “Plan”), which sets a series of objective criteria for the performance of Company results to determine the specific number of shares to be delivered, such as the net cash flow of Company on an annual basis and changes in the net asset value of Company shares in each year. Shares received in execution of the Plan may not be disposed of or transmitted by the beneficiaries thereof until three years have elapsed from the date of delivery, except those required to pay the taxes derived from their accrual.

Lastly, non-executive directors do not receive any remuneration linked to the listed price of Colonial shares or involving the delivery of shares or stock options in the Company.

The summary of the remuneration received by Colonial’s directors during the 2019 financial year is as follows (amounts in thousands of euros), although for further information, please see the Annual Report on the Remuneration of Directors at the following link: www.inmocolonial.com

Directors	2018	2019
Mr. Juan José Brugera Clavero	1,808	2,055
Mr. Pedro Viñolas Serra	3,004	3,302
Mr. Sheikh Ali Jassim M.J. Al Thani	87	92
Mr. Adnane Mousannif	136	135
Mr. Carlos Fernández González	87	89
Mr. Javier López Casado	110	54
Mr. Juan Carlos García Cañizares	126	120
Mr. Carlos Fernández-Lerga Garralda	301	298
Mr. Javier Iglesias de Ussel Ordís	222	187
Mr. Luis Maluquer Trepat	185	187
Ms. Ana Lucrecia Bolado Valle	69	–
Ms. Ana Cristina Peralta Moreno	64	–
Ms. Silvia Mónica Alonso-Castrillo Allain	81	–
Ms. Ana Inés Sainz de Vicuña Bemberg	14	179
Total	**6,294**	**6,698**

11.4. Ethics and compliance

I. Code of Ethics

In 2011, in accordance with the good governance recommendations generally recognised in international markets and the principles of social responsibility accepted by the Company, Colonial approved the company's **Code of Ethics**. This document sets out Colonial's commitment to the principles of corporate 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, and with each new hire, it is handed out at the same time as the new employee signs his or her corresponding commitment to act within the framework of the principles of the Code of Ethics.

Operating principles

> Adherence to the law in force

> Professional integrity

> Respect for the environment

Relations with and between the Group's professional employees

> Non-discrimination, mutual respect and equal treatment

> Equal opportunities

> Reconciliation of personal life with employment

> Right to privacy

> Occupational safety and health

Commitments to third parties and to the market

> Free competition

> Management integrity

> Relations with customers

> Relations with contractors and suppliers

> Relations with shareholders

> Reserved and confidential information

> Protection of corporate equity

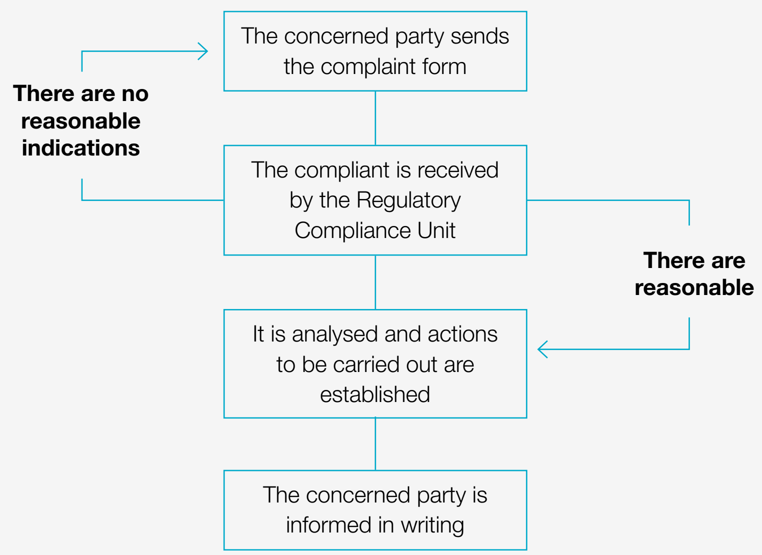
> Conflicts of interest

> Neutrality

> Social commitment

> External activities

In addition, Colonial makes available to its employees an **internal Whistleblower Channel** through which they can confidentially and anonymously report any issue about the content of the Code of Ethics or, if necessary, report any well-founded suspicion of irregularity. All reports are handled by the Regulatory Compliance Unit in accordance with the principles of confidentiality and non-reprisals in order to encourage and enable the organisation's professionals to bring to light issues of great importance to Colonial. In 2019, no complaints were received through the internal Whistleblower Channel.



Activities carried out during 2019 aimed at promoting awareness of the Code of Ethics included the following:

> A team building session was held for all Colonial and Utopicus employees. The main focus was to highlight Colonial's principles and values as set out in the Code of Ethics.

> Two training sessions on criminal risk prevention were held with the Colonial Madrid and Colonial Barcelona teams, reinforcing the obligation to comply with the Code of Ethics and the Whistleblower channel tool.

II. Regulatory risk prevention

In addition to the Code of Ethics, Colonial has a regulatory risk prevention system which is managed through the Regulatory Compliance Unit. In the area of prevention of the different regulatory risks, the company has a Manual for the Prevention of Criminal Risks, a Manual for the Prevention of Money Laundering and Financing of Terrorism and an Internal Code of Conduct for the Securities Market. Similarly, Colonial regularly reviews the internal and external regulations applicable to it through the Regulatory Compliance Unit, as well as external advisors and lawyers, in order to guarantee full and correct compliance.

As part of the actions to prevent regulatory risks, the Regulatory Compliance Unit met formally on a total of five occasions to address, among other issues, the following: prevention of criminal risks, application of the Internal Code of Conduct for the Securities Market, Prevention of Money Laundering and Financing of Terrorism, protection of personal data, regulatory updating plan and Corporate Social Responsibility. However, there is regular contact between the members of the Regulatory Compliance Unit and they address issues of various kinds without the need for a formal call to meeting and the corresponding minutes.

III. Fight against corruption and bribery

As part of its commitment to integrity and professional excellence, Colonial has adopted policies and procedures with the purpose of preventing any form of corruption, bribery and preventing money laundering in its activity. Thus, in addition to the mechanisms mentioned above for the prevention of regulatory risks, the company has a model for the segregation of functions and a system for authorising purchases to increase control in matters of corruption and bribery. The main activities carried out during 2019 were:

> The RCU provided training to all Colonial's managers in Madrid and Barcelona in the prevention of criminal risks and in the prevention of money laundering and the financing of terrorism.

> All members of the Management Committee and the new construction manager were interviewed in order to identify whether any cases of corruption/fraud have been detected in their departments or whether they are aware of any. None of the interviewees had encountered any case of corruption/fraud.

> The work and reviews carried out by the Internal Audit Unit always include special attention to fraud/corruption.

> The Internal Audit Unit presented the supplier concentration work to the Audit Committee, reviewing the degree of concentration by type and carrying out a more detailed analysis of the suppliers with the highest degree of concentration.

> An audit of the recruitment of sales agents was carried out by the Internal Audit Unit.

> The Internal Auditor participates in and is a member of the Contracting Committee in all the works tendering processes (for works for an amount > €60,000).

> With regard to the prevention of money laundering and the financing of terrorism, we have continued to implement the measures set out in the Manual on the Prevention of Money Laundering and the Financing of Terrorism approved by Colonial. Similarly, the internal control procedures and bodies have been reviewed by an external expert.

In line with recent years, in 2019 no cases of corruption were identified in either Spain or France.

11.5. Group Organisation

Colonial Group

Colonial

GAV 12/19: €12,196m
GAV incl. transfer costs 12/19: €12,807m

50%
Inmocol Torre Europa, S.A.

100%
Assets Spain

81.7%
SFL

66%
Washington Plaza

50%
Parholding

Champs-Élysées 90
Galeries Champs-Élysées
Haussmann 104

11.6. 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 Teixido
Chief Operating Officer

Ms. Begoña Muñoz López
Chief Human Resources

Ms. Angels Arderiu Ibars
Chief Financial Officer

Mr. Juan Manuel Ortega Moreno
Chief Investment Officer

Mr. Carlos Krohmer
Chief Corporate Development Officer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Risk management

12.1. Risk management

I. Overview

Asset management is exposed to various internal and external risks and uncertainties that can impact Colonial's ability to grow. Therefore, Colonial aims to create sustainable value by optimising the constantly evolving ratio between profitability and risk in financial, environmental, social and economic areas, among others. This balance, together with a holistic and dynamic vision of risk, reinforces Colonial's leadership in the sector and consolidates its position in the long term.

II. Governance

Risk management is a key aspect of the organisation's culture. For this reason, it has developed the Risk Control and Management System (hereinafter, RCMS), thus laying the basis for efficient and effective management of the risks throughout the organisation.

The main responsibilities assigned in relation to the RCMS correspond to the Board of Directors, the Audit and Control Committee and the internal audit unit. The RCMS also explicitly determines the responsibilities of senior management, operational management and risk owners in relation to risk management. The Audit and Control Committee, supporting the Board of Directors, performs the following risk control and management functions:

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

> Periodically review the control and risk management systems, so that the main risks are identified, managed and adequately disclosed.

> Oversee the process of preparing, the integrity and presentation of mandatory (financial and non-financial) public information.

In addition, the Company has set up two support units:

> **Regulatory compliance:** responsible for ensuring proper compliance with the rules and laws that may affect the Group in the course of its business.

> **Internal Audit:** responsible for carrying out the supervision activities contemplated in its annual plans approved by the Audit and Control Committee to evaluate the effectiveness of the risk management processes, action plans and controls implemented by the corresponding managements with the aim of mitigating identified risks.

III. Tools

The operational management of the Colonial risk model is based on the corporate risk map. This serves as a tool to graphically represent risk assessment in terms of the economic impact on Colonial and the probability of the event materialising.

The corporate risk map has a dynamic focus. It is reviewed every six months to reflect the constant change in Colonial's economic, social and political environment, as well as its internal development. In this way, the performance of the risks and the action plans defined and implemented by each area are monitored. These plans establish the necessary controls to mitigate each of the risks supervised by each area.

Colonial differentiates the different types of risks to which it is exposed according to their origin:

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

> **Internal risks:** Internal risks are all those factors that originate from the day-to-day management of the company and its different areas.

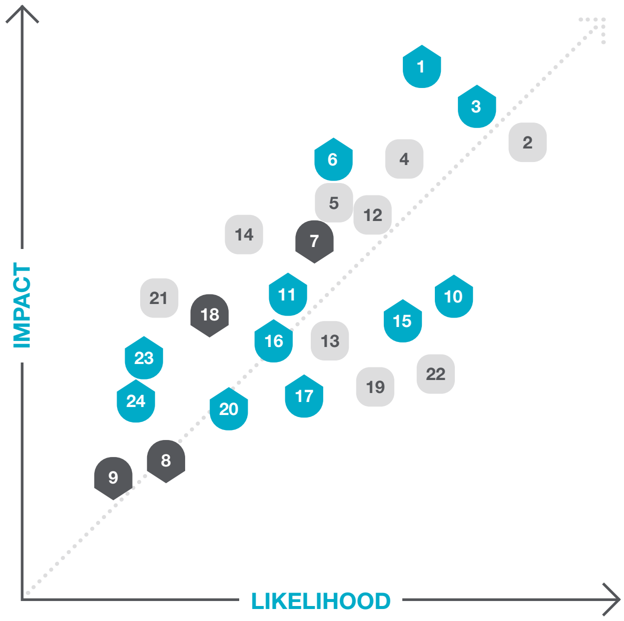
Both internally and externally, Colonial identifies environmental, social and governance (ESG) risks. To monitor and respond to these from the risk management and leadership ESG, the Colonial group has continued to develop the Strategic Plan in ESG,. ESG risk management enables Colonial to transform risks into opportunities for improvement by helping to manage the company's assets more efficiently and create positive environmental and social impacts.

IV. Main risks

Below is the 2019 corporate risk map detailing the categories of risks, the classification according to the assessment made by the management team, their level of impact and probability, and the change in the influence of each risk on the Group with respect to the previous year. This risk map could be affected in 2020 by the impact of COVID-19. A more detailed explanation of the main measures adopted by the Group in response to this crisis and the possible risks on this map that could be affected is given in the section on “Subsequent events: impact of COVID-19” in this chapter, although the Group is working to analyse the specific impact for each of the risks presented below.

Category	Risk	Classification	Impact	Likelihood	Variance
External risks					
Market	New trends in the business model	Very high	High	Medium	▲
	Complexity in investment operations	Very high	High	High	=
	Fluctuation of the property cycle	Very high	High	High	▲
Economic	Political and/or macroeconomic uncertainty	Very high	High	Medium	=
	Changes in investor expectations	Medium	Medium	Medium	=
Financial	Changes in tax regulations (SOCIMI/SIIC)	High	High	Medium	▲
	Increase in interest-rates	Medium	Medium	Medium	▼
	Liquidity of financial markets	Low	Low	Low	▼
	Customer insolvency	Low	Low	Low	▼
ESG	Management of new trends in ESG	High	Medium	High	▲
	Climate change	Low	Medium	Low	▲
Internal risks					
Strategic	Size of and internationalisation of the Group	High	High	Medium	=
	Concentration of portfolio	Medium	Medium	Medium	=
	Exposure in co-working market	Medium	Medium	Low	=
Operations	Costs and time frames for execution of works	High	Medium	High	▲
	Management of rent and occupancy levels	Medium	Medium	Medium	▲
	Compliance with REIT requirements (SOCIMI/SIIC)	Medium	Medium	Medium	▲
	Maintenance and property damage	Low	Medium	Low	▼
	Indebtedness level and rating	Medium	Medium	Medium	=
	Organisational structure	Medium	Medium	Medium	▲
	Failures in information systems and cyber-security	Medium	Medium	Medium	=
ESG	Human Capital	Medium	Medium	High	=
	Damage to the environment	Low	Medium	Low	▲
	Regulatory compliance	Low	Medium	Low	▲

1 New trends in the business model
2 Complexity in investment operations
3 Fluctuation of the property cycle
4 Political and/or macroeconomic uncertainty
5 Changes in investor expectations
6 Changes in tax regulations (REIT)
7 Increase in interest-rates
8 Liquidity of financial markets
9 Customer insolvency
10 Management of trends in ESG
11 Climate change
12 Size of and internationalisation of the Group
13 Concentration of portfolio
14 Exposure in co-working market
15 Costs and time frames for execution
16 Management of rent and occupancy levels
17 Compliance with REIT requirements (SOCIMI/SIIC)
18 Maintenance and property damage
19 Indebtedness level and rating
20 Organisational structure
21 Failures in information systems and cyber-security
22 Human capital
23 Damage to the environment
24 Regulatory compliance



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

EXTERNAL RISKS

Market risks: Risks associated with the real estate market.

Description of risk	Impact	Control measures
New trends in the business model **Classification: Very high**		
The emergence of new trends in the working model of companies, as well as changes in workers' preferences can affect Colonial's business model. Changes in trends can evolve rapidly, affecting the Company's business model, making it difficult to attract and retain customers due to the inability to meet new customer demands and needs, causing a loss of competitiveness with respect to new competitors.	> Loss of customers. > Loss of competitiveness. > Obsolete business model.	> Customer satisfaction questionnaires to identify their needs. > Market studies to identify new trends and behavioural changes in the workplace. > Investment in innovation through the project "Proptech" and various alliances with industry experts (Metaprop, Johnson Controls, Aleix Valls, etc.). > Growth in the co-working market through the subsidiary Utopicus.
Complexity in investment operations **Classification: Very high**		
Given the property cycle's maturity, the complexity of executing investments with the expected profitability increases, as well as achieving the growth objectives established in the business plan.	> Reduction in profitability. > Reduction in the value of investments. > Failure to fulfil the strategic plan.	> Search for off-market operations. > Monitoring of the real estate market through sector reports and contact with real estate agents. > Comprehensive processes of due diligence in operations. > Periodic review by the Investment Committee of investment strategy and opportunities.
Fluctuation of the real estate market **Classification: Very high**		
The real estate market cycle is directly related to the economic cycle and the political landscape, and is also influenced by multiple external factors such as land prices, supply and demand, interest rates and market liquidity. The fluctuation of the real estate market can have a major impact on Colonial's operations, as well as on the valuation and definition of the strategic plan.	> Reduction of the value of the real estate. > Reduction of demand. > Reduction in income. > Increase in vacancy rate.	> Periodic *ABC* analysis of Colonial's portfolio with the objective of reviewing the maturity of the assets, their profitability and their capacity for development. > Monitoring of macroeconomic data to anticipate any variation in the real estate cycle. > Concentration of the portfolio in prime and high growth potential areas. > Diversification of the client portfolio with top-level tenants present in multiple sectors. > Review of rental contracts according to the state of the real estate cycle.

Economic risks: risks associated with the economic situation.

Description of risk	Impact	Control measures
Political and economic instability **Classification: Very High**		
Economic and/or political instability are external factors beyond the Company's control that directly affect the business sector, international investment groups and, therefore, the real estate market. Economic and political uncertainty can affect market liquidity, asset valuation, interest rates and customer solvency among others, and negatively impact Colonial's operations.	> Reduction in the value of assets. > Reduction of demand. > Reduction in income. > Reduction in market liquidity. > Increase in the vacancy rate. > Increased defaults. > Increase in financing costs.	> Monitoring of macroeconomic data (GDP growth, levels of employment, consumer spending, inflation, interest rates) to anticipate any variation in the real estate cycle. > Concentration of the portfolio in premium and high growth potential areas. > Diversification of the client portfolio with top-level tenants present in multiple sectors. > Review of rental contracts according to the state of the real estate cycle. > Stress test of business plan.
Changes in investor expectations **Classification: Medium**		
Changes in investor expectations can occur due to multiple factors. The economic and political environment, the achievement of the strategic plan and the results, as well as other factors may lead to a reduction in market confidence. The share price could also be affected by a change in investor expectations.	> Reduction in liquidity. > Change in share price.	> Permanent contact with investors through corporate presentations, road shows, asset tours and meetings in order to present the Company's strategic plan and align it with market expectations. > Monitoring of current and potential investors through the use of specific software, which helps in monitoring the portfolios of these investors.

Financial risks: Financial risks arising from market liquidity, solvency and taxation, as well as from the financial strategy adopted by the company.

Description of risk	Impact	Control measures
Changes in tax legislation (SOCIMI/SIIC) **Classification: High**		
Regulatory changes, especially in the tax regulation of the SOCIMI regime, may have an impact on the Company's financial statements, as well as affect shareholder remuneration and profitability. The SOCIMI regime excludes from taxation the profits obtained from rental activities, where such profits (at least 80%) must to be distributed via dividends to the shareholders, with the tax burden being transferred.	> Reduction in net profit. > Reduction in dividend. > Reduction in profitability.	> Colonial report on tax control and monitoring and the group's tax contribution. > Sensitivity analysis of the impact of a change in the Socimi regime on the Company's financial statements. > Constant contact with tax advisors and subscription to newsletters and specialised events in order to have an updated monitoring of tax legislation and any changes.
Increase in interest-rates **Classification: Medium**		
Interest rates are subject to many external factors. Rising interest rates can affect the profitability of projects or management of debt.	> Reduction in profitability. > Increase in the cost of financing.	> Diversification of funding sources. > Renegotiation of debt by increasing maturities. > Monthly analysis of the indebtedness level: Loan to value below 40%. > Interest rate hedging financial products.
Market liquidity **Classification: Low**		
The lack of liquidity in the financial markets can hinder or prevent investment or execution of new projects. Also, the lack of liquidity can make the cost of funding more expensive.	> Increased use of own funds. > Increase in the cost of financing. > Reduction of growth.	> Diversification of funding sources. > Long-term borrowing. > BBB+ credit rating. > Monthly analysis of the indebtedness level: Loan to value below 40%.
Customer insolvency **Classification: Low**		
Customers with low solvency can increase the risk of non-payment and affect the cash flow of the Company.	> Increased defaults.	> Customer portfolio focused on large, top-tier companies. > Solvency analysis of new customers. > Monthly monitoring of defaults and claims.

ESG Risks (external): See in section 12.2 ESG RISKS - OPPORTUNITIES FOR IMPROVEMENT

INTERNAL RISKS

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

Description of risk	Impact	Control measures
Size of group and internationalisation **Classification: High**		
The development of the strategic plan may be limited by the size of the group and its international presence. The stagnation of the group in a small local market may attract the interest of large competitors with international presence in the Company. Further, the inorganic growth of the group through acquisitions of other companies can lead to a spiral of disorganised growth affecting the management and control of the group.	> Possibility of a takeover bid by a major competitor or investment fund with a different strategy. > Loss of synergies.	> Analysis of Colonial's NAV and GAV compared to competitors in the sector. > Constant monitoring of European real estate markets in search of new growth opportunities. > Ability to carry out quick capital increase operations.
Concentration of portfolio **Classification: Medium**		
The company's strategy and business model aims to achieve a balance between concentration in and focus on the office segment in three markets (Barcelona, Madrid and Paris) and the search for other business opportunities in other markets.	> Loss of opportunities. > Loss of profitability.	> Colonial's strategy based on concentrating its portfolio in the office sector located in the CBD and BD in the cities of Barcelona, Madrid and Paris, ensuring value and obtaining a return on its assets above the market average. > Monthly monitoring of signed commercial transactions. > Constant monitoring of the European real estate markets in search of new growth opportunities.
Exposure in coworking market **Classification: Medium**		
Colonial entered the coworking market through its subsidiary Utopicus owing to the boom in this working model demanded by new clients and the consolidation of this market within the office segment with the appearance of new competitors. The uncertainty of this new market segment may affect the Company's profitability and have an impact on the value of its portfolio and on its reputation.	> Decrease in portfolio value. > Decrease in profitability. > Uncertainty in the business model.	> Analysis of the coworking market in the main European cities. > Continuous monitoring of the Utopicus business plan. > Continuous monitoring of the results of the coworking centres. > Creation of value through synergies between Utopicus' spaces and Colonial's properties. > Creation of mixed teams and a management model for a greater interrelationship between Colonial and Utopicus.

Operational risks: Risks arising from the company's daily operations.

Description of risk	Impact	Control measures
Costs and time frames for execution of works Classification: High		
The high demand in the construction sector can adversely impact the profitability of projects, the increase in the cost of materials and labour, as well as the delivery of such projects, and can affect the image of the Company or incur compensation expenses for pre-contracted tenants.	> Decrease in profitability. > Impact on image and reputation. > Delays in the execution of works. > Cost overruns in compensation.	> Project development under the supervision of Project Managers. > Limitation on deviations and delays in specific clauses in works contracts. > Monthly analysis of projects in execution.
Management of rent and occupancy levels Classification: Medium		
With the objective of creating value in the long term, Colonial is exposed to the risk of vacancy and the lack of value capture through rents. Lack of investment in mature assets and poor customer relationship management can lead to a reduction in rent levels and/or an increase in vacancies.	> Decrease in rents. > Decrease in portfolio value. > Increase in vacancies.	> Analysis of commercial transactions in the market to establish the appropriate level of rents. > Customer satisfaction surveys to detect customer needs and offer new services. > Investment, maintenance and energy certification plan individualised by asset to have high quality and highly competitive buildings.
Compliance with REIT (SOCIMI/SIIC) requirements Classification: Medium		
Colonial is subject to the SOCIMI tax regime, and its subsidiary SFL is subject to the SIIC regime, whereby the Company is subject to a series of requirements to maintain such regimes. Failure to comply with one or more requirements would result in expulsion from the tax regime and loss of status for three years, becoming subject to the general corporate tax rate for all its activities. In addition, compliance with the obligations of the SOCIMI/SIIC tax regimes means a loss of flexibility in real estate purchase and sale operations, which may lead to a loss of opportunities in real estate transactions.	> Loss of SOCIMI/SIIC status. > Loss of flexibility in purchase/sell transactions.	> Monitoring obligations to comply with the REIT. > Tax regime- Devising the Company's Business Plan in accordance with the obligations to comply with the REIT. > Regime- Minimum retention certificate for core shareholders.

Description of risk	Impact	Control measures
Maintenance and property damage **Classification: Low**		
Lack of maintenance and damage to property is a risk to which the Company is continually exposed. Increased costs of unforeseen maintenance and repairs can adversely affect customer satisfaction and impair rental negotiations.	> Customer dissatisfaction. > Decrease in rents. > Increase in maintenance and repair costs.	> Monitoring through a maintenance portal, with the control of facility managers assigned to each building. > Implementation of Proptech project for more efficient management of the properties through IoT. > Monthly analysis of maintenance and repair cost deviation. > Analysis of the efficiency of the costs passed on to the tenants.
Indebtedness level and rating **Classification: Medium**		
Colonial's long-term growth is due to its strategy and financing capacity. A high level of indebtedness and/or a loss of credit rating could make access to funding more expensive or limit it, thus impairing the Company's operations.	> Increase in the cost of funding. > Limited access to funding. > Loss of current credit rating.	> Monthly monitoring and control of indebtedness and liquidity (debt portfolio, maturities, liquidity, average cost of borrowing). > Monitoring of syndicated credit and bond covenants. > Issuance and renewal of bond and promissory note programmes. > Monthly analysis of the level of indebtedness: Loan to value below 40%.
Organisational structure **Classification: Medium**		
The ability to adapt the group's organisational structure to the business model or strategy can be a challenge for the organisation and generate inefficiencies or reduced productivity.	> Inadequate management of resources and capacities, generating inefficiencies. > Internal communication problems. > Poor employee performance.	> Definition of the organisational structure of the group. > Detailed description of the jobs. > Analysis of functions and capacities of employees. > Definition of an internal communication plan and channel.

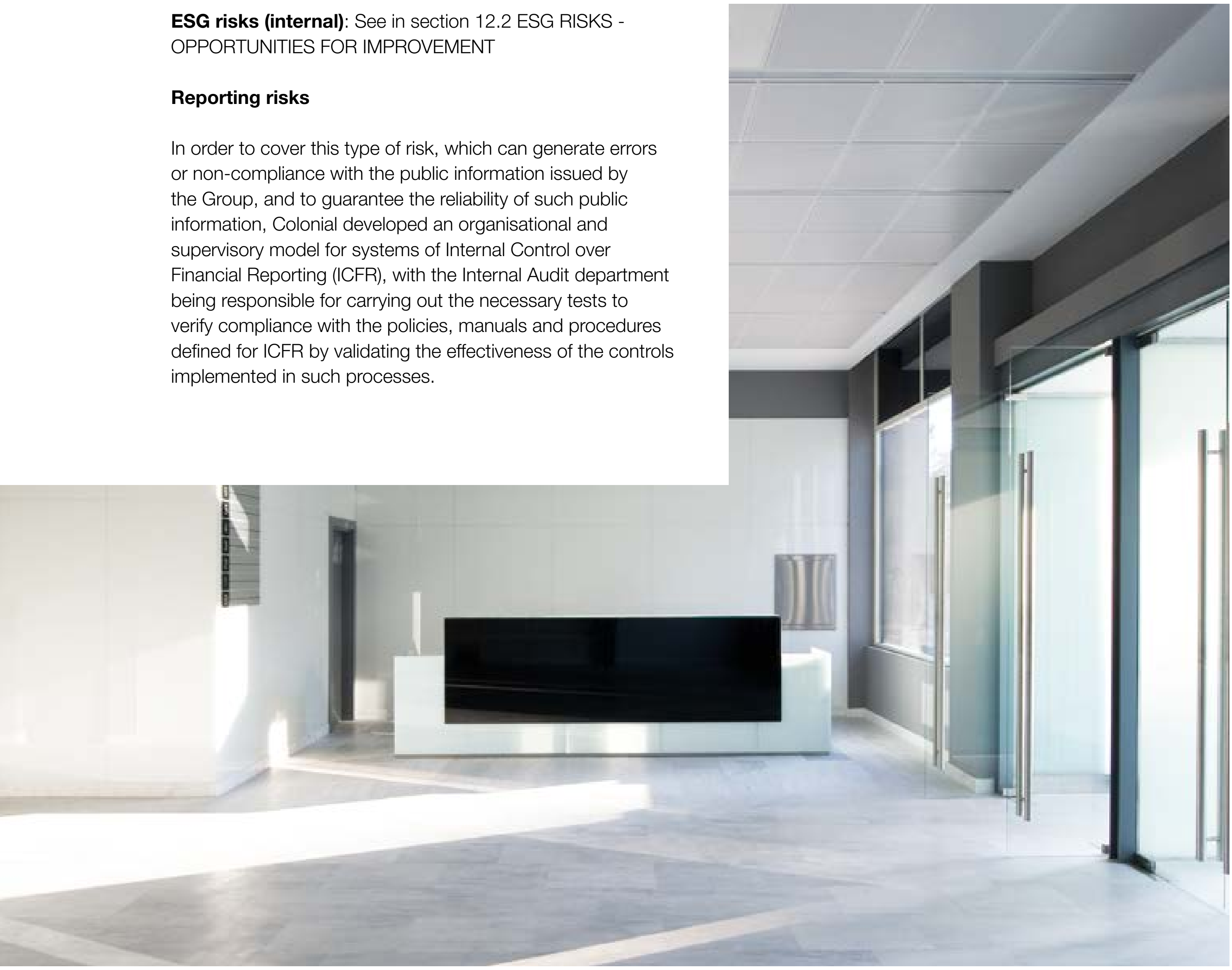
IT risks: Risks arising from dependence on information technology.

Description of risk	Impact	Control measures
Failures in information systems and cyber-security **Classification: Medium**		
Crashes or security breaches in the IT systems may cause the loss or theft of information, thus interrupting or damaging the operations of the Company, making it vulnerable to penalties for non-compliance and/or affecting Colonial's image.	> Loss of confidential information. > Extraordinary losses. > Regulatory non-compliance. > Impact on image and reputation.	> Periodic cyber-security diagnostics to detect any weaknesses and new threats. > Implementation of a cyber-security plan. > IT systems contingency plan (Tier IV). > External audits of IT systems.

ESG risks (internal): See in section 12.2 ESG RISKS - OPPORTUNITIES FOR IMPROVEMENT

Reporting risks

In order to cover this type of risk, which can generate errors or non-compliance with the public information issued by the Group, and to guarantee the reliability of such public information, Colonial developed an organisational and supervisory model for systems of Internal Control over Financial Reporting (ICFR), with the Internal Audit department being responsible for carrying out the necessary tests to verify compliance with the policies, manuals and procedures defined for ICFR by validating the effectiveness of the controls implemented in such processes.



12.2. ESG risks - opportunities for improvement

In 2019, the Colonial group has continued to develop the strategic plan in. The development of the Strategic Plan at ESG has brought to light a number of environmental, social and governance risks that the Group considers to be major risks and which are monitored by the management team.

External risks:

> Management of new trends in ESG
> Climate change

Internal risks:

> Human capital
> Damage to the environment
> Regulatory compliance

Description of risk	Impact	Control measures
Management of new trends in ESG Classification: High		
The current concern about the increasing effects of climate change, as well as society's demand for greater equality, welfare and transparency within organisations requires an increase in the demand for non-financial information to be presented to the various stakeholders. Colonial's difficulty in identifying those risks in the ESG area to which it is exposed may make it difficult to define its master plan in that area, allocate resources appropriately and assume long-term risks of unknown scope and impact. The Company's inability to disclose the non-financial information required by the market may adversely affect the Company's operations.	> Impact on image and reputation. > Loss of competitiveness. > Lack of access to new sources of funding.	> Elaboration of a Business Plan of ESG. > Creation of an ESG Committee with the involvement of different members of the management team. > Monitoring of ESG indicators. > Analysis of new demands for ESG information from the market. > Analysis of new operations ('green bonds', 'green contracts'). > Monitoring of the Group's governance measures against regulator's best practices and recommendations
Climate change Classification: Low		
The increase in the long-term effects of climate change may affect the Company's assets to an unknown extent and with an unknown impact. The continuous increase in temperatures in addition to extreme weather events, such as heat/cold waves, torrential rain, strong winds etc. may damage building components in addition to affecting buildings' normal functioning and altering the wellbeing of their occupants.	> Damage to assets. > Increase in energy consumption. > Obsolescence of properties.	> Certification of all properties with LEED and BREEAM certificates. > Implementation Proptech project for efficient property management. > Climate resilience in the Company's assets and contingency plans. > Development of decarbonisation plan.

Description of risk	Impact	Control measures
Human capital **Classification: Medium**		
The ability to attract, empower and retain the Company's employees is crucial to achieving objectives and establishing know-how within Colonial to serve as a competitive advantage over other companies in the sector. Likewise, the well-being and health of people within the organisation is considered essential for attracting and retaining employees.	> Reduction in productivity. > Lack of capacity or interest to attract talented people.	> Search for key personnel through headhunting. > Attracting and retaining talent through competitive salaries, job flexibility and social benefits. > Individualised career development plan. > Training plans. > Launch of the "Colonial te cuida" (Colonial care for you) programme to promote healthy habits among employees.
Damage to the environment **Classification: Low**		
Colonial's activities can have an impact on the environment. The construction and maintenance of buildings can cause damage to the environment due to the emission of CO_2, damage to biodiversity and the environment, and the generation of waste. In addition, the daily operation of buildings, especially their air conditioning installations, are exposed to the risk of environmental contamination due to the use of contaminating gases and fluids.	> Sanctions or lawsuits. > Impact on image and reputation.	> Colonial has biodiversity policies in which it is committed to preserving and conserving the environment and reducing its carbon footprint in the performance of its activities. > Continuous innovation in less environmentally aggressive construction methods. > Request for material requirements from construction companies and installers. > Design and planning of new projects with high energy efficiency. > Certification of all properties with LEED and BREEAM certificates. > Implementation of Proptech project for efficient property management.
Regulatory compliance **Classification: Low**		
The Group's activity is subject to regulatory compliance and compliance with contracts signed with third parties. Certain regulations may yield interpretations that differ from those of supervisory bodies, which could lead to adverse consequences such as sanctions, compensation payments or even criminal offences.	> Extraordinary losses due to sanctions or compensation. > Criminal offences.	> Monitoring of the compliance system through the Regulatory Compliance Unit, reporting directly to the Audit and Control Committee. > Code of Ethics. > Training in criminal risk prevention. > Whistleblower channel available o employees. > Preparation and review of the main contracts and their clauses by the Legal Counsel.

In addition to the main risks indicated in the corporate risk map, there are other risks in the ESG area that are managed through the establishment of policies and processes and the implementation of internal controls to mitigate the impact of such risks.

ESG risk management enables Colonial to transform risks into opportunities for improvement, helping to manage the company's assets more efficiently while reducing the environmental and social impact of the company's operations.

Risk	Mitigation	Opportunity
Increase in construction costs related to emission-intensive materials	> The Group promotes the responsible procurement of materials. > Control of consumed materials. > Procurement of sustainable and recycled materials.	> Increase in properties' value. > Increased customer interest in sustainably managed assets. > Access to new funding (green loans, green bonds etc.).
Waste management	> Sorting of hazardous and non-hazardous waste. > Request for collection and delivery certificates from treatment facilities. > Application for certificates of recycling, reuse or valuation.	> Increased customer interest in sustainably managed assets. > Access to new funding (green loans, green bonds etc.). > Higher operational control over construction projects.
Environmental impact of buildings	> Monitoring the environmental impact of buildings. > Renovating less efficient buildings by reducing fossil fuel consumption. > Implementation of rainwater collection systems (in some SFL properties). > Objective of obtaining environmental certifications for all assets. > Proptech Strategy.	> Increase in properties' value. > Increased customer interest in sustainably managed assets. > Improved operational management of properties.
Increase in episodes of contamination	> Promotion of sustainable mobility. > Central location of properties in city centres with easy access to public transport.	> Increase in properties' value. > Improving the quality of life and well-being of employees. > Contribution to the improvement of air quality in large cities.

Risk	Mitigation	Opportunity
Destruction of biodiversity	> Implementation of biodiversity policies. > Creation of garden spaces and architectural plant elements. > Promotion of animal biodiversity with the integration of nests in the external spaces of the buildings.	> Increase in properties' value. > Improving the quality of life and well-being of property users. > Contribution to the improvement of air quality in large cities. > Contribution to the protection of endangered migratory birds.
Employee health and welfare	> Design of the workplace for a good comfort of the employees (open and wide spaces, equipped kitchen etc.). > Weekly contribution of fruits and vegetables for employees. > Contribution of tools to maintain healthy habits through the portal *Colonial te cuida* (Colonial cares for you).	> Increased employee satisfaction and well-being. > Increase in productivity.
Ethics and corporate governance	> Measures for prevention of money laundering. > Implementation and review of a Corporate Defence model.	> Increased transparency and trust with stakeholders.

12.3. Climate change: Risks and Opportunities

Colonial pays special attention to the identification of risks and opportunities derived from climate change that may impact its activity, assets and investments in the present and in the future. In line with the recommendations of the Task Force for Climate Change Disclosure (TCFD), Colonial initiated a scenario analysis in 2019 to identify these climate-related risks and opportunities.

The scenarios estimated by the Intergovernmental Panel on Climate Change (IPCC) are used for this analysis. The most pessimistic scenario (RCP 8.5) and the most optimistic scenario (RCP 2.6) are selected with a focus on the consequences in Spain and France.

In 2020, Colonial will deepen the analysis of scenarios and risks and identify the opportunities and financial impact for Colonial.

2050 scenarios

SCENARIO RCP 8.5: "BUSINESS AS USUAL"

If governments, businesses and society do not change their behaviour, greenhouse gas emissions will continue to grow at the current rate. The temperature could increase 3ºC globally and, in the Mediterranean area, the increases could be higher, especially in the summer months. In this scenario, ocean levels rise and the number of days of extreme weather, rainfall and flooding increase, as does the number of fires. The behaviour of customers and investments does not vary in terms of sustainability criteria. In this context, energy intensity is very high, and dependence on fossil fuels is significant. There is a lack of political and social collaboration to undertake climate initiatives, and the health of the population is deteriorating.

In this scenario, Colonial identifies property damage caused by the frequency of storms and gales as the main risk, causing an increase in the maintenance costs of assets.

SCENARIO RCP 2.6: LIMITING THE TEMPERATURE INCREASE TO 1.5-2 DEGREES

In this scenario, greenhouse gas emissions are halved by 2050. The temperature increase is less than 2°C. New technologies in renewable energies are installed on a large scale, significantly reducing energy intensity. In this scenario, tax and regulation systems are implemented based on greenhouse gas emissions and business models are adapted. Further regulation on sustainability criteria is approved in all sectors. In addition, changes in customer and investor demands are noticeable in terms of efficiency and environmental responsibility.

In this context, Colonial identifies increased regulation and taxation of emissions, land use and building codes as major risks, leading to increased costs for asset adaptation.

In addition, also based on TCFD recommendations, Colonial reports on governance, strategy, management and objectives with regard to these risks and opportunities arising from climate change.

Governance

The Colonial ESG Committee monitors the risks and opportunities related to climate change and leads progress towards more intensive assessment and monitoring thereof.

Commercial

Colonial's new ESG Plan takes into account the actual and potential impacts of climate-related risks and opportunities, and links them to the Group's strategy.

Risk management

Colonial's current risk management identifies, assesses and manages risks related to climate change. In addition, work is underway to expand risk analysis by implementing TCFD recommendations.

Metrics and objectives

The "Sustainability" chapter of the report presents the metrics and targets used to identify, assess and manage climate change-related risks. It also includes the results of the calculation of GHG emissions in its three scopes.

SUBSEQUENT EVENTS: IMPACT OF COVID-19

The appearance of the COVID-19 Coronavirus in December 2019 in China and its spread worldwide, with a particular impact on Eurozone markets, will have an uncertain impact on the group's operations in 2020. In response to the threat of this viral disease, the Group established a crisis committee and drafted a number of action protocols to ensure and preserve the health of its employees and also to mitigate the impact genereted by COVID-19 in the Group's operations.

Ongoing protection and support for all employees

> Remote working of all Group employees.

> Specialised remote assistance support available to employees.

Asset protection

> Implementation of protocols and measures in all buildings to ensure the health and safety of all users.

> Implementation of protocols and measures for the gradual return to normality.

Portfolio analysis and customer service

> Diversified client portfolio across various sectors with top-tier companies and a high degree of loyalty.

> Individual assistance for clients with greater financial difficulties (SMEs and retail clients) due to the situation caused by COVID-19.

Review of the project and investment portfolio

> Ensure health and safety protocols on construction sites.

> Delay of projects and works planned in 2020.

> Review of the Group's investment criteria and policies according to a more conservative approach.

Divestment process

> Continuation of the plan to divest non-strategic assets.

Financial measures

> Ensure liquidity and strengthen the Group's solvency.

> Signing of a new sustainable loan of €200m over 2 years.

> Rating renewal with the agencies Standard & Poor's and Moody's, maintaining the highest credit rating in the sector.

Internal and external communication

> Creating new channels of communication with employees.

> Communication of other relevant information to the CNMV.

> Issuance of various press releases.

Moreover, the management team and the crisis committee meet regularly to analyse and evaluate the changing situation caused by the COVID-19 virus and its impact on the Group's activity and risks.

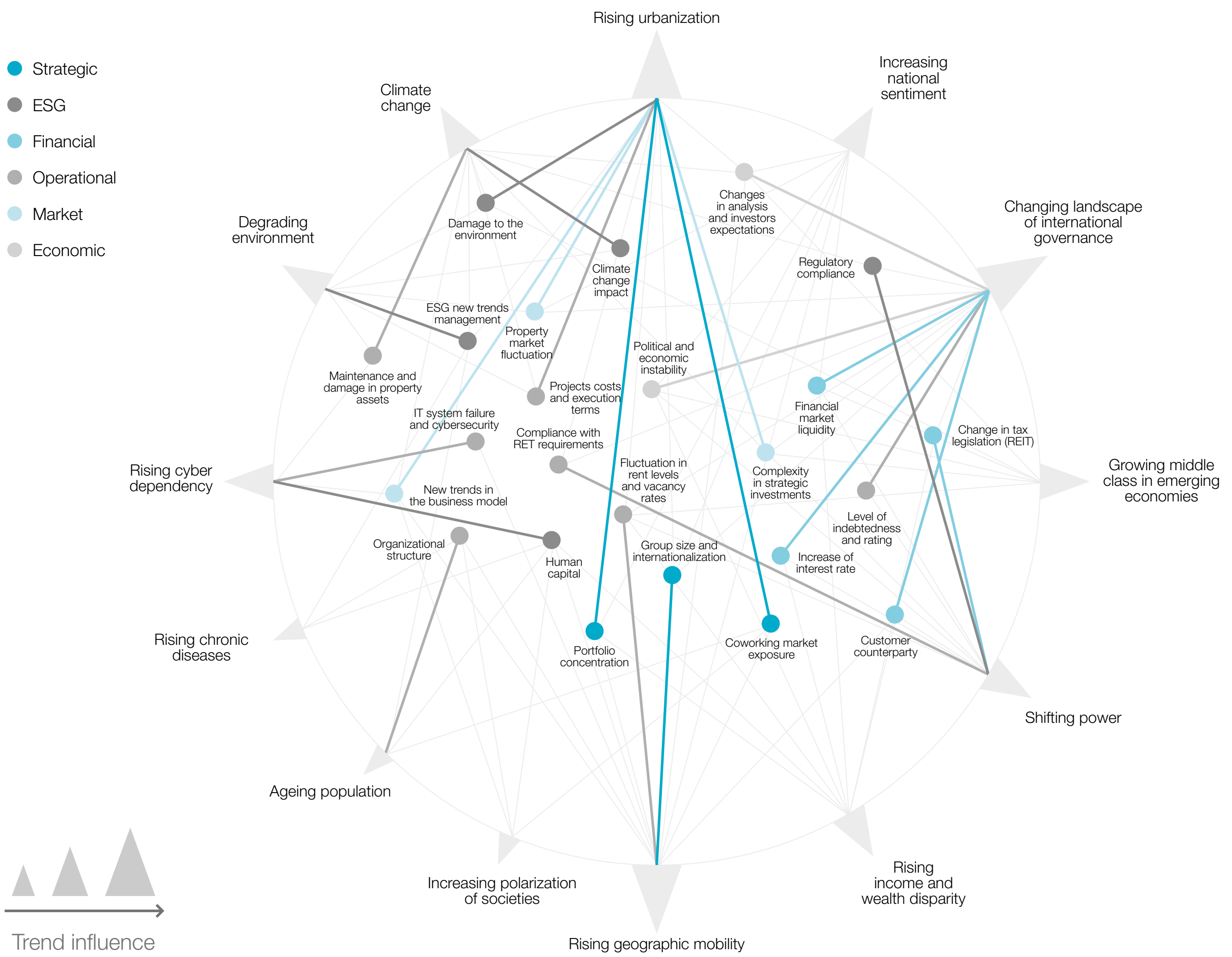
Despite all these measures, and in the absence of an effective treatment against COVID-19, the impact that the spread of this pandemic will have from an economic and social point of view and, in particular on certain sectors such as real estate is not known at this time. In this regard, the possibility that it could affect some of the Group's risks is not ruled out, most notably including external risks relating to increased uncertainty in the economic or political sphere, the possible impact and increased fluctuation that may occur in the real estate market and which may also affect business model trends in this sector. In addition to this, risks relating to an increase in the complexity of investment and divestment transactions, market liquidity and client solvency. Furthermore, in relation to internal risks, it is important to highlight possible impacts on operational risks related to the execution of works, income and property occupation levels, debt levels, credit ratings, and those of a regulatory nature.

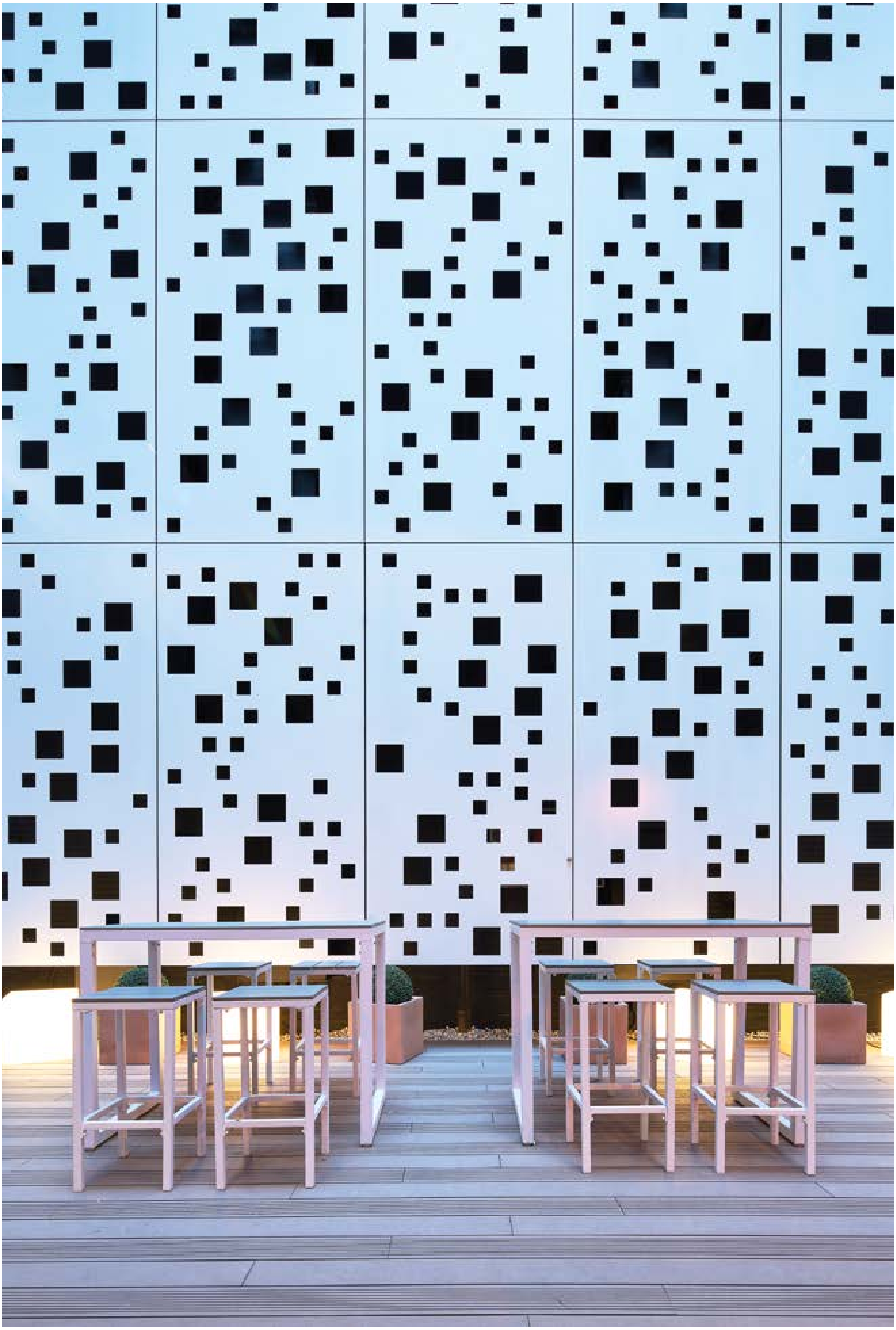
In light of this scenario, in 2020 the company is working on reviewing its corporate risk map and analysing the development of risks regarding their impact and probability as a result of the COVID-19 crisis, as well as the efficiency of the controls over each of the risks. The dynamic approach and monitoring of risks is part of the Group's RCMS, although it takes on added significance in this extraordinary situation, as it allows for the analysis and improvement of control systems and the Group's resilience.

12.4. Our exposure to global trends

Belonging to an increasingly globalised and connected world exposes Colonial to the changes occurring all over the planet. The patterns of behaviour that set global trends can have a more or less direct influence on the risks that Colonial faces on a daily basis. For that reason, Colonial is conducting an analysis to detect how the company's risks are connected to global trends (in accordance with the World Economic Forum's publication *'The Global Risks Report 2019' of 15 January 2019*).

Colonial's corporate risks have been mapped in the graph below, identifying the global trends with which these corporate risks are related and highlighting the connection between the risk and the trend that most influences it. The size of the trends has been shown in accordance with the number of risks to which it is connected, thus providing a clear visual illustration of which global trends we should monitor to see their influence on the risks on our map.



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13 EPRA ratios

13.1. EPRA Earnings

EPRA Earnings - €m

	2019	2018
Earnings per IFRS Income statement	**827**	**525**
Earnings per IFRS Income statement - €/share	***1.627***	***1.162***
Adjustments to calculate EPRA Earnings, exclude:		
(i) Changes in value of investment properties, development properties held for investment and other interests	(875)	(687)
(ii) Profits or losses on disposal of investment, development properties held for investment and other interests	(20)	(12)
(iii) Profits or losses on sales of trading properties including impairment changes in respect of trading properties	0	0
(iv) Tax on profits or losses on disposals	0	0
(v) Negative goodwill / goodwill impairment	62	114
(vi) Changes in fair value of financial instruments and associated close-out costs	6	40
(vii) Acquisition costs on share deals and non controlling joint venture interests	3	3
(viii) Deferred tax in respect of EPRA adjustments	12	10
(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	126	96
EPRA Earnings (company-specific pre adjustments)	**142**	**90**
Company specific adjustments:		
(a) Extraordinary provisions & expenses	(2)	5
(b) Non recurring financial result	0	0
(c) Tax credits	0	7
(d) Minority interests in respect of the above	0	(2)
Company specific adjusted EPRA Earnings	**139**	**101**
Average Nº of shares (m)	***508.1***	***451.7***
Company adjusted EPRA Earnings per Share (EPS) - €/share	***0.274***	***0.223***

13.2. EPRA NAV

■ **EPRA Net Asset value - €m**

	12/2019	12/2018
NAV per the Consolidated financial statements	**5,559**	**4,811**
Effect of exercise of options, convertibles and other equity interests (diluted basis) **Diluted NAV, after the exercise of options, convertibles and other equity interests**		
Include:		
(i.a) Revaluation of investment properties (if IAS 40 cost option is used)	21	31
(i.b) Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)	na	na
(i.c) Revaluation of other non-current investment	24	19
(ii) Revaluation of tenant leases held as finance leases	na	na
(iii) Revaluation of trading properties	3	7
Exclude:		
(iv) Fair value of financial instruments	(21)	2
(v.a) Deferred tax	240	228
(v.b) Goodwill as a result of deferred tax	–	–
Include/exclude:		
Adjustments (i) to (v) above in respect of joint ventures interests	na	na
EPRA NAV - €m	**5,825**	**5,098**
Goodwill	*0*	*(62.2)*
Adjusted EPRA NAV - €m	**5,825**	**5,036**
No. of shares (m)	***508.1***	***508.1***
EPRA NAV - Euros per share	***11.46***	***10.03***
Adjusted EPRA NAV - Euros per share	***11.46***	***9.91***

13.3. EPRA NNNAV

EPRA Triple Net Asset value (NNNAV) - €m

	12/2019	12/2018
EPRA NAV	**5,825**	**5,098**
Include:		
(i) Fair value of financial instruments	21	(2)
(ii) Fair value of debt	(258)	(14)
(iii) Deferred tax	(240)	(229)
(iv) Tax credits on balance	na	na
EPRA NNNAV - €m	**5,348**	**4,853**
Goodwill	*0*	*(62.2)*
Adjusted EPRA NNNAV - €m	**5,348**	**4,791**
No. of shares (m)	***508.1***	***508.1***
EPRA NNNAV - Euros per share	***10.52***	***9.55***
Adjusted EPRA NAV - Euros per share	*10.52*	*9.43*

13.4. EPRA Net Initial Yield & "Topped-Up" Net Initial Yield

D. EPRA Net Initial Yield & "Topped-Up" Net Initial Yield - €m

		Barcelona	Madrid	Paris	Logistic	Total 2019	Total 2018
Investment property - wholly owned		1,534	3,223	7,158	265	12,179	11,333
Investment property - share of JVs/Funds		17	na	na	na	17	15
Trading property (including share of JVs)		na	na	na	na	na	na
Less: developments		(17)	(726)	(953)	(72)	(1,768)	(1,354)
Completed property portfolio	**E**	**1,534**	**2,497**	**6,204**	**193**	**10,428**	**9,994**
Allowance for estimated purchasers' costs		47	63	426	6	541	518
Gross up completed property portfolio valuation	**B**	**1,581**	**2,559**	**6,630**	**199**	**10,969**	**10,512**
Annualised cash passing rental income		52	87	184	9	333	331
Property outgoings		(4)	(11)	(3)	(2)	(21)	(15)
Annualised net rents	**A**	**48**	**76**	**181**	**7**	**312**	**316**
Add: notional rent expiration of rent free periods or other lease incentives		5	9	21	0	34	34
"Topped-up" net annualised rent	**C**	**53**	**84**	**202**	**8**	**346**	**350**
EPRA Net Initial Yield	**A/B**	**3.1%**	**3.0%**	**2.7%**	**3.7%**	**2.8%**	**3.0%**
EPRA "Topped-Up" Net Initial Yield	**C/B**	**3.3%**	**3.3%**	**3.0%**	**3.9%**	**3.2%**	**3.3%**
Gross Rents 100% Occupancy	F	60	102	209	11	383	390
Property outgoings 100% Occupancy		(4)	(11)	(3)	(2)	(19)	(12)
Annualised net rents 100% Occupancy	**D**	**57**	**91**	**206**	**10**	**363**	**378**
Net Initial Yield 100% Occupancy	**D/B**	**3.6%**	**3.6%**	**3.1%**	**4.9%**	**3.3%**	**3.6%**
Gross Initial Yield 100% Occupancy	**F/E**	**3.9%**	**4.1%**	**3.4%**	**5.9%**	**3.7%**	**3.9%**

13.5. EPRA Vacancy Rate

EPRA Vacancy Rate - Offices Portfolio - €m

	2019	2018	Var. %
Barcelona			
Vacant space ERV	1.2	0.5	
Portfolio ERV	63	53	
EPRA Vacancy Rate Barcelona	**2%**	**1%**	**1 pp**
Madrid			
Vacant space ERV	4	11	
Portfolio ERV	100	103	
EPRA Vacancy Rate Madrid	**4%**	**11%**	**(6 pp)**
Paris			
Vacant space ERV	3	3	
Portfolio ERV	182	179	
EPRA Vacancy Rate Paris	**2%**	**1%**	**0 pp**
Total portfolio			
Vacant space ERV	8	14	
Portfolio ERV	345	335	
EPRA Vacancy Rate Total Offices Portfolio	**2%**	**4%**	**(2 pp)**

Note: Annualized figures.

EPRA Vacancy Rate - Total Portfolio

	2019	2018	Var. %
Barcelona			
Vacant space ERV	1.3	0.5	
Portfolio ERV	64	54	
EPRA Vacancy Rate Barcelona	**2%**	**1%**	**1 pp**
Madrid			
Vacant space ERV	4	11	
Portfolio ERV	101	105	
EPRA Vacancy Rate Madrid	**4%**	**10%**	**(6 pp)**
Paris			
Vacant space ERV	3	3	
Portfolio ERV	222	219	
EPRA Vacancy Rate Paris	**1%**	**1%**	**0 pp**
Logistic & others			
Vacant space ERV	2	3	
Portfolio ERV	11	–	
EPRA Vacancy Rate Total Portfolio	**16%**	**–**	**–**
Total portfolio			
Vacant space ERV	11	18	
Portfolio ERV	398	400	
EPRA Vacancy Rate Total Portfolio	**3%**	**4%**	**(2 pp)**

Note: Annualized figures.

13.6. EPRA Cost Ratios

E. EPRA Cost Ratios - €m

		12/2019	12/2018
(i) Administrative/operating expense line per IFRS income statement		48	47
(ii) Net service charge costs/fees		30	25
(iii) Management fees less actual/estimated profit element		0	0
(iv) Other operating income/recharges intended to cover overhead expenses less any related profits		0	0
(v) Share of Joint Ventures expenses		0	0
Exclude (if part of the above):			
(vi) Investment Property depreciation		na	na
(vii) Ground rent costs		na	na
(viii) Service charge costs recovered through rents but not separately invoiced		(7)	(7)
EPRA Costs (including direct vacancy costs)	**A**	**71**	**65**
(ix) Direct vacancy costs		(5)	(5)
EPRA Costs (excluding direct vacancy costs)	**B**	**66**	**60**
(x) Gross Rental Income less ground rent costs - per IFRS		352	347
(xi) Less: service fee and service charge costs components of Gross Rental Income (if relevant)		(6)	(11)
(xii) Add: share of Joint Ventures (Gross Rental Income less ground rents)		0	0
Gross Rental Income	**C**	**346**	**336**
EPRA Cost Ratio (including direct vacancy costs) (A/C)	**A/C**	**20.4%**	**19.5%**
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**B/C**	**19.1%**	**17.9%**
Additional Disclosure			
Capitalized overhead costs[1]		1	0
Commercialisation fees[2]		2	1

(1) Overheads which are directly and totally related to projects are capitalized.
(2) Commercialisation fees related to projects and refurbishments are capitalized.

13.7. EPRA Capex disclosure

■ **Property-related CAPEX - €m**

	12/2019	12/2018
Acquisitions(1)	0	28
Development (ground-up/green field/brown field)	89	96
Like-for-like portfolio	17	12
Other(2)	17	8
Capital Expenditure	**123**	**143**

(1) Does not include contribution of assets in exchange of shares.
(2) Includes capitalised interest relating to projects, tenant incentives, letting fees and other capitalised expenses.


14

14 Colonial portfolio

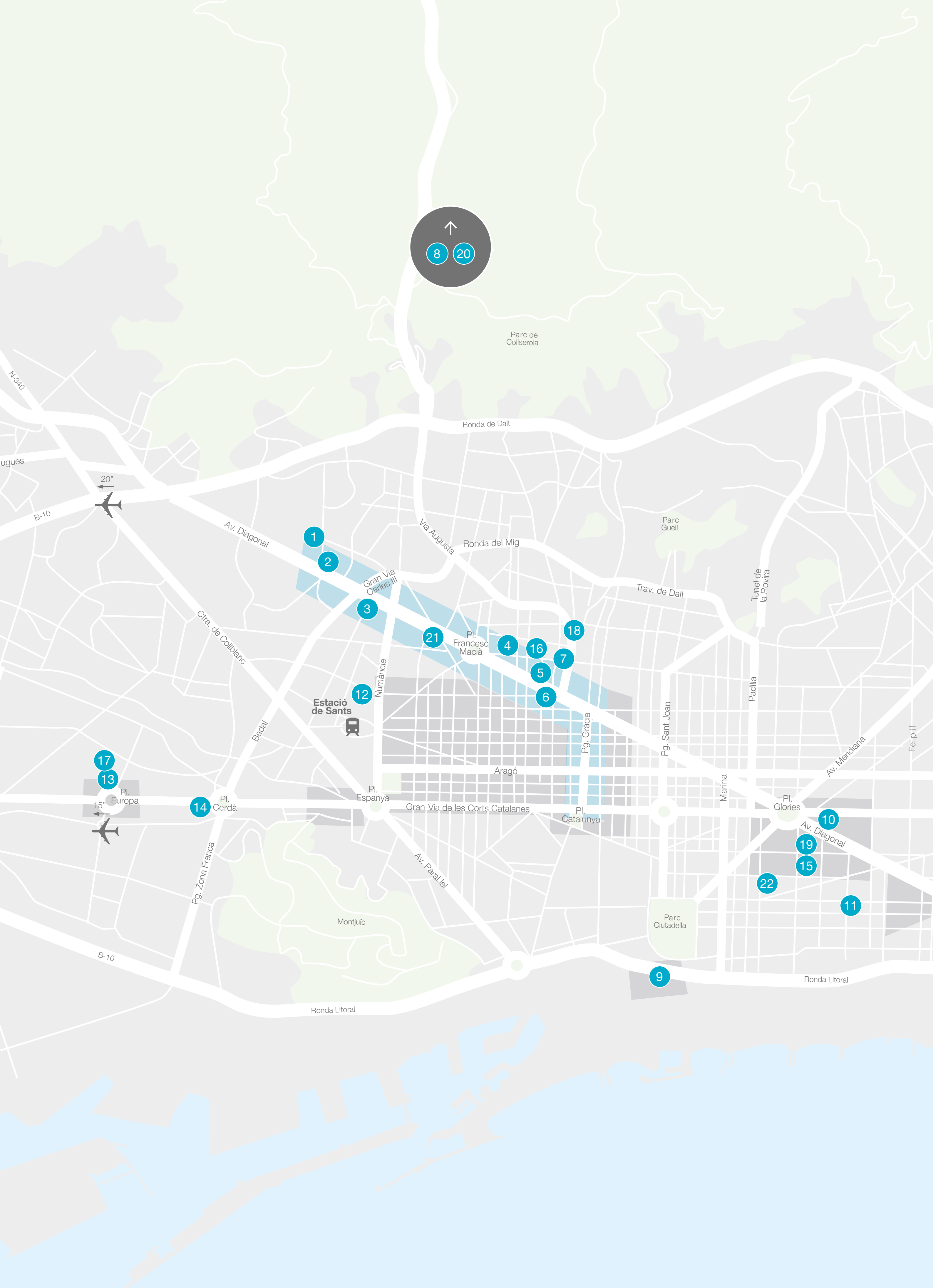
14.1. Location of assets

Barcelona

1. Paseo de los Tilos, 2-6
2. Av. Diagonal, 682
3. Av. Diagonal, 609-615
4. Travessera de Gràcia, 11 /Amigó
5. Av. Diagonal, 530-532
6. Av. Diagonal, 409
7. Vía Augusta, 21-23
8. San Cugat Nord
9. Torre Marenostrum
10. Diagonal Glòries
11. Illacuna
12. Berlín-Numància
13. Plaza Europa, 42-44
14. Torre BCN
15. Parc Glòries
16. Travessera de Gràcia, 47-49
17. Plaza Europa, 34
18. Gal·la Placídia
19. Av. Diagonal, 197
20. Park Cugat
21. Av. Diagonal, 523-525
22. Parc Glòries II

Prime Central Business District

Business District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Parc de Collserola
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Av. Diagonal
Via Augusta
Ronda del Mig
Parc Guell
Túnel de la Rovira
Trav. de Dalt
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Pl. Francesc Macià
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Ctra. de Collblanc
Numància
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Pg. Gràcia
Pg. Sant Joan
Padilla
Felip II
Av. Meridiana
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Pl. Europa
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Pl. Cerdà
Aragó
Pl. Espanya
Gran Via de les Corts Catalanes
Pl. Catalunya
Marina
Pl. Glories
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Av. Diagonal
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Av. Paral.lel
Pg. Zona Franca
Montjuïc
Parc Ciutadella
B-10
9
Ronda Litoral
Ronda Litoral

Madrid

1 Paseo de Recoletos, 37-41
2 Génova, 17
3 Paseo de la Castellana, 52
4 Paseo de la Castellana, 43
5 Miguel Ángel, 11
6 José Abascal, 56
7 Santa Engracia
8 Poeta Joan Maragall, 53
9 Discovery Building
10 López de Hoyos, 35
11 The Window
12 Francisco Silvela, 42
13 Ortega y Gasset, 100
14 Ramírez de Arellano, 37
15 MV49 Business Park
16 Alfonso XII, 62
17 José Abascal, 45
18 Serrano, 73
19 Santa Hortensia, 26-28
20 Paseo de la Castellana, 163
21 Arturo Soria, 336
22 Campus Méndez Álvaro
23 Ramírez de Arellano, 15
24 Manuel de Falla, 7
25 Sagasta, 27
26 Sagasta, 31-33
27 Almagro, 9
28 Miguel Ángel, 23
29 Velázquez-Padilla, 17
30 Don Ramón de la Cruz, 82
31 Paseo de Recoletos, 27

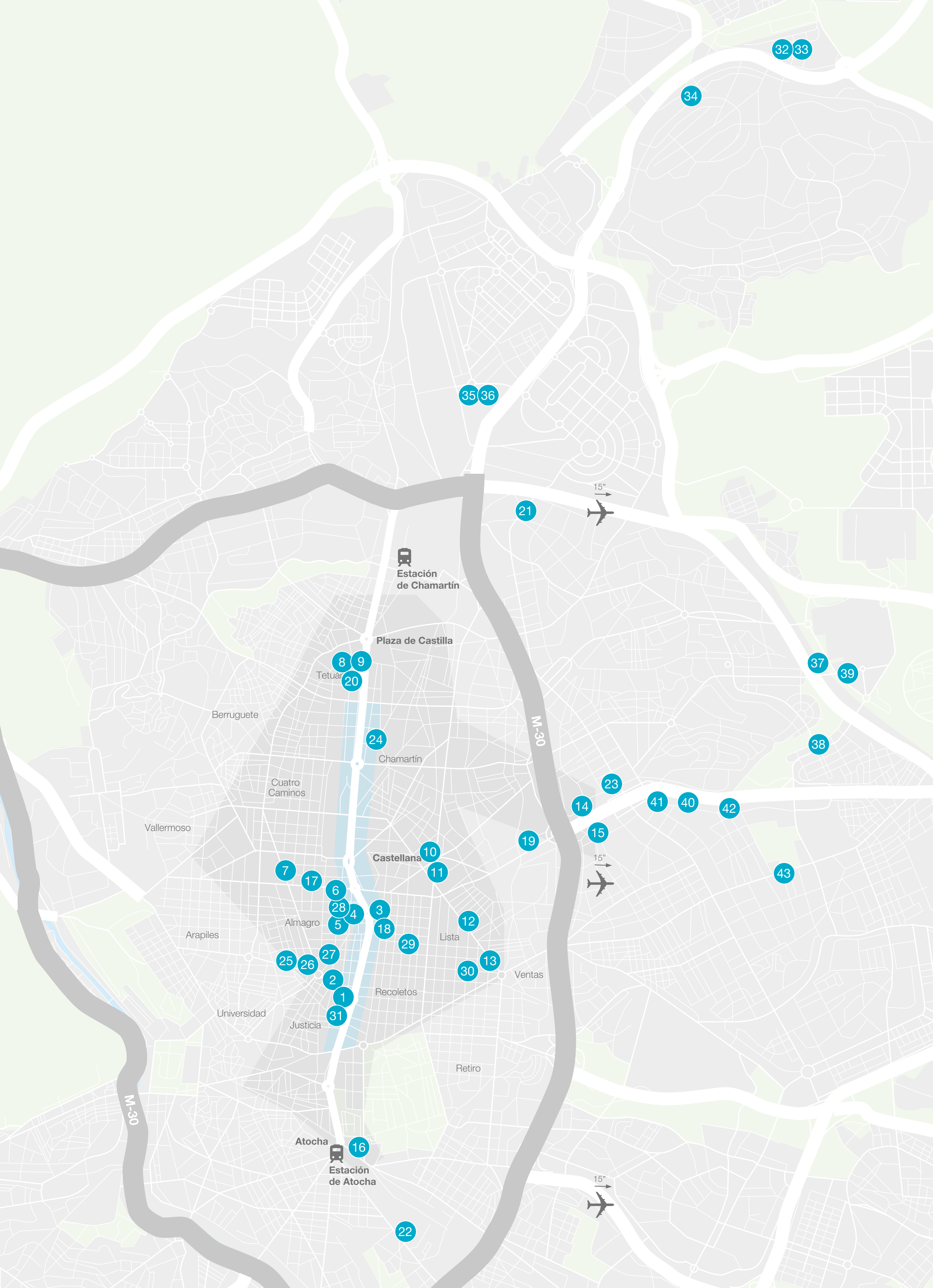
NORTH MADRID
Arroyo de la Vega & Las Tablas

32 Francisca Delgado, 11
33 Cedro - Anabel Segura, 14
34 Av. De Bruselas, 38
35 Puerto de Somport, 8
36 Puerto de Somport, 10-18

EAST MADRID
Campo de las Naciones & A2

37 Ribera del Loira, 28
38 Tucumán
39 Egeo Building
40 Josefa Valcárcel, 40
41 Josefa Valcárcel, 24
42 Luca de Tena, 7
43 Alcalá, 506

Prime Central Business District
Business District



Estación
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Castellana
Almagro
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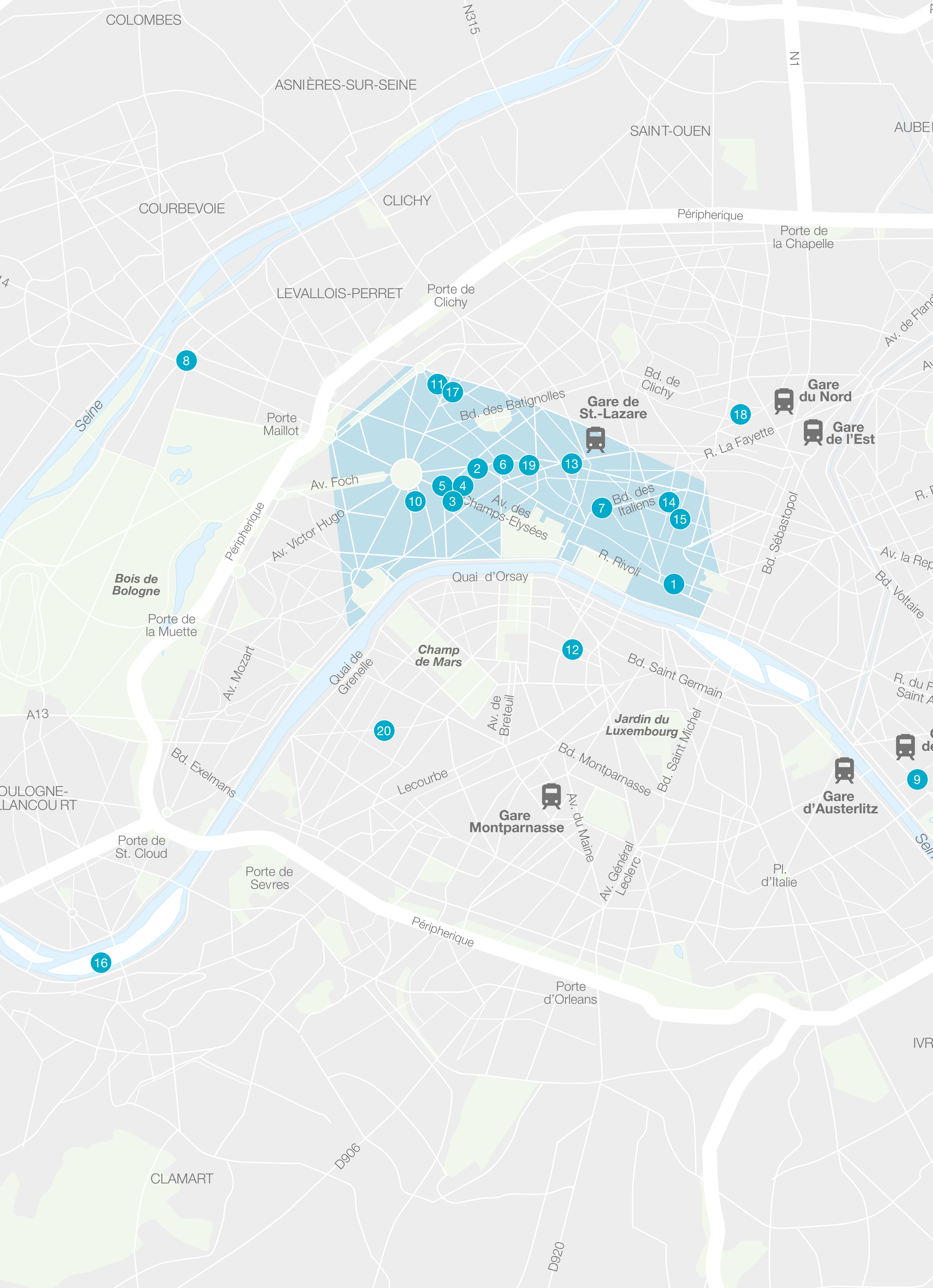
Paris

1. Louvre Saint-Honoré
2. Washington Plaza
3. Galerie des Champs-Élysées
4. 90 Champs-Élysées
5. 92 Champs-Élysées Ozone
6. Cézanne Saint-Honoré
7. Édouard VII
8. 176 Charles de-Gaulle
9. Rives de Seine
10. Marceau
11. 131 Wagram
12. 103 Grenelle
13. 104-110 Haussmann Saint-Augustin
14. 6 Hanovre
15. #Cloud
16. Le Vaisseau
17. 112 Wagram
18. 4-8 Rue Condorcet
19. 9 Avenue Percier
20. Biome

Prime Central Business District

Business District



COLOMBES
ASNIÈRES-SUR-SEINE
SAINT-OUEN
COURBEVOIE
CLICHY
LEVALLOIS-PERRET
Porte de Clichy
Périphérique
Porte de la Chapelle
Seine
Porte Maillot
Bd. des Batignolles
Gare de St.-Lazare
Bd. de Clichy
Gare du Nord
Gare de l'Est
R. La Fayette
Av. Foch
Av. Victor Hugo
Av. des Champs-Elysées
Bd. des Italiens
R. Rivoli
Quai d'Orsay
Bd. Sébastopol
Bois de Bologne
Porte de la Muette
Av. Mozart
Quai de Grenelle
Champ de Mars
Av. de Breteuil
Bd. Saint Germain
Jardin du Luxembourg
Bd. Saint Michel
Bd. Montparnasse
A13
Bd. Exelmans
Lecourbe
Gare Montparnasse
Av. du Maine
Av. Général Leclerc
Gare d'Austerlitz
Porte de St. Cloud
Porte de Sevres
Pl. d'Italie
Périphérique
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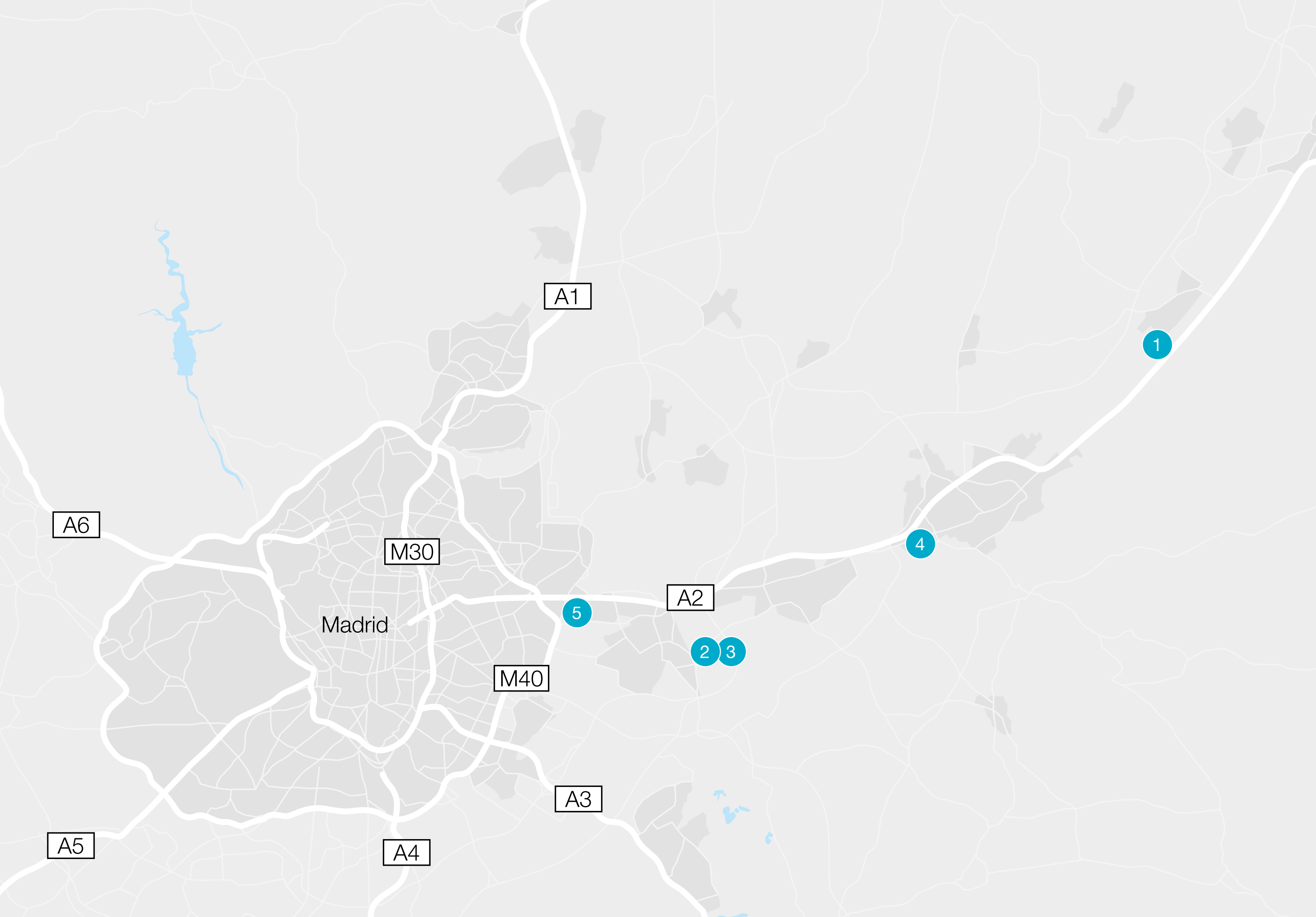
Logistics & others

1. Azuqueca II
2. San Fernando I
3. San Fernando II
4. Alcalá de Henares

RETAIL

5. Las Mercedes Open Park
6. Les Gavarres
7. Viapark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La Coruña
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Badajoz
Sevilla
Málaga
Cádiz
Almería
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Barcelona

1 Paseo de los Tilos, 2-6

A fully refurbished office building located in one of Barcelona's most exclusive residential neighborhoods. Due to its proximity and easy access to the Ronda de Dalt and the Diagonal business district it is has excellent transport links, it is close to Av. Diagonal and just 20 minutes from the airport. The building has five open-plan floors and a total leasable area of 5,143 sq m, in addition to two underground floors with its own parking garage. Floors with high-quality interiors and finishes, offering an average per-floor area above 1,000 sq m.

2 Av. Diagonal, 682

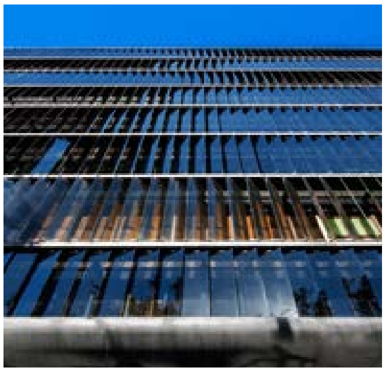
Diagonal 682 is a fully refurbished building which offers a modern and functional work environment. It has an open structure, completely street-facing and with well-lit areas and spectacular views of Barcelona. The building is located in one of the city's major business districts, making it an ideal base for company offices. The standard layout offers a leasable area of 644 sq m, divisible into two independent modules of 322 sq m each. The building has its own parking area and two commercial premises on the ground floor with direct street access.

3 Av. Diagonal, 609-615

The Diagonal 609-615 office building is in one of the most cosmopolitan parts of Avenida Diagonal, in an area that combines financial and commercial activity. Very good transport links both with the center of Barcelona and the train station and airport. Of particular note in this complex is the building popularly known as "El Dau", along with the "Prisma" building. Known as "El Dau" due to its straight architectural lines, it has nine completely street-facing floors, divided into eight modules with leasable areas of 217 sq m and up. The "Prisma" building has nine completely street-facing floors, divided into four modules with leasable areas of 124 sq m and up. These buildings are constructed and decorated with the highest quality materials. They have access control from the lobby with security services and their own parking area.

4 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.



5 Av. Diagonal, 530-532

The Diagonal 532 office block is located on Avenida Diagonal between Aribau and Tuset. It comprises nine completely street-facing and open-plan floors of up to 1,397 sq m, divisible into modules of 268 sq m and up; it also offers elegant and stylish communal areas. The building is BREEAM certified and has hi-tech installations, including a modular climate-control system and a vertical access core of three elevators and a freight elevator. The building also has its own parking area.

6 Av. Diagonal, 409

Architecturally-unique building with seven open-plan floors, which are completely street-facing, thanks to its design, providing office space from 500 sq m upwards. Recently renovated building, which has plenty of light and is conveniently located at the intersection of Av. Diagonal and Balmes. It has been awarded the LEED GOLD certificate and is an ideal option for companies wishing to combine classic elegance with the functionality of the most modern office building.

7 Vía Augusta, 21-23

Located a few meters from the intersection of Vía Augusta and Av. Diagonal, in a busy commercial area, with excellent transport connections. High-quality facilities and finishes, with raised access floors. Open-plan floors with 215 sq m to 670 sq m of leasable space, easily adaptable to the client's needs. Highly emblematic commercial premises with direct access from Vía Augusta. Concierge service. Parking in building annex.

8 San Cugat Nord

The Sant Cugat Nord office complex is located within the Barcelona metropolitan area and comprises 3 modern buildings offering leasable office space, all with a BREEAM rating of Very Good. This complex, surrounded by an extensive garden area, stands out for its high-quality provision: over 27,000 sq m, with paddle tennis courts, fitness rooms, restaurant service and parking. Every floor has 3,000 sq m modulable according to the needs of each client and containing the latest technology. A simple and elegant design has been chosen for the communal areas, making it the perfect place to set up a corporate headquarters or office.

9 Torre Marenostrum

Torre Marenostrum is one of the most unique and significant buildings erected in the city in the last few years. What makes this project so spectacular is its location, on the city's waterfront, along with its sinuous, modern architecture, and its rocky, crystal shape, inspired by the wind and water of the Mediterranean shore. All of these features make it a landmark of the Barcelona skyline. The 100-meter tower comprises two independent buildings with a total of 22,000 sq m of leasable space. The open-plan floors have up to 965 sq m with excellent facilities and decoration and a large parking area.

10 Diagonal Glòries

Located in Avenida Diagonal, just a few meters from Plaza de las Glorias and right in the middle of the 22@ district. It consists of three separate buildings and has a total of 11,672 sq m of leasable office space. Distributed over four floors, the office spaces range from 324 sq m to 2,918 sq m per floor. The area is easily accessible, and in the immediate vicinity major urban projects are being carried out, further raising the area's profile within the city. The building has a large number of amenities, as it is located above the Glòries shopping mall. Parking area within the building.

BREEAM ES

11 Illacuna

The Illacuna office complex is located in the heart of the 22@ district, in the Eix Llacuna neighborhood. With an area of 20,500 sq m, it comprises three buildings offering different standard layouts that house offices with an avant-garde design. The combination of different sizes in the split-level building gives a sensation of lightness and visual dynamism to this spacious building, which stands out for its originality and grandeur. The complex also has a special storage area for documents, which helps free up work space in the offices. The high ceilings give a sense of spaciousness and the decoration was done using quality, durable and elegant materials. The complex has its own parking area and a 24-hour concierge service.

BREEAM ES

12 Berlín-Numància

The Berlín-Numància building, is located in the Les Corts neighborhood of Barcelona, close to Av. Diagonal, and has seven completely street-facing floors with open-plan spaces constructed around a central lightwell; helping provide the ideal work environment. The elegant and functional communal areas are decorated to a high standard. Access to the building is through two separate lobbies, one at 38, Berlín and the other at 46, Numància. The building also has its own parking area within the building, a 24-hour concierge service and CCTV security system. Its location, next to Sants station, enables easy access to the AVE high-speed train, as well as other local and long-distance rail services and the subway system.

13 Plaza Europa, 42-44

Unique building, rectangular in shape and completely street-facing, offering 4,869 sq m of office space. The building is located in the new business district in Plaza Europa, at the intersection of Amadeu Torner and Gran Via de les Corts Catalanes. The building has its own parking area. The area has excellent transport links to both the center of Barcelona and El Prat airport, with a subway station just 2 minutes away: the new Metro Line 9 (direct to El Prat in 15 minutes).

14 Torre BCN

Torre BCN is an office building situated in the Plaça Ildefons Cerdà immediately on the point of entry to Barcelona. Its spectacular four-sided facade, with a completely glass curtain wall, stands out on the urban skyline. It consists of twelve open-plan floors, which are spacious and light, and offer a total modulable area of 800 sq m along with its own parking area. Spaces upwards of 155 sq m can be leased. The refurbishment process enabled this emblematic building to be updated with the latest installations and to be redecorated in a simple and functional style.

15 Parc Glòries

A new project for an emblematic office building in the most sought-after location of the 22@ district, with highly sustainable and top grade finishes and technical specifications. Completion is planned for 2018. The Parc Glòries project is soon to become an important landmark in the city. It will offer 24,000 sq m distributed over 17 floors designed by Batlle and Roig. The building, located at the heart of Barcelona's newest and most modern business district, next to Plaza Glòries and adjacent to Avenida Diagonal, will feature open floors each measuring 1,800 sq m.

16 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.

17 Plaza Europa, 34

At the beginning of 2017, Colonial strengthened its position in Plaza Europa, one of the business areas with the most development in recent years in Barcelona, with a new project to build a 21-storey office building with 14,000 sq m above ground and 150 parking spaces. This project is being developed in a joint venture with the Inmo Company, a subsidiary of the Puig family, the land owner, whose current corporate headquarters is located in the adjacent plot. The building will obtain the LEED Gold energy certificate.

18 Gal·la Placídia

This building has an unbeatable location in the Barcelona CBD, just in front of the Gràcia metro station and a few metres away from Colonial's headquarters. The asset has 4,312 sq m of surface area above ground with floors of up to 1,600 sq m and large terraces, a unique characteristic in the centre of Barcelona. Colonial will carry out a complete refurbishment of the building with the objective to boost co-working initiatives and increase the cash flow generation as well as the value creation potential. Accordingly, the building will be fully rented to Utopic_US, a leader in the management of flexible spaces and co-working contents in Spain, recently acquired by Colonial. The total price of the project once completed will be below €4,000/sq m.

19 Av. Diagonal, 197

Singular office tower located on Avenida Diagonal, the main artery of Barcelona. Located in the 22@ district, very close to the strategic Plaça de les Glòries and the Glòries commercial hub, it enjoys excellent transport connections and impressive views of the city of Barcelona and the Mediterranean Sea. This impressive 17-storey building was designed by David Chipperfield and has a 15,531 sq m GLA and 222 parking spaces distributed over three underground floors, as well as 29 motorcycle parking spaces.

20 Park Cugat

Modern and versatile office building located a few minutes out of Barcelona with a GLA of 12,000 sq m and 408 parking spaces. The building has an area per floor of 2,500 sq m, not found in any other buildings in Sant Cugat, as well as an auditorium with a capacity for up to 200 people. The plants are diaphanous, highly efficient with facades looking out in all directions.

21 Av. Diagonal, 523-525

Office building located in Barcelona's prime CBD at Avenida Diagonal 525, where the road meets Avenida Sarriá. Its 5,800 sq m above ground and 1,200 sq m below ground are arranged over a ground floor and nine upper floors. There are plans to complete a full-scale refurbishment of the property, which would turn it into a landmark office building in the heart of Barcelona's business district. Located in an active hub for business and retail, it benefits from a wide range of services and public transport links with all areas of the city.

22 Parc Glòries II

This biulding is located in Glòries, the best area of 22@ district in Barcelona, considered to be the new technological CBD of the city. It has a surface area of 17,860 sq m of offices and stands out architecturally due to its very design-efficient floor plan with more than 2,500 sq m, highly sought after in the market.

Madrid

1 Paseo de Recoletos, 37-41

This office building with more than 17,000 sq m distributed among the floors with spaces of up to 1,910 sq m, is located in one of the central points of Madrid. A unique setting characterised by its thriving economic activity and for the abundance of unique office buildings representing multinational companies, four and five star hotels and luxury residential buildings. The exquisite complete renovation of this building has converted it into an architectural benchmark along the Recoletos-Prado thoroughfare, as well as a privileged site to house offices of the highest quality.

2 Génova, 17

The office building at Génova 17 is located on one of the most central streets of Madrid, with excellent links, parking for cars and an area specifically for bicycles. It is an avant-garde building, recently fully renovated with the best quality materials and an internal design and functioning, bringing it more in line with what a latest generation office building would be. Génova 17 has utilities that can be monitored and accessible by the users, efficient and flexible spaces, an entrance with a height of over five metres and open plan offices, with no columns to make maximum use of the work spaces. The maple drop-ceiling comes with built-in low energy consumption light fittings, high efficiency and low-glare lighting. The flooring is raised to facilitate the laying of cables for workstations. The air conditioning system is of the latest generation VRV variety, which makes if possible to have different temperatures in different areas of the office.

3 Paseo de la Castellana, 52

Unique building at Paseo de la Castellana 52, one of Madrid's main financial and commercial thoroughfares. Its corner façade stands out for is large vertical windows, crowned by semi-circular arches, and are suggestive of an architectural line inspired by a combination of art deco and futurism. The spaces, wide, open and bright, can be divided into modules to adapt to the needs of each customer, with spaces to let ranging from 407 to 928 sq m.

4 Paseo de la Castellana, 43

Renovated office building, with LEED GOLD certification, located on the main business thoroughfare of the city, boasting excellent public and private transport links. Its excellent location on the chamfered corner of Paseo de la Castellana and General Martínez Campos, and its wide and elegant façade combining granite and glass, make this building a mandatory visual point of reference on the Glorieta de Emilio Castelar. The floors are open plan with spaces to let of up to 765 sq m, both flexible and functional, which, as a result of the high level of brightness, allow for a very efficient distribution on the spaces. It also has its own car park.

5 Miguel Ángel, 11

Located in the Madrid business district, at the junction of calle Miguel Ángel with Paseo del General Martínez Campos, a few metres from Paseo de la Castellana. With a magnificent double glazed façade, this corner property with seven floors is guaranteed natural light throughout the day. The offices are structured around a central core with three elevators, in a space to let of up to 800 sq m. A line of modern finishes was chosen for the lobby, stylishly and elegantly combining blacks and whites. The ground floor is divided into three commercial premises with direct street access and the car park is located in the below grade floors.

6 José Abascal, 56

Office building located in the Madrid business district, a short distance from Paseo de la Castellana. The exterior image is marked by a façade formed of horizontal strips of granite alternating with the glass of its large windows, which allow a large amount of light to enter the interior. The open and versatile floors with spaces to let from 640 sq m to 937 sq m, make this building an ideal place to locate offices as it is characterised by intelligent and functional architecture. It has commercial premises of 1,450 sq m on the ground floor with independent access to the street and its own car park.

7 Santa Engracia

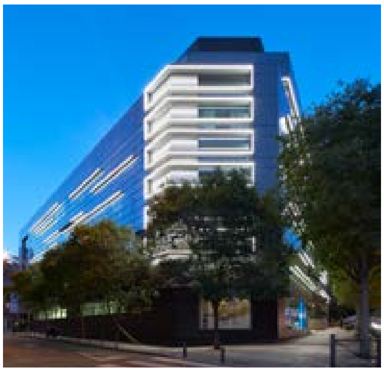
Office building right in the heart of the Madrid business district, with an above grade surface area of more than 13,430 sq m and 180 parking spaces. The floors of the building vary between 1,500 sq m and 2,000 sq m and its uniqueness and location make it a highly visible property in the Madrid business centre. Colonial has made a significant investment in the refurbishment of the building. It now commands a strong market positioning, with maximum energy efficiency and sustainability.

8 Poeta Joan Maragall, 53

Exceptional office building located in the Madrid business district, next to Paseo de la Castellana. Rectangular building with breathtaking façades. Fully exterior open plan floors with spaces to let of 1,315 sq m. Attractive and quality facilities and finishes. Offers excellent infrastructures and communications, as well as parking spaces in the same building. There is also an independent annex building accessible from the main entrance hall. There are also two ground floor commercial premises with street access.

9 Discovery Building

New office building with characteristics of prime quality, created by the prestigious Estudio de Arquitectura Lamela. A unique space of more than 10,000 sq m, with open plan and flexible floors, located on the Castellana Norte thoroughfare, in the established heart of the Madrid business district. Estébanez Calderón, 3-5 is a building aimed at housing companies looking for the best location, maximum comfort for their employees and the best energy efficiency for their corporate headquarters. It boasts optimum brightness with 22 meters between its north and south façade, maximum flexibility in the creation of modules and an original roof top terrace with a garden area for common use.
By perfectly balancing aesthetics and efficiency, it offers a floor of 1,000 sq m as well as completely open plan floors with a single line of central pillars. This new, exceptional property has also two ground floor commercial premises with direct access to the street as well as 101 parking spaces.



10 López de Hoyos, 35

The offices to let at López de Hoyos 35 are located in an area combining residential properties and offices of the most important companies. The building, with its six floors and surface area of 7,000 sq m, stands out for its impressive artificial stone façade and curtain walling profile. The building has a modern reception and an interior patio designed to offer flexible spaces and comfort to the users of the property. With no adjacent buildings, all the floors enjoy bright, natural light. There are large gardens next to the building. Equipped with the latest technology, the interior lines of the López de Hoyos, 35 building are simple, elegant and modern. The floors can be divided into modules ranging from 575 sq m to 1,383 sq m.

11 The Window

New office building under construction in Madrid's Zona Este business district, with prime quality characteristics, designed by the prestigious Estudio de Arquitectura Ortiz y León. This is a new property with a GLA of 11.300 sq m and 115 parking spaces. The project is due to be completed by the summer of 2018. Leed Gold certification in process. It will consist of completely open plan floors with a single line of central columns, with optimum brightness and façades facing all four directions. It will be a detached building, ideal for a single corporate headquarters, with large terraces for private use.

12 Francisco Silvela, 42

Office building that stands out for its impressive glass curtain walling. The seven floors at Francisco Silvela, 42 have up to 981 sq m of floor space to let, distributed in open plan format with top of the range installations and finishes. Its façade on three streets results in an extraordinarily bright interior. The open and modern lobby is by itself the finest form of promotion for these excellently communicated offices. The building also has two large premises on the ground floor of up to 500 sq m, which have direct access to the street, as well as its own car park.

BREEAM ES

13 Ortega y Gasset, 100

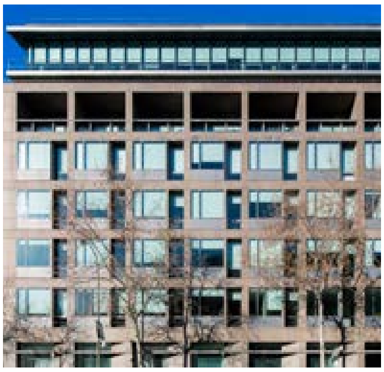
Office building located in the Madrid business district in the heart of the Salamanca district, the zone with the highest commercial prestige of the city, where the main blue chip companies of the moment can be found. This building, with its unique façade and perfect structure for offices, has seven floors designed for office space with a total surface area of 7,800 sq m with spaces larger than 1,000 sq m per floor. The building also has its own parking spaces. Perfectly connected by bus and metro and close access to the M-30.

14 Ramírez de Arellano, 37

A perfectly located building at the junction of the M-30 with Avenida de América, a well established area just minutes away from the airport and city centre. Its configuration, architectural design and strategic location are, without a doubt, a point of reference of Madrid's urban landscape. It offers fully open plan spaces, which are functional and totally exterior, as well as its own car park, which makes it ideal as a corporate headquarters.

15 MV49 Business Park

At calle Martínez Villergas, 49, next to the junction of the M-30 with Avenida América, stands this property complex comprising two independent buildings, M and V, separated by an open air square. The breathtaking façades of this Business Park, exposed to the four winds, exalt the privileged position of this office complex in Ciudad Lineal. With gardens, world class sports facilities, its own parking spaces and a strategic location a few minutes from the airport. Furthermore, the offices to let at the Business Park at calle Martínez Villergas 49 have been constructed using material compliant with current regulations, with first class functionalities and open plan spaces that stand out from other architectural groups in the zone. As a result of the complete retrofit of building M and the construction of building V, a complex equipped with finishes and technical characteristics of the highest quality has been achieved.



16 Alfonso XII, 62

This unique office building is located in the very heart of Madrid, opposite the Retiro park and scarcely a few metres from the Castellana thoroughfare. Its large windows, in addition to offering breathtaking views of Madrid, guarantee natural light in an open and versatile space, designed to create an optimum working environment. The eight floors at Alfonso XII 62 offer multiple and excellent possibilities: the first four can be subdivided into two modules, thus creating two independent office zones. It's structure allows the space to be distributed according to the current and future needs of each company. The common areas, crowned by a magnificent glass atrium, are attractively designed using materials of the highest quality. These offices to let also have a car park in the same building.

17 José Abascal, 45

Located in the Chamberí district between calle Modesto Lafuente and calle Fernández de la Hoz, scarcely 350 metres from the Paseo de la Castellana and just 11 minutes from the airport by car, this office building has a surface area of 5,300 sq m divided up between eight floors above ground and two below. The classic, stately building has been fully refurbished. The original façade and stained glass windows have been maintained, providing the José Abascal 45 with a unique personality. There is an inside, 2-storey car park with 54 spaces with changing rooms and showers.

18 Serrano, 73

The Serrano 73 building, located on one of the Spanish capital's most emblematic streets and in the heart of the Salamanca district, is renowned for its avant-garde design, with lights on three façades. Its strategic location affords panoramic views of the calle Serrano and the Paseo de la Castellana. Refurbished in 2004, the building is noted for its elegant and balanced designed, top-quality materials involving wood and natural stone. It has 4,242 sq m of surface area on six above-ground floors of offices and a ground-floor for commercial use. The building has a private underground car park with 89 spaces for cars and 11 for motorcycles.

19 Santa Hortensia, 26-28

Located in downtown Madrid in an area adjacent to Avenida de América, Santa Hortensia is one of Madrid's seven largest buildings. It is currently home to IBM's headquarters in Spain. Built in 1989, it has a surface area of 46,928 sq m divided up between 10 above-ground floors and nearly 950 parking spaces in three below-ground floors. The Santa Hortensia building is ideally located, just five minutes by car from the Paseo de la Castellana, Madrid's main artery, 10 minutes by car from the airport and 5km from the Atocha railway station. The building has 13 lifts, four of which are central lifts.

20 Paseo de la Castellana, 163

Building in the CBD of Madrid, H-shaped floor plan with two access points; one on Castellana and the other on Capitán Haya. The building has an above-ground surface area of 11,000 sq m divided between 12 floors of open-plan offices and a ground floor with three commercial units. Located within the Castellana business hub, with excellent public transport links and connections to the main gateways of the city, is currently being refurbished.

BREEAM ES

21 Arturo Soria, 336

Arturo Soria 336 has an excellent location in an iconic Street in Madrid, near transport links to the city centre and the main arteries in Madrid. It is surrounded by extensive green areas and a wide variety of services. The white exterior gives it visibility and representativeness. In addition, the spacious interior patio as well as the four glass facades bring great luminosity into the interior areas. The size and design of the floors, with a surface area of 1,045 sq m, enables the optimization of space.

22 Campus Méndez Álvaro

The Méndez Álvaro Campus is a Colonial project that incorporates all of the latest real estate trends in terms of energy efficiency, layout, mix of uses and PropTech initiatives. Located in the south of Madrid's CBD and just a stone's throw from Atocha train station, the project comprises an above-ground area of 90,000 sq m. The area benefits from excellent public and private transport links – it is within walking distance of Madrid city centre, is served by several train lines and bus routes, and also boasts easy access to the M-30. Construction is due to commence in mid-2019.

23 Ramírez de Arellano, 15

Independent office building completely renovated in 2016, with high standards, and which has been awarded the LEED Gold certification. The building, located on Madrid's A-2 motorway, has 6,832 sq m of office space, distributed over a ground floor and six upper floors. The surface area of each floor is approximately 1,025 sq m, and can be divided into two modules. The building also has an underground car park with 112 parking spaces.

24 Manuel de Falla, 7

This independent office building, located in the Madrid central business district, very close to Paseo de la Castellana, has floor-ceiling windows that provide excellent natural light. The building was recently completely renovated. It has a GLA of 6,252 sq m distributed over four floors, as well as an underground area with 41 parking spaces. This singular building with 91 metres of facade, has been designed with the highest standards by architect Gabriel Allende and has obtained the LEED Gold certificate. It offers spacious, flexible and rectangular floors with an average surface area of 1,600 sq m.

25 Sagasta, 27

Prime office building, located in one of the most exclusive areas of the CBD of Madrid, consists of three floors above ground with a GLA of 4,481 sq m. Excellent level of natural light thanks to its numerous windows and its location in the corner as well as its two large interior courtyards.

26 Sagasta, 31-33

Prime office building, located in one of the most exclusive areas of Madrid's CBD, just 8 minutes from Plaza de Colón. It consists of two adjoining buildings, with independent accesses from the street and a total of five floors per building. It has a GLA of 7,054 sq m and two floors of underground parking with 93 parking spaces. It has plenty of natural light thanks to its corner location, its large number of windows and its three interior courtyards.

27 Almagro, 9

Prestigious office building located in Calle Almagro, in the heart of Madrid's CBD. It has been completely refurbished by the architect Antonio Ruíz Barbarín. With a GLA of 15,094 sq m distributed over eight floors and 201 underground parking spaces, excellent natural light and interesting open waiting areas as well as an auditorium for 140 people. The building has an outstanding architectural design and is bathed in natural light thanks to its three glazed façades and private interior courtyard.

U.S. GREEN BUILDING COUNCIL LEED GOLD USGBC

28 Miguel Ángel, 23

Prime office building, under refurbishment, with a GLA of 8,057 sq m distributed over seven open floors and a standard surface area of 1,050 sq m. It has 100 underground parking spaces and a commercial premises of more than 800 sq m. It is located in the Madrid central business district, and its corner location gives it excellent visibility from Paseo de la Castellana.

29 Velázquez-Padilla, 17

Prime office building located on a prominent corner in the heart of the exclusive Salamanca district of Madrid's CBD. Particularly strong points are its floors with more than 2,000 sq m, unusual in the area, as well as an underground car park with 155 spaces. Its interesting corner location gives the building an excellent level of natural light, very good visibility and great potential for corporate headquarters.

30 Don Ramón de la Cruz, 82

A large corner office building with high visibility, it has a GLA of 9,339 sq m, as well as an underground car park with 91 parking spaces. Large areas per floor of 2,100 sq m and 3.4 m free height per floor. Exceptional building in central Madrid, close to Serrano, Velázquez and Paseo de la Castellana. The building was completely restored in the first half of 2017 and is LEED Platinum environmentally certified. Its characteristic curtain wall façade provides floor-to-ceiling windows that provide abundant natural light.

31 Paseo de Recoletos, 27

2,000 sq m of offices have been acquired in Recoletos 27, a prime area of the CBD in Madrid. This acquisition corresponds to three floors of 700 sq m with great luminosity in a corner building close to Plaza Colón.

32 Francisca Delgado, 11

Complex built in 2001 consisting of three interconnected buildings. It has five floors and provides flexible office space with modules from 300 to 3,000 sq m. The car park is distributed in two underground floors and has 334 parking spaces, with another 77 outside. The building has great visibility and is located in the Madrid office area of Arroyo de la Vega on the A1 motorway.

33 Cedro - Anabel Segura, 14

Singular office building, located in the Madrid office area of Arroyo de la Vega on the A1 motorway. It has wide and open spaces with an average surface area per floor of 2,310 sq m, and 381 parking spaces distributed in two levels.

34 Av. de Bruselas, 38

A large, independent, high-quality office building, offering flexible, bright office space with 2,827 sq m of floor space per storey, as well as 323 parking spaces on four underground floors and 41 outside parking spaces. Excellent visibility from the A1 motorway, and a possible ideal location for potential corporate headquarters. Located in the Arroyo de la Vega business area, the closest to the CBD of Madrid and the residential area of La Moraleja.

35 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.

36 Puerto de Somport, 10-18

New project under construction for a complete business campus located in the office area of Las Tablas in Madrid, very close to the A1 motorway.
On a plot of 17,300 sq m, it has a surface area of over 23,200 sq m on four floors above ground level with an additional 22,200 sq m on two basement floors for two car parks with a total of 529 parking spaces. The campus is divided into two buildings joined by a portico, enabling the whole complex to be used in a very flexible way. The outdoor areas have meeting spaces, outdoor work areas, resting or exercise areas, a running track and each building also has exterior terraces that look on to the office areas. In terms of both habitability and functionality, the building has passed the Spanish Technical Building Code requirements for the WELL Gold and LEED Platinum certification.

37 Ribera del Loira, 28

Modern office building built in 2002 and located in a prominent area off the M40 ring road in Madrid's Campo de las Naciones office area. The six-storey building has 12,822 sq m of U-shaped space distributed around a central atrium. It is equipped with 370 parking spaces distributed in two underground floors.

38 Tucumán

Independent office building built in 2006, located in the Campo de las Naciones area. It has five floors of offices of approximately 1,000 sq m each, as well as a large commercial area of 1,241 sq m and an underground car park with 170 parking spaces. The building enjoys excellent visibility and a good level of natural light due to its outstanding corner position.

39 Egeo Building

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.

BREEAM ES

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40 Josefa Valcárcel, 40

New seven-floor independent office building, with 8,824.70 sq m of total surface area above ground level. Located between the M-30 and M-40 ring roads, with a facade on the A-2 and access from Josefa Valcárcel and Telémaco streets. It is a consolidated strategic office environment, which stands out due to its visibility from the A-2 motorway. The building has a classical façade composition, and has floors which are stepped upwards. The plot has landscaped areas on both sides of the building, and a parking lot for visitors on the south side of the plot. It has prime finishes and LEED Platinum sustainability certification.

41 Josefa Valcárcel, 24

A seven-storey, independent office building with an average floor area of 700 sq m and an access level of almost 1,500 sq m. Located in the consolidated office area of the A2 motorway-M30 ring road, a strategic location thanks to its proximity to the central business district and the airport. With 90 parking spaces, it is highly visible from the A2 and is currently Honeywell's headquarters in Spain.

42 Luca de Tena, 7

This exceptional building, which hosts the headquarters of Vocento, the Spanish communications group, has a GLA of 10,147 sq m. It is made up of three sections joined together; two of them with three floors and a basement and another one with a mezzanine floor (library), the connecting section between them is the main communication hub with the central staircase and the lifts. The building offers excellent visibility from the A2 motorway and a strategic location due to its proximity to the city centre and the airport.

43 Alcalá, 506

Independent office building located on Calle Alcalá, one of the main arteries of Madrid. The building has a large area per floor of approximately 1,400 sq m, a commercial area on the ground floor and an underground car park with 185 parking spaces.

Paris

1 Louvre Saint-Honoré

“A prime location”. This building offers large, 5,400 sq m functional units in a prime location near the Louvre museum. Since extensive renovations were completed in late 2010, the property delivers a technical performance in line with the highest international standards along with premium amenities including a staff restaurant and round-the-clock security. SFL is part of the initiative of the process “The new Louvre des Antiquaires”, presented to antique dealers to reinvent the Louvre des Antiquaires in a more focused and prestigious way to make it an attractive place for life and trade.

2 Washington Plaza

“In the heart of the Central Business District”. Located just off the Champs-Elysées on an 8,000 sq m plot, Washington Plaza is one of the capital’s finest office complexes, standing out for the quality of its amenities and the functionality of its units. Inside the complex, the Monceau and Artois buildings can be divided into open floor plates of 1,100 sq m, allowing a variety of possible layouts. Particular attention was paid to the services and amenities. In line with the current requirements of the Paris rental market, these include a staff restaurant, a cafeteria, reception and concierge services, an onsite property manager, a large parking garage and a building management system (BMS).

3 Galerie des Champs-Élysées

"A symbol for renovated space in Paris". The Galerie des Champs-Elysées shopping arcade enjoys one of the most prestigious locations in Paris, on the sunny side of the Champs-Elysées in the most well-patronized section of the avenue. Redesigned by Jean Nouvel, the fully renovated property has been given a sleek new look based on a stripped back Haussmann style brought right up to date with modern black light fittings and escalators. It has been chosen by H&M for their 2,800 sq m international flagship store.

4 90 Champs-Élysées

"Strong value creation potential". Located above the Galerie des Champs-Élysées shopping arcade, this contemporary building features a freestone façade over its original skin of the type used for the most stunning Haussmann-style buildings recently transformed by Jean Nouvel. Each floor offers 1,200 sq m of bright, spacious offices. Soon to be redeveloped, the finished building will feature an exterior lighting system designed by Yann Kersalé.

5 92 Champs-Élysées Ozone

"An emblematic building". Home to Thomas Jefferson during his 1785-1789 stay in Paris, this is one of the best-situated buildings on the Champs-Elysées, on the corner of rue de Berri. It comprises retail units on the ground floor and offices on the upper floors. Extensive renovation work began in May 2010 to restore the building to its former glory and create HQE®-certified.

6 Cézanne Saint-Honoré

“A private street a stone’s throw from Place de l’Etoile”. This exceptional office, retail and residential complex is comprised of two separate buildings located across from one another on either side of a 100-metre long, 15-metre wide private street in the heart of the capital’s historic business district. Delivered in March 2005 after exemplary restoration work, the 1930s building has the advantage of longer load bearing spans that obviate the need for internal structural walls and allow for large, functional units. The Cézanne Saint-Honoré complex was honoured by two awards in 2004 and 2005 and is one of SFL’s finest assets.

7 Édouard VII

“One of the capital’s business landmarks”. Built on a 1.5-hectare plot, the Haussmann-style Édouard VII complex is located between Opéra Garnier and La Madeleine, just off the boulevard des Capucines. Its location in the heart of one of Paris’s liveliest neighbourhoods and its impressive architectural style – the result of extensive remodelling – make this property a fabulous showcase. The complex features several independent buildings with a private reception area, staff restaurant and upscale restaurant and lounge bar.

8 176 Charles de Gaulle

“An outstanding site”. Located on the thoroughfare linking the Étoile to La Défense, this building has a courtyard-facing facade looking out over landscaped gardens. The building comprises office space and a large retail space on the ground floor.

9 Rives de Seine

"Effortless access". Located on the banks of the Seine close to the Gare de Lyon train station and public transport hub, this property is emblematic of the revival of the Eastern Paris commercial property market. Built in 1974, it features 16 floors rising above a vast lobby that overlooks the river. The building was extensively renovated in 2000 to create modern, well-lit and highly modular 1,200 sq m office units. The extension of the lease with Natixis in 2009 has secured future revenues from the investment.

BREEAM ES

10 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 sq m, the Iéna building has it all. The lease with Générale de Santé was renewed in 2009.

NF HQE

11 131 Wagram

"A media centre". The 131 Wagram building is located halfway between Parc Monceau and Place de l'Etoile on the corner of rue de Prony. The office floors consist of bright 800 sq m units with modular fixtures, and the building also comprises an auditorium and a staff restaurant. The whole of the building's interior was fully renovated in 2004-2005.

BREEAM ES

12 103 Grenelle

"A new business centre on the Left Bank". Located in the Left Bank district that is home to many government offices, this historical complex is dominated by a tower that housed the first Chappe telegraph system in the 19th century and, until recently, the headquarters of the French Telephone and Telegraph Administration. Delivered in mid-2009 following its extensive two-year renovation, the building represents nearly 20,000 sq m of prime rental office space with HQE® certification. It offers a choice between more traditional partitioned areas and larger units of more than 1,500 sq m in the tower, suitable for an open plan or mixed layout. The complex also offers high-level amenities.

13 104-110 Haussmann Saint-Augustin

"A very high quality office complex". Through a two-year redevelopment project completed in 2007, SFL transformed four separate buildings on boulevard Haussmann into a luxury office complex offering optimum working conditions. With a total surface area of around 13,000 sq m on seven floors, the complex is designed around a vast central entrance hall flooded with natural light from a glass roof. It also features an 82-metre long freestone façade. The use of natural, noble materials creates warmth and architectural beauty, while the elegant interior decoration scheme blends classic and contemporary design.

14 6 Hanovre

"In the centre of the financial district". This very fine 1908 building by the architect Adolphe Bocage is registered in the Supplementary List of Historical Monuments. The vast lobby leads to a majestic horseshoe staircase, while the Art Deco facade features rectangular bays on the third floor and bow windows above. Alexandre Bigot did the sandstone veneer over concrete in the facade, in the lobby and the stairwell. The building is located in the financial district, near to Palais Garnier and Palais Brongniart, and is being painstakingly renovated to offer bright, well laid-out office space.

15 #Cloud

"Refurbishment project underway". "A unique three-building complex". #cloud. paris is a three-building complex within short walking distance of the Palais Brongniart and Palais Garnier in Paris's financial district. When the building's occupant, a major French bank, moved out in mid-2012, work began on a major redevelopment project to create a unique working environment based on modern, flexible office space and prestigious services and amenities such as a business centre, concierge, a restaurant and fitness rooms.

16 Le Vaisseau

"An imaginative design concept". Located on Île Saint-Germain, Le Vaisseau owes its name (the Vessel) to its unusual shape. The façade was inspired by naval architecture, with a moveable roof that can open upwards along its entire length. Designed by the architect Jean Nouvel and completed in 1992, the 6,000 plus sq m structure features an imaginative design concept that evokes "A vessel moored to the island". Purchased in 2006, the entire site was recently renovated to seamlessly reintegrate the building into its surroundings by reinterpreting the original concept.

17 112 Wagram

"Exceptional working conditions". Located between Place de l'Etoile and Porte de Champerret, the building at 112 avenue du Wagram boasts elegant industrial architecture, contemporary interior design, noble materials and impressive volumes, with ceiling heights of nearly four metres on the first and second floors, three vast terraces, a courtyard and an atrium garden planted with trees. Behind a mixed façade of bricks and glass lies a completely new office building that offers bright, modular, high-performance units of more than 1,100 sq m.

18 4-8 Rue Condorcet

Located within the 9th district, the property is situated in Paris Centre West in close proximity to the Central Business District of Paris and important transport hubs. The property was constructed at the end of the XIXth century and comprises 7 buildings. It benefits from a visible location bordered by 4 streets: rue de Maubeuge, rue Condorcet, rue Pétrelle, and rue du Faubourg Poissonnière. The overall character of the property is still heavily influenced by these historical features. The interior of the buildings includes a large number of neoclassical features, such as sculpted columns, painted ceilings, marble coated walls and wood paneling. The quality of the buildings is enhanced by the historic staircase of central building and the large accessible inner courtyard. Constructed in 1863 under the architect Léon-Armand Darru, the building benefits from a rich architectural heritage and is the historical site of the GDF Group which has occupied it since its construction.

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19 9 Avenue Percier

Acquired in 2015, 9 Percier is an 6,700 sq m office building in the heart of the Paris Central Business District. Is a multi-tenant assets principally leased to the EDF Foundation (31%). It benefits from excellent intrinsic qualities (Art Deco building, historic courtyards, double lobby, 900 sq m floorplates, exceptionally high ceilings, abundant natural light, etc.) and offers potential to create value through the optimisation of the rental situation (leasing of three vacant floors, improvements to remaining lease terms).

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20 Biome

At the beginning of 2017, The Colonial Group completed a transaction for €165m, though its French subsidiary, to acquire the historical headquarters of the SMA Group. This building stands at a prime location at 112-122 Avenue Emile Zola, in the centre of district 15 in Paris. The building has a surface area of approximately 21,000 sq m. In BIOME, an iconic building is planned of more than 24,500 sq m in the Central-Western area of Paris with natural light, efficient floors of 1,400 sq m to 3,500 sq m and a green area surrounding the building. After receiving the work permit in May 2018, the work began in June 2018 and remains on course.

NF HQE®

Logistics & others

1 Azuqueca II

Extraordinary state-of-the-art warehouse located on a separate plot with private parking (144 spaces). It has a total GLA of 19,064 sq m and one of the logistics warehouses can be divided into two modules. The warehouse is 11.83 m high and has plenty of natural light. It has a total of 18 loading bays and two access ramps.

BREEAM ES

2 San Fernando I

Grade A, state of the art logistics park. The complex features two logistics warehouses with four modules in each, and one cross-docking warehouse with two modules. The platform totals 73,464 sq m of GLA, as well as 700 parking spaces.

LEED GOLD

3 San Fernando II

Located in the newly developed San Fernando Industrial Estate, the closest location to central Madrid in the Corredor del Henares, one of the most important logistics hubs in Spain. The complex is located at the intersection of the A2 motorway (Madrid-Barcelona) and the M45, just 18 km from the city centre and a 9 minute drive from the airport.

4 Alcalá de Henares

High specification and Class A logistics warehouse, located in one of the most important logistic enclaves in Madrid. It has a GLA of 8,972 sq m on an independent site located in an area that is characterised by a wide range of industrial and logistics areas. Built to the highest technical and safety standards, it offers 9 loading bays, large turning radius and office space. It has parking spaces, two independent entrances and fully equipped offices with separate entrances.

5 Las Mercedes Open Park

Complex of commercial warehouses, recently developed (2015), which has three independent units with a total of 21,000 sq m of GLA, in addition to 540 outdoor parking spaces. A unique retail business complex in Madrid, fully leased to major international operators, including Bauhaus and Aldi.

6 Les Gavarres

Commercial warehouse located in the Les Gavarres retail park in Tarragona (Catalonia). The asset is a single-storey building with a commercial GLA of 12,413 sq m and 352 parking spaces. It is a well established retail park with operators such as Carrefour, Leroy Merlin, Decathlon and Media Markt.

7 Viapark

Retail park, located in a high-traffic area between Almeria and Roquetas de Mar. The complex has a very solid construction and specifications and includes four units with large windows and a considerable height. It has 1,500 parking spaces and its main operators are Decathlon, Carrefour and Bricomart. The park includes a range of high quality services, including a BP service station and a Burger King restaurant.

14.2. Surface area of assets - details

■ Rental Portfolio Barcelona (sq m)

		Floor space above ground				Floor space above ground	Floor space below ground	Total surface	Parking units
	Acquisition year	Offices	Retail	Resid.	Hotel				
Diagonal, 409	2001	3,680	851			4,531	0	4,531	
Diagonal, 530	1992	9,226	2,555			11,781	4,590	16,371	99
Diagonal, 609-615 - Dau/Prisma	1997	21,996				21,996	18,839	40,835	438
Av. Diagonal, 682	1997	7,728	250			7,978	1,795	9,773	50
Pedralbes Centre	1997	36	4,091			4,127	151	4,278	
Av. Diagonal, 523-525	1997	5,706				5,706	1,179	6,865	10
Berlín, 38-48/Numància, 46	1997	9,644	3,173			12,817	3,608	16,425	99
Diagonal 220-240, Glòries	2000	11,672				11,672	536	12,208	40
Illacuna	2006	19,639	812			20,451	13,606	34,057	481
Pº de los Tilos, 2-6	2000	5,143				5,143	3,081	8,224	71
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
Plaza. Europa, 42-44	2014	4,869				4,869	2,808	7,677	68
Torre BCN	2000	9,600	235			9,835	3,355	13,190	88
Torre Marenostrum	2003	22,394				22,394	19,370	41,764	616
Parc Glòries	2016	24,450				24,450	5,444	29,894	162
Sant Cugat	1999	27,904				27,904	20,439	48,343	690
Gal·la Placídia	2018	4,285				4,285	1,555	5,840	28
Diagonal, 197	2014	14,772	385			15,157	9,281	24,438	251
Park Cugat	2017	11,999				11,999	21,192	33,191	442
Sancho de Ávila, 110-130	2019	17,860				17,860	4,776	22,636	202
Other small retail units			103			103	0	103	
Portfolio in operation		**253,226**	**13,691**	**0**	**0**	**266,918**	**140,998**	**407,916**	**4,020**
Plaza Europa, 34	2017	14,306				14,306	4,500	18,806	151
Pedralbes Centre	1997	0	3,614			3,614	81	3,695	
Rest of assets		644				644	2,034	2,678	
Projects & renovations		**14,950**	**3,614**	**0**	**0**	**18,564**	**6,615**	**25,179**	**151**
Total Barcelona		**268,176**	**17,305**	**0**	**0**	**285,482**	**147,613**	**433,094**	**4,171**

Note: In order to facilitate the analysis of the portfolio, part of the office buildings have been specified to be dedicated to retail/commercial use (generally on the ground floors).
The assets in the Barcelona rental portfolio are 100% owned by Colonial, with the exception of the plot of land at Plaza Europa 34 which is held through a joint venture with Inmo, S.L.
The assets in the Madrid rental portfolio and the rest of Spain are 100% owned by Colonial.

Rental Portfolio Madrid (sq m)

	Acquisition year	Floor space above ground				Floor space above ground	Floor space below ground	Total surface	Parking units
		Offices	Retail	Resid.	Hotel				
Castellana, 52	1998	6,496	1,027			7,523	2,615	10,138	49
P. Castellana, 163	2016	10,846	280			11,127	1,855	12,981	52
Recoletos, 37-41	2005	13,642	3,560			17,202	5,340	22,542	175
Recoletos, 17	2019	695				695	0	695	
Castellana, 43	2005	5,455	543			5,998	2,441	8,439	81
Miguel Ángel, 11	2005	5,370	930			6,300	2,200	8,500	81
José Abascal, 56	2005	9,781	1,468			11,249	6,408	17,657	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	0				0	187	187	96
Poeta Joan Maragall, 53	2001	13,685	2,330			16,015	9,668	25,683	295
Discovery Building	2015	9,496	656			10,152	4,751	14,903	100
López de Hoyos, 35	2005	7,140				7,140	4,105	11,245	111
Agustín de Foxá, 29	2003	0	227			227	0	227	
Arturo Soria, 336	2017	8,363	300			8,663	5,598	14,261	191
Martínez Villergas, 49	2006	24,135				24,135	16,295	40,430	437
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	9,774	28,029	350
Príncipe de Vergara, 112-114	2015	11,367				11,367	4,524	15,892	115
Manuel Falla, 27	2015	6,252				6,252	1,640	7,892	41
Sagasta, 27	nd	0	300			300	0	300	
Sagasta, 31-33	2016	7,097				7,097	3,720	10,817	93
Almagro, 9	2016	15,094				15,094	8,075	23,169	208
Miguel Ángel, 23	2017	1,117	835			1,952	4,520	6,472	113
Don Ramón de la Cruz, 82	2015	9,339				9,339	3,664	13,003	91
Francisca Delgado, 11	2014	15,249	209			15,458	17,977	33,435	395
Cedro - Anabel Segura, 14	2017	2,895				2,895	15,480	18,375	387
Puerto de Somport, 8	2017	9,280				9,280	14,800	24,080	370
Ribera de Loira, 28	2014	9,924	629			10,553	17,068	27,621	370
Tucumán	2015	5,086	1,321			6,407	6,960	13,367	174
Avenida de Bruselas, 38	2015	11,089	608			11,697	6,906	18,603	357
Ramírez de Arellano, 15	2015	6,670				6,670	4,680	11,350	113

Rental Portfolio Madrid (sq m)

		Floor space above ground				Floor space above ground	Floor space below ground	Total surface	Parking units
	Acquisition year	Offices	Retail	Resid.	Hotel				
Josefa Valcárcel, 40	2017	8,718				8,718	7,566	16,284	250
Josefa Valcárcel, 24	2016	5,652				5,652	3,600	9,252	90
Luca de Tena, 7	2016	10,145				10,145	13,400	23,545	335
Alcalá, 506	2015	5,664	595			6,259	8,200	14,459	205
Lagasca, 88	nd	590				590	0	590	
Other small retail units			860			860	29	889	
Portfolio in operation		**365,282**	**18,437**	**0**	**0**	**383,719**	**271,016**	**654,735**	**7,641**
Méndez Álvaro I - Campus	2017	60,214				60,214	0	60,214	
Méndez Álvaro I - Residencial	2017	0		29,658		29,658	0	29,658	
Méndez Álvaro II	2017	20,276				20,276	0	20,276	
Puerto de Somport, 10-18	2015	22,000				22,000	0	22,000	
Velázquez-Padilla, 17	2015	13,820	2,344			16,164	758	16,923	
Cedro - Anabel Segura, 14	2017	14,308				14,308	0	14,308	
José Ortega y Gasset, 100	2000	6,870	922			7,792	2,376	10,168	
Miguel Ángel, 23	2017	6,252				6,252	0	6,252	
Sagasta, 27	nd	4,481	115			4,596	0	4,596	
Rest of assets		1,808	0			1,088	1,351	2,438	
Projects & renovations		**149,309**	**3,381**	**29,658**	**0**	**182,347**	**4,485**	**186,832**	**0**
Total Madrid		**514,590**	**21,817**	**29,658**	**0**	**566,065**	**275,502**	**841,567**	**7,641**

Note: In order to facilitate the analysis of the portfolio, part of the office buildings have been specified to be dedicated to retail/commercial use (generally on the ground floors).
The assets in the Barcelona rental portfolio are 100% owned by Colonial, with the exception of the plot of land at Plaza Europa 34 which is held through a joint venture with Inmo, S.L.
The assets in the Madrid rental portfolio and the rest of Spain are 100% owned by Colonial.

Rental Portfolio Logistics & others (sq m) - rest of Spain

		Floor space above ground								
	Acquisition year	Offices	Retail	Resid.	Logist.	Hotel	Floor space above ground	Floor space below ground	Total surface	Parking units
Hotel Mojácar	2006					11,519	11,519		11,519	
San Fernando (Phase I)	2016				69,933		69,933		69,933	
Alcalá de Henares	2016				8,971		8,971		8,971	
Azuqueca II	2016				19,064		19,064		19,064	
Les Gavarres	2014		12,413				12,413	14,080	26,493	352
Las Mercedes Open Park	2015		24,649				24,649	21,600	46,249	1,500
Viapark	2016		16,325				16,325		16,325	
Portfolio in operation		**0**	**53,387**	**0**	**97,969**	**11,519**	**162,875**	**35,680**	**198,555**	**1,852**
San Fernando (Phase I)	2016				1,330		1,330		1,330	
Autovía de Toledo	2017				23,557		23,557		23,557	
Projects & renovations		**0**	**0**	**0**	**24,887**	**0**	**24,887**	**0**	**24,887**	**0**
Total Logistic and Others		**0**	**53,387**	**0**	**122,856**	**11,519**	**187,762**	**35,680**	**223,442**	**1,852**

Total Spain	**782,766**	**92,510**	**29,658**	**122,856**	**11,519**	**1,039,309**	**458,795**	**1,498,104**	**13,664**

Note: In order to facilitate the analysis of the portfolio, part of the office buildings have been specified to be dedicated to retail/commercial use (generally on the ground floors).
The assets in the Barcelona rental portfolio are 100% owned by Colonial, with the exception of the plot of land at Plaza Europa 34 which is held through a joint venture with Inmo, S.L.
The assets in the Madrid rental portfolio and the rest of Spain are 100% owned by Colonial.

■ Rental Portfolio France (sq m)

	Acquisition year	Floor space above ground					Floor space above ground	Floor space below ground	Total surface	Parking units
		Offices	Retail	Resid.	Logist.	Hotel & others				
Louvre Saint-Honoré	1995	23,551	49			753	24,352	4,110	28,463	236
Édouard VII	1999	28,412	15,351	4,509		4,202	52,474	10,145	62,619	523
6 Hanovre	1958	3,325					3,325	1,246	4,571	0
#Cloud.Paris	2004	28,192				1,860	30,051	3,164	33,216	99
Condorcet	2014	20,376		1,562		1,301	23,239	2,457	25,696	50
Galerie Champs-Élysées	2002	0	4,097				4,097	3,828	7,925	125
90 Champs-Élysées	2002/2009	7,912	932				8,844	0	8,844	
92 Champs-Élysées	2000	4,110	3,089				7,199	0	7,199	
Cézanne Saint-Honoré	2001/2007	24,437	1,663	0			26,101	3,337	29,438	128
131 Wagram	1999	7,100				449	7,549	3,119	10,668	124
112 Wagram	2008	4,470	892				5,362	546	5,908	29
Washington Plaza	2000	38,515	406			2,557	41,478	13,575	55,053	662
Haussmann Saint-Augustin	2002/2004	11,683	791				12,474	2,650	15,124	104
9 Percier	2015	5,126					5,126	427	5,553	14
176 Charles de Gaulle	1997	4,582					4,582	2,623	7,206	145
Le Vaisseau	2006	6,026					6,026	2,321	8,347	124
Rives de Seine	2004	20,270				1,760	22,030	6,589	28,619	366
103 Grenelle	2006	8,567	258			1,011	9,836	1,932	11,768	100
Portfolio in operation		**246,655**	**27,527**	**6,072**		**13,892**	**294,145**	**62,070**	**356,215**	**2,829**
BIOME	2017	21,762		719		1,569	24,050	1,866	25,916	89
Louvre Saint-Honoré	1995	1,674	15,951			0	17,625	5,422	23,047	
Marceau	2001/2007	9,277					9,277	1,773	11,050	90
103 Grenelle	2006	7,018					7,018	1,704	8,722	
Washington Plaza	2000	1,705					1,705	2,177	3,881	
Rest of assets		1,985	1,196				3,182	10,206	13,388	
Projects & renovations		**43,420**	**17,148**	**719**	**0**	**1,570**	**62,857**	**23,147**	**86,003**	**90**
Total France		**290,075**	**44,675**	**6,791**	**0**	**15,461**	**357,002**	**85,217**	**442,219**	**2,919**
Total Colonial Group		**1,072,841**	**137,185**	**36,448**	**122,856**	**26,980**	**1,396,311**	**544,011**	**1,940,323**	**16,583**

Colonial has 81.7% of the share capital of SFL. SFL has 100% ownership of the totality of its rental portfolio with the exception of Washington Plaza of which it owns 66%, as well as the assets of Champs Élysées 90, Galerie Champs Élysées 82-88 and Haussmann 104-110 of which it owns 50%.

14.3. Portfolio valuation

At the close of 2019, the assets of the Colonial Group were appraised at €12,196m (€12,807m including transfer costs).

The assets in Spain and France have been appraised by Jones Lang LaSalle, Cushman & Wakefield and CB Richard Ellis. The appraisal figures are updated half-yearly, following the best market practices, in compliance with the Regulation Standards of the Royal Institution of Chartered Surveyors (RICS) comprised in the Red Book valuation manual.

The market valuations defined by the RICS are internationally recognized by advisors and accountants of investors and corporations that own real estate assets, as well as The European Group of Valuers (TEGoVA) and the International Valuation Standards Committee (IVSC). The appraisers' fees are determined by the volume for the specific workout of each assignment.

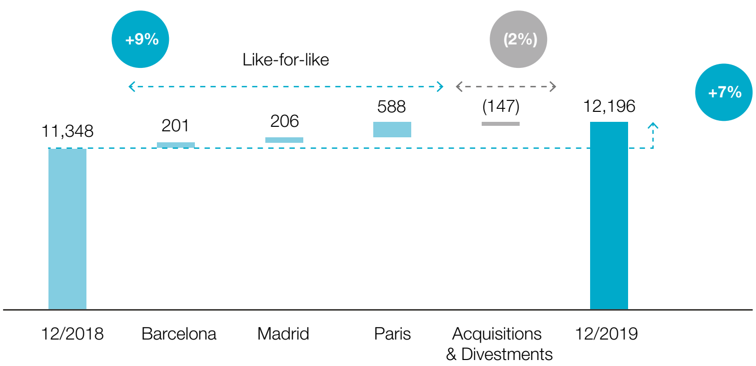
Asset value (€m)

				Dec 19 *vs.* Jun 19		Dec 19 *vs.* Dec 18	
	31-dec-19	30-jun-19	31-dec-18	Total	LfL[1]	Total	LfL[1]
Asset value - Excluding "transfer costs"							
Barcelona	1,534	1,268	1,175	21%	7%	31%	15%
Madrid	2,543	2,460	2,511	3%	3%	1%	7%
Paris	6,502	6,484	6,256	0%	4%	4%	7%
Portfolio in Operation[2]	**10,578**	**10,211**	**9,942**	**4%**	**4%**	**6%**	**8%**
Projects	**1,338**	**1,099**	**925**	**22%**	**7%**	**45%**	**15%**
Logistics & others	**280**	**488**	**480**	**(43%)**	**3%**	**(42%)**	**5%**
Colonial Group Total	**12,196**	**11,798**	**11,348**	**3%**	**5%**	**7%**	**9%**
Spain	5,039	4,975	4,779	1%	4%	5%	9%
France	7,158	6,823	6,570	5%	5%	9%	9%
Asset value - Including "transfer costs"							
Colonial Group Total	**12,807**	**12,390**	**11,915**	**3%**	**5%**	**7%**	**9%**
Spain	5,175	5,115	4,910	1%	4%	5%	9%
France	7,632	7,276	7,005	5%	5%	9%	9%

(1) Portfolio in comparable terms.
(2) Portfolio in operation: current rental portfolio as well as new entries into operation of completed projects.

The **Colonial Group's** Gross Asset Value at the close of 2019 amounted to **€12,196m**, a like-for-like increase of +9% in 2019 (+5% in the second half of the year).

Variance analysis value 12 months - €m



GAV Variance

	2H 2019	2019
Barcelona	+7%	+16%
Madrid	+3%	+6%
Paris	+5%	+9%
Total LFL	**+5%**	**+9%**
Disposals	(1%)	(2%)
Total Var.	**+3%**	**+7%**

This increase in value is a consequence of the rental price increases and the compression of yields throughout the portfolio, complemented by the increases in value obtained through the successful execution of projects.

The offices portfolio in **Barcelona**, with an excellent position in the CBD and 22@, has reached **like-for-like growth of +16% in 2019 (+7% in the second half)** with important growth in all the assets due to a combination of increases in rental prices and yield compression.

Madrid has increased **+6% like-for-like in 2019 (+3% in the second half)**, due to its strong positioning in the urban centre and the CBD in combination with the successful delivery and management of the Discovery, The Window and Avenida Bruselas 38 projects in recent months, which have enabled the signing of rental contracts at prices at the high end of the market with top tier clients.

The **Paris** portfolio increased **+9% like-for-like in 2019 (+5% like-for-like in the second half)** which is underpinned by a high global appeal of the CBD market in Paris in combination with the successful pre-letting of the Louvre St. Honoré project as well as the Haussmann renovation program.

In general terms, the increase in gross asset value is a consequence of three factors:

1. Rental price increases captured in recent quarters by the Colonial Group's portfolio in the three markets.

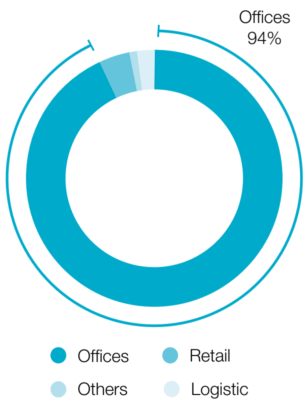
2. The Group's industrial approach that enables superior value creation through portfolio repositioning and Prime Factory projects.

3. A growing interest by investors in prime assets, driving down yields, especially in the Paris CBD market, which is one of the core markets that attracts more investors on a global level.

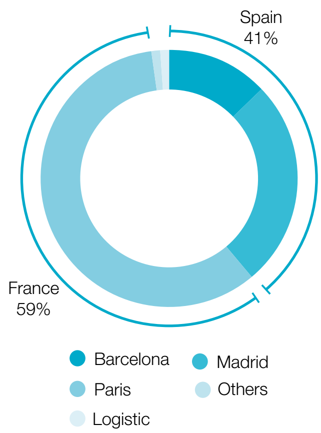
The breakdown of the valuation of the Group's rental portfolio by use, market and type of product is shown below:

Consolidated group

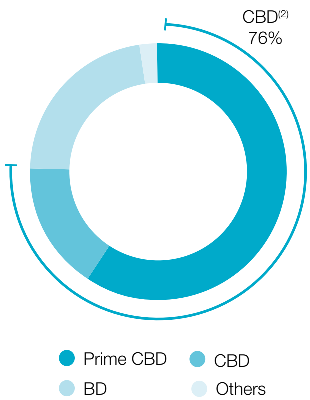
Valuation - by use



Valuation - by market

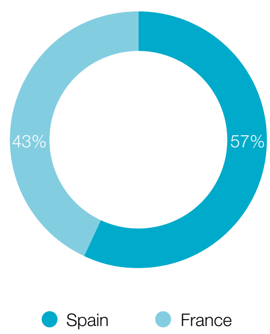


Offices Valuation - by area



Colonial parent company (1)

Valuation - by market



(1) France = SFL shares valuated in NAV. Spain = GAV assets held directly + Value JV Plaza Europa 34.
(2) CBD Barcelona, includes the 22@ segment market assets.

Regarding the valuation of the portfolio in operation, the main value parameters are as follows:

Portfolio in operation	€m	sq m above ground(1)	€/sq m(1)	Valuation Yield	
Barcelona	1,534	270,479	5,672	4.35%	Gross Yields
Madrid	2,543	374,946	6,781	4.27%	
Paris	5,584	312,336	17,880	3.21%	Net Yields

(1) In Barcelona the sq m for the calculation of the capital value correspond to the surface above ground of all the assets in Barcelona, excluding the Plaza Europa project and the surface area of non-core retail assets.
In Madrid, the sq m correspond to the surface above ground of all assets in Madrid, excluding the Méndez Álvaro complexes, the Puerto Somport 10-18, Sagasta 27, Miguel Ángel 23, Velázquez 80, Cedro and Castellana 163 projects, as well as the surface area of non-core retail assets.
In France, the sq m 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, 31st January 2020

Dear Sirs,

In accordance with your instruction, JLL Valoraciones, S.A. and CBRE, as valuers of the Colonial portfolio in Spain, and CBRE and Cushman & Wakefield, as SFL valuers in France; have carried out the valuation reports of the freehold interest of the portfolio of properties of Inmobiliaria Colonial (Spain and France) as at 31st of December 2019 for internal use of the company.

According to the aforementioned reports, the Net Market Value of the company's portfolio is:

12,196,429,055 EUROS

(Twelve Thousand One Hundred and Ninety-Six Million Four Hundred and Twenty-Nine Thousand and Fifty-Five Euros)

The breakdown is as follows:

Unit	Market Value (excl. Transfer costs)	Gross Value (incl. Transfer costs)
Madrid	3,423,466,055 €	3,510,650,222 €
Barcelona	1,551,206,000 €	1,598,404,012 €
Rest of Spain	64,067,000 €	66,405,044 €
Total Colonial (Spain)	**5,038,739,055 €**	**5,175,459,279 €**
Total SFL (París)	**7,157,690,000 €**	**7,631,913,262 €**
Total Colonial + SFL	**12,196,429,055 €**	**12,807,372,541 €**

For the avoidance of doubt, each valuer only accepts responsibility for the assets that they have valued within the portfolio. The portfolio value assumes 100% ownership for all the properties.

The valuation has been carried out in accordance with the Practice Statement and the relevant Guidance Notes in the RICS Appraisals and Valuations Manual prepared by the Royal Institution of Chartered Surveyors and with the General Principles adopted in the Preparation of Valuations and Reports.

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Président -CEO
CBRE Valuation & Advisory


15

15 Key sustainability indicators - GRI & EPRA BPR'S

15.1. GRI, EPRA BPR content

Universal Standards

General contents	Description	Page(s)	Boundary
Organisational profile			
GRI 102-1	Name of the organisation	Inmobiliaria Colonial, SOCIMI, S.A.	Colonial Group
GRI 102-2	Activities, brands, products and services	45-47, 52-56, 164-175, 264-311	Colonial Group
GRI 102-3	Location of headquarters	Headquarters in: Paseo de la Castellana nº 52 (Madrid, Spain)	Colonial Group
GRI 102-4	Location of operations	264-311	Colonial Group
GRI 102-5	Ownership and legal form	232	Colonial Group
GRI 102-6	Markets served	46-49, 165-167, 264-311	Colonial Group
GRI 102-7	Scale of the organisation	6-7, 180-181, Financial Statements	Colonial Group
GRI 102-8	Information about employees and other workers	180-181	Colonial Group
GRI 102-9	Supply Chain	139-145	Colonial Group
GRI 102-10	Significant changes to the organisation and its supply chain	52, 56, 62, 213, 232	Colonial Group
GRI 102-11	Precautionary principle or approach	93-103	Colonial Group
GRI 102-12	External initiatives	207	Colonial Group
GRI 102-13	Membership of associations	204-207	Colonial Group
Strategy			
GRI 102-14	Statement from senior decision-maker	28-30	Colonial Group
GRI 102-15	Key impacts, risks, and opportunities	235-249	Colonial Group
Ethics and integrity			
GRI 102-16	Values, principles, standards and norms of behaviour	230	Colonial Group
GRI 102-17	Mechanisms for advice and concerns about ethics	230-231	Colonial Group
Governance			
GRI 102-18	Governance structure	210-211, 218-222	Colonial Group
GRI 102-19	Delegating authority	83, 218-222, 246	Colonial Group
GRI 102-20	Executive-level responsibility for economic, environmental and social topics	209-225	Colonial Group
GRI 102-21	Consulting stakeholders on economic, environmental, and social topics	87-90	Colonial Group
GRI 102-22 / EPRA-Gov-Board	Composition of the highest governance body and its committees	214-219, 221, Section C IAGC 2019	Colonial Group
GRI 102-23	Chair of the highest governance body	216, Section C IAGC 2019	Colonial Group
GRI 102-24/ EPRA-Gov-Selec	Nominating and selecting the highest governance body	213-217, Section C IAGC 2019	Colonial Group
GRI 102-25/ EPRA-Gov-Col	Conflicts of interest	224-225, Section D.6. IAGC 2019	Colonial Group

Universal Standards

General contents	Description	Page(s)	Boundary
GRI 102-26	Role of highest governance body in setting purpose, values and strategy	217-218	Colonial Group
GRI 102-27	Collective knowledge of highest governance body	Section C.1.3 IAGC 2019	Colonial Group
GRI 102-28	Evaluating the highest governance body's performance	224, Section C.1.17 IAGC 2019	Colonial Group
GRI 102-29	Identifying and managing economic, environmental and social impacts	85-86, 236	Colonial Group
GRI 102-30	Effectiveness of risk management processes	236	Colonial Group
GRI 102-31	Review of economic, environmental and social topics	85-86, 236	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	83, 87-90	Colonial Group
GRI 102-34	Nature and total number of critical concerns	No communications on critical concerns have been received regarding 2019	Colonial Group
GRI 102-35	Remuneration policies	226-229	Colonial Group
GRI 102-36	Process for determining remuneration	226-229	Colonial Group
GRI 102-37	Stakeholders' involvement in remuneration	226-229, Section C IAGC 2019	Colonial Group
GRI 102-38	Annual total compensation ratio	The Colonial Group will work on reporting this information	Colonial Group
GRI 102-39	Percentage increase in annual total compensation ratio	The Colonial Group will work on reporting this information	Colonial Group
Stakeholder engagement			
GRI 102-40	List of stakeholder groups	87	Colonial Group
GRI 102-41	Collective bargaining agreements	193	Colonial Group
GRI 102-42	Identifying and selecting stakeholders	85-90, 339-341	Colonial Group
GRI 102-43	Approach to stakeholder engagement	85-90	Colonial Group
GRI 102-44	Key topics and concerns raised	85-86	Colonial Group
Reporting practices			
GRI 102-45	Entities included in the consolidated financial statements	232, Financial Statements	Colonial Group
GRI 102-46	Defining report content and topic boundaries	85-86, 340-342	Colonial Group
GRI 102-47	List of material topics	85-86, 340-342	Colonial Group
GRI 102-48	Restatements of information	Have been indicated in each case through direct notes	Colonial Group
GRI 102-49	Changes in reporting	85-86	Colonial Group

Universal Standards

General contents	Description	Page(s)	Boundary
Report profile			
GRI 102-50	Reporting period	2019 calendar year	Colonial Group
GRI 102-51	Date of most recent report	2018 calendar year	Colonial Group
GRI 102-52	Reporting cycle	Annual	Colonial Group
GRI 102-53	Contact point for questions regarding the report	343	Colonial Group
GRI 102-54	Claims of reporting in accordance with the GRI Standards	340-341	Colonial Group
GRI 102-55	GRI content index	318-332	Colonial Group
GRI 102-56	External assurance	The content included in this index have been verified by an independent external third party, PricewaterhouseCoopers Auditores, S.L.	Colonial Group
Management approach			
GRI 103-1	Explanation of the material topic and its Boundary	85-86, 340-341	Colonial Group
GRI 103-2	The management approach and its components	See management approach for each of the thematic standards (p. GRI tables)	Colonial Group
GRI 103-3	Evaluation of the management approach	85-86, 340-341	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		70-73	Colonial Group
	GRI 201-1	Direct economic value generated and distributed	61	Colonial Group
	GRI 201-2	Financial implications and other risks and opportunities due to climate change	250-251	Colonial Group
	GRI 201-3	Defined benefit plan obligations and other retirement plans	Section A IAR 2019	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		194-196	Colonial Group
	GRI 202-1	Ratios of standard entry-level wage by gender compared to local minimum wage	Colonial Group guarantees that all its employees are paid the legal minimum wage stipulated by the legislation of each country. However, for reasons of confidentiality, the Group does not break down this information	Colonial Group
	GRI 202-2	Proportion of senior management hired from the local community	23% of directors are foreigners	Colonial Group
Indirect economic impacts				
Commitment to the local community	Management Approach		52-55	Colonial Group
	GRI 203-1	Infrastructure investments and services supported	12-14, 28-30, 52-55	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		143-145	Colonial Group
	GRI 204-1	Proportion of spending on local suppliers	143	Colonial Group

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Anti-corruption				
Corporate Governance	Management Approach		231	Colonial Group
	GRI 205-1	Operations assessed for risks related to corruption	While no assessments were made to identify potential corruption-related risks, the Colonial Group is working on the matter, through its Anticorruption and Bribery Policy and procedures.	Colonial Group
	GRI 205-2	Communication and training about anti-corruption policies and procedures	231	Colonial Group
	GRI 205-3	Confirmed incidents of corruption and actions taken	There is no record of incidents of corruption	Colonial Group
Anti-competitive behaviour				
Corporate Governance	Management Approach		230-231	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
CATEGORY - ENVIRONMENT				
Materials				
Impaction reduction	Management Approach		139-144	Colonial Group
	GRI 301-1	Materials used by weight or volume	140-141	Colonial Group
	GRI 301-2	Recycled input materials used	140	Colonial Group
	GRI 301-3	Reclaimed products and their packaging materials	Not applicable to the Colonial business	

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Energy				
Responsible energy consumption and efficiency	Management Approach		98-100, 106-107	Colonial Group
	GRI 302-1	Energy consumption within the organisation	106, 121, 123-124	Group's own offices
	EPRA - Elec-Abs	Total energy consumption	121, 123	Own offices and leased offices in which there is control over consumption management
	EPRA - Elec-LfL	Like-for-like energy consumption	124	Properties considered Like-for-Like Sustainable
	EPRA - DH&C-Abs	Total district heating & cooling consumption	121	Own offices and leased offices in which there is control over consumption management
	EPRA - DH&C-LfL	Like-for-like total district heating & cooling consumption	124	Properties considered Like-for-Like Sustainable
	EPRA - Fuels-Abs	Total fuel consumption	121, 123	Own offices and leased offices in which there is control over consumption management
	EPRA - Fuels-LfL	Like-for-like total fuel consumption	124	Properties considered Like-for-Like Sustainable
	GRI 302-2	Energy consumption outside the organisation	106, 122, 124	Leased offices in which there is control over consumption management
	GRI 302-3	Energy intensity	106-107, 121, 123-124	Own offices and leased offices in which there is control over consumption management and properties considered like-for-like

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Responsible energy consumption and efficiency	GRI 302-4	Reduction of energy consumption	99-100, 106-107	Colonial Group
	GRI 302-5	Reductions in energy requirements of products and services	99-100, 106-107	Colonial Group
	CRE1 / EPRA - Energy-Int	Building energy intensity	106-107, 121, 123-124	Own offices and leased offices in which there is control over consumption management
Water				
Impaction reduction	Management Approach		100, 107-109	Colonial Group
	GRI 303-1	Interaction with water	100, 127	Colonial Group
	GRI 303-5 / EPRA - Water-Abs	Total water consumption	108, 126	Own offices and leased offices in which there is control over consumption management
	EPRA - Water-LfL	Like-for-like water consumption	126	Properties considered Like-for-Like Sustainable
	CRE2 / EPRA - Water-Int	Building water intensity	108, 126	Own offices and leased offices in which there is control over consumption management
	GRI 303-2	Managing spill-related impacts	Not applicable to the Colonial business	
	GRI 303-3	Water withdrawal	Colonial's water extraction is entirely fresh water from the mains	Colonial Group
	GRI 303-4	Water discharge	All water collected and consumed by Colonial is discharged into the public sewer system	Colonial Group

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Biodiversity				
Biodiversity conservation	Management approach		157-159	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	Despite not being a material aspect for Colonial, due to the location of its assets in consolidated urban areas, the Group understands biophilic design as an opportunity to reconnect to nature thanks to the architecture of buildings, thus promoting the protection of the biodiversity	Colonial Group
	GRI 304-2	Significant impacts of activities, products, and services on biodiversity	157-159	Colonial Group
	GRI 304-3	Habitats protected or restored	157-159	Colonial Group
	GRI 304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	157-159, this is not a tangible aspect for Colonial because its assets are located in consolidated urban areas	Colonial Group
Emissions				
Climate change	Management Approach		104-105, 117	Colonial Group
	GRI 305-1/ EPRA – GHG – Dir - Abs	Direct (Scope 1) GHG emissions	104-105, 122, 124-125	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	104-105, 122, 124-125	Own offices and leased offices in which there is control over consumption management
	CRE3 / EPRA – GHG - Int	GHG emissions intensity	104-105, 122, 124-125	Properties considered Like-for-Like Sustainable

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Climate change	GRI 305-3	Other indirect (Scope 3) GHG emissions	104-105, 122, 125	Own offices and leased offices in which there is control over consumption management
	GRI 305-4	GHG emissions intensity	104-105, 122, 124-125	Own offices and leased offices in which there is control over consumption management
	GRI 305-5	Reduction of GHG emissions	98-99, 104-105	Colonial Group
	GRI 305-6	Emissions of ozone-depleting substances (ODS)	Not applicable to the Colonial business	
	GRI 305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	Not applicable to the Colonial business	
Waste				
Waste management	Management Approach		110-113	Colonial Group
	GRI 306-2/ EPRA Waste-Abs	Waste by type and disposal method	111-112, 130-131	Own offices in which there is control over consumption management
	EPRA Waste-LfL	Like-for-like of waste by type	112, 131	Properties considered Like-for-Like Sustainable
	GRI 306-1, GRI 306-3 and GRI 306-5	Water discharge based on its quality and destination; significant spills; transportation of hazardous waste; bodies of water affected by water spills and/or runoff	Not applicable to the Colonial business	
Environmental compliance				
Corporate Governance	Management Approach		230-231	Colonial Group
	GRI 307-1	Non-compliance with environmental laws and regulations	No significant fines or penalties were received	Colonial Group

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Supplier environmental assessment				
Supply Chain Management	Management Approach		144-145	Colonial Group
	GRI 308-1	New suppliers that were screened using environmental criteria	This data is currently unavailable. However, Colonial is working on the implementation of a supplier assessment process following ESG criteria	Colonial Group
	GRI 308-2	Negative environmental impacts in the supply chain and actions taken	Colonial is working on mechanisms to analyse the environmental impacts generated by its supply chain	Colonial Group
CATEGORY - SOCIAL				
Employment				
Human Resources Management	Management Approach		178-184	Colonial Group
	GRI 401-1/ EPRA-Emp-Turnover	New employee hires and employee turnover	182, 201, 337	Colonial Group (except Utopicus)
	GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	192-193	Colonial Group
	GRI 401-3	Parental leave	195	Colonial Group
Labour-management relations				
Human Resources Management	Management Approach		193	Colonial Group
	GRI 402-1	Minimum notice periods regarding operational changes	Colonial follows warning periods under employment law and those set out in collective bargaining agreements applicable to each business. No minimum period has been specified as to warning at the corporate level	Colonial Group

■ Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Occupational health and safety				
Occupational health and safety	Management Approach		197-199	Colonial Group
	GRI 403-1	Occupational health and safety management system	197	Colonial Group
	GRI 403-2	Hazard identification, risk assessment and research on incidents	197-198	Colonial Group
	GRI 403-3	Occupational health and safety	197-198	Colonial Group
	GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	197	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	199	Colonial Group
	GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	198	Colonial Group
	GRI 403-8	Workers covered by an occupational health and safety management system	100% of employees. Only the coverage provided by the management system in company employees is reported	Colonial Group
	GRI 403-9/ EPRA-H&S-Emp	Work-related injuries	197, 201, 337, this type of information is only available for company employees	Colonial Group
	GRI 403-10/ EPRA-H&S-Emp	Work-related ill health	197, 201, this type of information is only available for company employees	Colonial Group

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Training and education				
Human Resources Management	Management Approach		185-189	Colonial Group
	GRI 404-1/ EPRA-Emp-Training	Average hours of training per year per employee	187, 201, 337	Colonial Group
	GRI 404-2	Programmes for upgrading employee skills and transition assistance programmes	185-189	Colonial Group
	GRI 404-3/ EPRA-Emp-Dev	Percentage of employees receiving regular performance and career development reviews	32% of Group employees receive performance evaluations	Colonial Group
Diversity and equal opportunity				
Equality and diversity	Management Approach		194-196	Colonial Group
	GRI 405-1/ EPRA-Diversity-Emp	Diversity of governance bodies and employees	180-181, 196, 201, 337	Colonial Group
	GRI 405-2/EPRA-Diversity-Pay	Ratio of basic salary and remuneration of women to men	192, 201, 337	Colonial Spain
Non-discrimination				
Equality and diversity	Management Approach		194-196	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		195, 200	Colonial Group
	GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	In the Group's own operations and those of its suppliers the criteria of proximity are applied, with activity located in domestic territory (Spain and France), so there is minimal risk in this area	Colonial Group
Child labour				
Respect for Human Rights	Management Approach		Not applicable to the Colonial business	
	GRI 408-1	Operations and suppliers at significant risk for incidents of child labour	In the Group's own operations and those of its suppliers the criteria of proximity are applied, with activity located in Spain and France, so there is minimal risk in this area	

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Forced or compulsory labour				
Respect for Human Rights	Management Approach		Not applicable to the Colonial business	
	GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	In the Group's own operations and those of its suppliers the criteria of proximity are applied, with activity located in Spain and France, so there is minimal risk in this area	
Security practices				
Respect for Human Rights	Management Approach		Not applicable to the Colonial business	
	GRI 410-1	Security personnel trained in human rights policies or procedures	In the Group's own operations and those of its suppliers the criteria of proximity are applied, with activity located in Spain and France, so there is minimal risk in this area	
Rights of indigenous peoples				
Respect for Human Rights	Management Approach		Not applicable to the Colonial business	
	GRI 411-1	Incidents of violations involving rights of indigenous peoples	In the Group's own operations and those of its suppliers the criteria of proximity are applied, with activity located in Spain and France, so there is minimal risk in this area	
Human rights assessment				
Respect for Human Rights	Management Approach		200	Colonial Group
	GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	The group is working on new procedures in this area	
	GRI 412-2	Employee training on human rights policies or procedures	The group is working on new procedures in this area	
	GRI 412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	The group is working on new procedures in this area	

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Local communities				
Commitment with local community	Management Approach		203-207	Colonial Group
	GRI 413-1 EPRA-Comty-Eng	Operations with local community engagement, impact assessments, and development programs	1.8% of buildings. It should also be pointed out that Colonial made contributions, sponsorship and grants amounting to 177,760	Colonial Group
	GRI 413-2	Operations with significant actual and potential negative impacts on local communities	150-152	Colonial Group
Supplier social assessment				
Supply Chain Management	Management Approach		143-145	Colonial Group
	GRI 414-1	New suppliers that were screened using social criteria	This data is currently unavailable. However, Colonial is working on the implementation of a supplier assessment process following ESG criteria	Colonial Group
	GRI 414-2	Negative social impacts in the supply chain and actions taken	Colonial is working on mechanisms to analyse the environmental impacts generated by its supply chain	Colonial Group
Public policy				
Corporate Governance	Management Approach		230-231	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		198	Colonial Group
	GRI 416-1 EPRA-H&S-Asset	Assessment of the health and safety impacts of product and service categories	99% pag 198, only considers the assets that colonial controls opperationnally	Colonial Group
	GRI 416-2 EPRA-H&S-Comp	Incidents of non-compliance concerning the health and safety impacts of products and services	There have been no incidents of non-compliance	Colonial Group

Thematic standards

Material aspects identified by the materiality matrix	Indicator	Description	Page(s)	Boundary
Marketing and labelling				
Environmental management systems	Management Approach		Not applicable to the Colonial business	
	GRI 417-1	Requirements for product and service information and labelling	Not applicable to the Colonial business	
	GRI 417-2	Incidents of non-compliance concerning product and service information and labelling	Not applicable to the Colonial business	
	GRI 417-3	Incidents of non-compliance concerning marketing communications	There have been no incidents of non-compliance	Colonial Group
	CRE8 / EPRA-Cert-Tot	Type and number of schemes for certification of sustainability, classification and labelling of new construction, management and occupation	76-77, 132-138	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		230-231	Colonial Group
	GRI 419-1	Non-compliance with laws and regulations in the social and economic area	No significant fines or penalties were received	Colonial Group

15.2. Environment

EPRA Tables Portfolio Environment

			Office and Retail Portfolio					Logistics Portfolio				
Indicator	EPRA Code	Unit of measurement	2018	Coverage	2019	Coverage	Var.	2018	Coverage	2019	Coverage	Var.
Total consumption of electrical energy	Elec-Abs	kWh	108,303,773	100%	114,779,275	100%	6%	3,688	100%	N/A	N/A	N/A
		% renewable sources	32%		41%		N/A	0		N/A		N/A
Like-for-like electrical energy consumption	Elec-LFL	kWh	93,928,293	100%	92,875,969	100%	–1%	N/A	N/A	N/A	N/A	N/A
Total heating and cooling consumption	DH&C-Abs	kWh	30,746,932	100%	27,948,903	100%	–9%	0	100%	N/A	N/A	N/A
		% renewable sources	41%		57%		N/A	0		N/A		N/A
Like-for-Like consumption of heating and cooling	DH&C-LFL	kWh	28,563,782	100%	24,988,836	100%	–13%	N/A	N/A	N/A	N/A	N/A
Total fuel consumption	Fuels-Abs	kWh	7,217,782	100%	7,017,124	100%	–3%	0	100%	N/A	N/A	N/A
		% renewable sources	0%		0%		0%	0		N/A		N/A
Like-for-like fuel consumption	Fuels-LFL	kWh	5,637,959	100%	4,456,942	100%	–21%	N/A	N/A	N/A	N/A	N/A
Energy intensity of buildings	Energy-Int	kWh/sq m	224,71	100%	222,99	100%	–1%	0.01	100%	N/A	N/A	N/A
Direct emissions of greenhouse gases (Scope 1)	GHG-Dir-Abs	tCO_2	2,158	100%	1,999	100%	–7%	N/A	N/A	N/A	N/A	N/A
Indirect emissions of greenhouse gases when generating energy (Scope 2)	GHG-Indir-Abs	tCO_2 (market based)	11,179	100%	6,018	100%	N/A	N/A	N/A	N/A	N/A	N/A
		tCO_2 (location based)	9,212		9,472		3%	N/A		N/A		N/A
Intensity of greenhouse gas emissions	GHG-Int	tCO_2/sq m	0.043	100%	0.027	100%	–36%	N/A	N/A	N/A	N/A	N/A
Total water consumption	Water-Abs	Total m^3	310,716	100%	307,300	100%	–1%	12,060	100%	N/A	N/A	N/A
Like-for-like water consumption	Water-LFL	m^3	290,317	100%	264,216	100%	–9%	N/A	N/A	N/A	N/A	N/A
Water intensity of buildings	Water-Int	m^3/sq m	0,49	100%	0.46	100%	–6%	0.028	100%	N/A	N/A	N/A

EPRA Tables Portfolio Environment

			Office and Retail Portfolio					Logistics Portfolio				
Indicator	EPRA Code	Unit of measurement	2018	Coverage	2019	Coverage	Var.	2018	Coverage	2019	Coverage	Var.
Total weight of waste generated by disposal method	Waste-Abs	tonnes	2,994	57%	3,931	67%	31%	N/A	N/A	N/A	N/A	N/A
		% reuse	0%		0.65%					N/A		
		% recycled	80%		68%		–15%	N/A		N/A		N/A
		% composted	0%		0.05%		100%	N/A		N/A		N/A
		% energy recovery	0.0004%		13.63%		3408435%	N/A		N/A		N/A
		% sent to incineration	0.0006%		2.4%		402388%	N/A		N/A		N/A
		% others - landfill	20%		15%		–27%	N/A		N/A		N/A
		% other	0.0002%		0.89%		444900%	N/A		N/A		N/A
Total weight of waste generated (like-for-like) by disposal method	Waste-LFL	tonnes	421	81%	1,647	74%	291%	N/A	N/A	N/A	N/A	N/A
		% reuse	0%		0.12%					N/A		
		% recycled	50%		55.0%		10%	N/A		N/A		N/A
		% composted	0%		0.121%		100%	N/A		N/A		N/A
		% energy recovery	0.03%		27.7%		90322%	N/A		N/A		N/A
		% sent to incineration	0.04%		6%		13318%	N/A		N/A		N/A
		% others - landfill	50%		9.24%		–81%	N/A		N/A		N/A
		% other	0%		2.05%		100%	N/A		N/A		N/A
Type and number of certified properties (like-for-like)	Cert-LfL	% of certified LfL portfolio	97%		97%		0%	N/A		N/A		N/A
Type and number of certified properties (total)	Cert-Tot	% of certified portfolio	91%		92%		1%	67%		61%		N/A

EPRA Tables own use offcies Environment

Indicator	EPRA Code	Unit of measurement	2018	Coverage	2019	Coverage	Variation
Total energy consumption	Elec-Abs	kWh	786,453	100%	799,045	100%	2%
		% renewable sources	0%		0%		0%
Like-for-like power consumption	Elec-LFL	kWh	786,453	100%	799,045	100%	2%
Total heating and cooling consumption	DH&C-Abs	kWh	N/A	100%	N/A	100%	N/A
		% renewable sources	N/A		N/A		N/A
Like-for-Like consumption of heating and cooling	DH&C-LFL	kWh	N/A	100%	N/A	100%	N/A
Total fuel consumption	Fuels-Abs	kWh	205,775	100%	149,915	100%	–27%
		% renewable sources	0		0		0%
Like-for-like fuel consumption	Fuels-LFL	kWh	205,775	100%	149,915	100%	–27%
Energy intensity of buildings	Energy-Int	kWh/sq m	192.85	100%	182.42	100%	–5%
Direct emissions of greenhouse gases (Scope 1)	GHG-Dir-Abs	tCO_2	54	100%	54	100%	1%
Indirect emissions of greenhouse gases when generating energy (Scope 2)	GHG-Indir-Abs	tCO_2 (location based)	242	100%	59	100%	–76%
		tCO_2 (market based)	N/A		N/A		N/A
Intensity of greenhouse gas emissions	GHG-Int	tCO_2/sq m	0.06	100%	0.02	100%	–62%
Total water consumption	Water-Abs	m^3	2,458	100%	2,302	100%	–6%
Like-for-like water consumption	Water-LFL	m^3	2,458	100%	2,302	100%	–6%
Water intensity of buildings	Water-Int	m^3/sq m	478.00	100%	443.00	100%	–7%
Total weight of waste generated by disposal method	Waste-Abs	tonnes	2.22	33%	47.63	100%	2045%
		% recycled	100%		81.0%		–19%
		% sent to incineration	0%		0%		0%
		% other	0%		9%		100%

EPRA Tables own use offcies Environment

Indicator	EPRA Code	Unit of measurement	2018	Coverage	2019	Coverage	Variation
Total weight of waste generated (like-for-like) by disposal method	Waste-LFL	tonnes	2.22	33%	47.63	100%	2045%
		% recycled	100%		100%		0%
		% sent to incineration	0%		0%		0%
		% other	0%		9%		100%
Type and number of certified properties (total)	Cert-Tot	% of certified portfolio	100%	100%	100%	100%	0%

The ESG information have been verified by an independent external third party, PricewaterhouseCoopers Auditores, S.L.

15.3. Social and Governance

EPRA Tables Social and Governance

Indicator	EPRA Code	Scope	Unit of measurement	2018	2019
Gender diversity	Diversity-Emp	Corporate operations	% of employed persons	39.5%	39%
				60.5%	61%
Compensation by gender	Diversity-Pay	Corporate operations	Ratio	N/A	–3%
				N/A	22%
				N/A	11%
Training and Development	Emp-Training	Corporate operations	Average hours	16.8	29
Performance reviews	Emp-Dev	Corporate operations	% of total workforce	32%	32%
New recruits	Emp-Turnover	Corporate operations	Total number	64	76
		Corporate operations	Ratio	32%	32.5%
Turnover[1]		Corporate operations	Total number	14	16
		Corporate operations	Ratio	12.7%	9.0%
Accidents rate	H&S-Emp	Corporate operations	For 200,000 hours worked	0	1.6
Lost days index		Corporate operations	For 200,000 hours worked	0	72.1
Absenteeism index[2]		Corporate operations	Ratio	1.20%	2.8%
Fatal accidents		Corporate operations	Total number	0	0
Health and safety impact assessments	H&S-Asset	Office portfolio	% of properties	99%	99%
		Residential portfolio		N/A	N/A
Number of breaches	H&S-Comp	Office portfolio	Total number	0	0
		Residential portfolio		N/A	N/A
Community programmes	Comty-Eng	Office portfolio	% of properties	1.80%	1.80%
		Residential portfolio		N/A	N/A
Composition of the Board of Directors[3]	Gov-Board	Corporation	Total number of Executive Directors	2	2
			Total number of independent directors	4	6
			Average years of service	6.95	6.3
			Independent/non-executive members of the governing bodies with powers related to social and environmental aspects	1	4
Nomination and selection process for the Board of Directors	Gov-Select	Corporation	Description	p.15-16 (IAI 2018) Chapter C IAGC 2019	p.191-192, Chapter C IAGC 2019
Conflicts of interest	Gov-Col	Corporation	Description	p. 29 (IAI 2018) Chapter D.6. IAGC 2018	p. 203-204, Chapter D.6. IAGC 2019

(1) Excludes Utopicus.
(2) In the case of 2018, it only considers Colonial Spain.
(3) Based on the competency matrix included in the report.


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16 About the Report

The Colonial 2019 Integrated Annual Report represents the integration of the contents of the business strategy, corporate governance, current performance and future projections, as well as the organisation's sixth publication in the area of Corporate Social Responsibility.

Features of Report

STANDARDS APPLIED IN THE PREPARATION OF THE 2019 INTEGRATED ANNUAL REPORT

The Colonial Group has prepared the 2019 Integrated Annual Report including, in addition to the information included in the annual reports in previous years, all information on performance in environmental, social and government matters, as well as the comparison with 2018 in order to show the company's progress.

To do so, the company has used the Global Reporting Initiative (GRI) sustainability reporting principles, a reference model for the preparation of CSR reports, and the new version of the European Public Real Estate Association (EPRA) Sustainability Best Practices Recommendations Guidelines. Specially, this "IAI 2019" has been drafted in accordance to the "Exhaustive" option of the GRI standards. In this line, Inmobiliaria Colonial has carried out a study to be able to adapt to best market practices in reporting.

In order to prepare it, a new materiality study was first carried out encompassing all aspects in environmental, social and governance matters that may influence the company and, above all, its stakeholders, with a special focus on the company's commitments to them.

The main objective of the report is to inform all stakeholders of Colonial's CSR performance during 2019, as well as its objectives for 2020.

SCOPE

The scope of the specific content of this IAI 2019 can be found in the content of Chapter 15 Key sustainability indicators- GRI & EPRA BPR'S

Grupo Colonial's Logistics portfolio was sold during 2019. Moreover, since it was non-core, it has not been included it in the scope of measurement. Regarding the Retail portfolio, three non-core assets are planned to be disposed and two core retail assets are still under development. Therefore, these assets have also fallen out of the scope of measurement for the present report.

The assurance process of SFL's non-financial information and its scope can be found in its Non-Financial Information Statement 2019.

CALCULATION METHODOLOGIES

The references to calculate the Colonial Group's CO_2 emissions used the calculation methodology and the emission rates established by the International Energy Commission, the database of the French Environment & Energy Management Agency and the recommendations of the European Public Real Estate Association, version 2.0.

Material issue	Stakeholder	GRI Indicators	EPRA sBPR	Scope	Chapter
Environment					
1. Climate change	Company Clients	GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4 GRI 305-5 CRE3	GHG-Dir-Abs GHG-Indir-Abs GHG-Int	Internal and external	7. Sustainability
2. Reduction of impacts	Company	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	7. Sustainability
3. Waste management	Company Clients Suppliers Employees	GRI 306-2	Waste-Abs Waste-LFL	Internal	7. Sustainability
4. Responsible energy consumption and efficiency	Company Customers	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	7. Sustainability
5. Environmental management systems	Company Clients Suppliers Employees	GRI 417-3 CRE8	Cert-Tot	Internal	7. Sustainability
6. Conservation of biodiversity	Company	GRI 304-1 GRI 304-2 GRI 304-3 GRI 304-4		Internal and external	7. Sustainability
Commitment to the Community					
7. Commitment to the local community	Company	GRI 102-12 GRI 102-13 GRI 413-1 GRI 413-2	Comty-Eng	Internal and external	10. Social contribution
8. Respect for Human Rights	Company	GRI 412-1 GRI 412-2 GRI 412-3		Internal and external	9. Team of professionals
9. Sustainability management	Company	GRI 102-29 GRI 102-30 GRI 102-31 GRI 102-32		Internal and external	6. Managing our Impacts on ESG
Relations with customers					
10. Customer satisfaction and 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	8. Clients and users

Material issue	Stakeholder	GRI Indicators	EPRA sBPR	Scope	Chapter
Professional team					
11. Health and safety	Employees	GRI 403-1 GRI 403-2 GRI 403-3 GRI 403-4 GRI 403-5 GRI 403-6 GRI 403-7 GRI 403-8 GRI 403-9 GRI 403-10	H&S-Emp H&S-Comp	Internal and external	9. Team of professionals
12. Equality and diversity	Employees	GRI 202-1 GRI 202-2 GRI 405-1 GRI 405-2 GRI 406-1	Diversity-Emp Diversity-Pay	Internal	9. Team of professionals
13. Human Resources Management	Employees	GRI 102-8 GRI 401-1 GRI 401-2 GRI 401-3 GRI 402-1 GRI 404-1 GRI 404-2 GRI 404-3 GRI 407-1	Emp-Training Emp-Dev Emp-Turnover	Internal	9. Team of professionals
Supply Chain					
14. Management of the Value Chain	Suppliers	GRI 102-9 GRI 204-1 GRI 308-1 GRI 308-2 GRI 414-1 GRI 414-2		Internal and external	7. Sustainability
Good Governance					
15. Corporate Governance	Company Clients Employees Shareholders and Investors	GRI 102-16 GRI 102-17 GRI 102-22 GRI 205-1 GRI 205-2 GRI 205-3 GRI 206-1 GRI 307-1 GRI 415-1 GRI 419-1	Gov-Board Gov-Select Gov-Col	Internal	11. Governance
16. Risk Management	Company Clients Employees Shareholders and Investors	GRI 102-15 GRI 102-30		Internal	12. Risk management
Stakeholder Involvement					
17. Stakeholder Relations	Company Suppliers Clients Employees Shareholders and Investors	GRI 102-21 GRI 102-40 GRI 102-42 GRI 102-43 GRI 102-44	Comty-Eng	Internal and external	6. Managing our Impacts on ESG
Investor Relations					
18. Value creation for shareholders	Shareholders and Investors	GRI 201-1 GRI 201-2 GRI 201-3 GRI 201-4		Internal and external	11. Governance

Corporate Publications

This report forms part of the transparency exercise undertaken by the Colonial Group and is made available along with four other reports published by Colonial providing information on the initiatives undertaken in 2019.

2019 Colonial Group Corporate Governance Report

http://www.inmocolonial.com/

2019 Annual Results

http://www.inmocolonial.com/

2019 Annual Results

http://www.fonciere-lyonnaise.com/

2019 Non-Financial Information SFL

http://www.fonciere-lyonnaise.com/

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AMF:
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17 Glossary & Alternative Performance Measures

17.1. Glossary

Earnings per share (EPS): Profit from the year attributable to the shareholders divided by the basic number of shares.

BD: Business District.

Market capitalisation: The value of the company's capital obtained from its stock market value. It is obtained by multiplying the market value of its shares by the number of shares in circulation.

CBD: Central Business District (prime business area). In Barcelona CBD includes 22@ market.

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. + NAV stake in Axiare value of the portfolio.

Holding: A company whose portfolio contains shares from a certain number of corporate subsidiaries.

IFRS: International Financial Reporting Standards.

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 NAV: EPRA Net Asset Value (EPRA NAV) is calculated based on the consolidated equity of the company and adjusting some items following the EPRA recommendations.

EPRA NNNAV: The EPRA NNNAV is calculated adjusting the following items in the EPRA NAV: the fair market value of the financial instruments, the fair market value of the debt, the taxes that would be accrued with the sale of the assets at their market value applying tax benefits for reinvestments and the tax credit on balance, considering a going concern assumption.

EPRA Cost Ratio: Administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income.

Physical Occupancy: Percentage: occupied square metres 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 adjusted in respect of the expiration of rent-free periods.

Gross Yield: Gross rents/market value excluding transfer costs.

Net Yield: Net rents/market value including transfer costs.

€m: In millions of euros.

17.2. Alternative performance measures

Alternative performance measure	Method of calculation	Definition/Relevance
EBIT (Earnings before interest and taxes)	Calculated as the "Operating profit" plus "Changes in the value of property investments" and the "Profit/(loss) due to changes in the value of assets".	Indicates the Group's capacity to generate profits, only taking into consideration its economic activity, less the effect of debt and taxes.
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	Calculated as the "Operating profit" adjusted by "Depreciation/Amortization" and "Net changes in provisions".	Indicates the Group's capacity to generate profits only taking into account its economic activity, eliminating allocations to depreciation/amortization, and the effect of debt and taxes.
Gross financial debt	Calculated as the total of all items under "Bank borrowings and other and other financial liabilities" and "Issues of debentures and similar securities", excluding "Interest" (accrued), "Origination fees" and "Other financial liabilities" from the consolidated statement of financial position.	Relevant figure for analysing the financial situation.
EPRA[1] NAV (EPRA Net Asset Value)	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] NNNAV (EPRA triple net asset value)	Calculated adjusting the following items in the EPRA NAV: 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 benefits for reinvestments and the tax credit recognized in the balance sheet, considering a going concern assumption.	Standard analysis ratio in the real estate sector recommended by EPRA.
Market value excluding transaction costs or Gross Asset Value (GAV) excluding Transfer costs	Measurement of the totality of the Group's asset portfolio carried out by independent appraisers of the Group, less transaction or transfer costs.	Standard analysis ratio in the real estate sector.
Market value including transaction costs or GAV including Transfer costs	Measurement of the totality of the Group's asset portfolio carried out by external appraisers of the Group, before deducting the transaction or transfer costs.	Standard analysis ratio in the real estate sector.

(1) EPRA (European Public Real Estate Association) or European Association of listed property companies which recommend the standards of best practices to be followed in the real estate sector. The method of calculation of these APMs is carried out following the indications established by EPRA.

Alternative performance measure	Method of calculation	Definition/Relevance
Like-for-like rental income	Amount of the rental income included in the item "Revenues" comparable between two periods. To obtain the calculation, the income from investments or disposals carried out in both periods are excluded, as well as the income deriving from assets included in the projects and refurbishments portfolio and other atypical adjustments (for example, penalties for early termination of rental contracts).	It enables a homogeneous comparison of the evolution of rental income of an asset or group of assets.
Like-for-like measurement	Market measurement (valuation) amount, excluding transaction costs, or market valuation, including transaction costs, comparable between two periods. To obtain the calculation, the rental income coming from investments or disposals carried out between both periods is excluded.	It enables a homogenous comparison of the evolution of the market valuation of the portfolio.
Loan to Value, Group or LTV Group	Calculated as the result of dividing the gross financial debt (reduced by the amount in the item "Cash and cash equivalents") by the market valuation including the transaction costs of the Group's asset portfolio plus the treasury shares of the Parent Company at NAV value.	It enables the analysis of the ratio between the net financial debt and the valuation of the Group's asset portfolio.
LTV Holding or LTV Colonial	Calculated as the result of dividing the gross financial debt (less the amount in the item "Cash and cash equivalents") of the Parent Company and 100% owned subsidiary companies by the market valuation, including transaction costs, of the parent company's asset portfolio and the EPRA NAV of all financial stakes in subsidiary companies.	It enables the analysis of the ratio between the net financial debt and the valuation of the parent company's asset portfolio.


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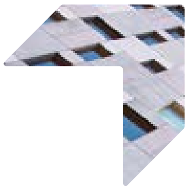
18 Independent Limited Assurance Report PwC



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 (Environmental, Social and Governance) Indicators

To the Management of Inmobiliaria Colonial SOCIMI, S.A.:

We have carried out our work to provide limited assurance on the ESG (*Environmental, Social and Governance*) indicators contained in the 'GRI, EPRA BPR content' of the 2019 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 2019, prepared in accordance with the content proposed in the GRI Standards of the Global Reporting Initiative (GRI) (hereinafter, 'GRI Standards') and the Construction and Real Estate Sector Disclosures of the GRI G4 Guidelines (hereinafter, 'Construction and Real Estate Sector Disclosures').

Responsibility of the Management

The Management of Inmobiliaria Colonial is responsible for the preparation, content and presentation of the Integrated Annual Report, in accordance with the Exhaustive option of the GRI Standards and the Construction and Real Estate Sector Disclosures. Management's responsibility includes establishing, implementing and maintaining the internal control required to ensure that the ESG indicators are free from any material misstatement due to fraud or error.

The Management of the Group is also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the ESG indicators is obtained.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA") which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system, which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

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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 2019 Integrated Annual Report, in the review of the processes for compiling and validating the information presented in the 2019 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 2019 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 2019, 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, 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

July 24th, 2020

Additional information in electronic format

Appendix 1.1. Consolidated balance sheet

Consolidated balance sheet - €m

Assets	2019	2018
Consolidated goodwill	0	62
Property investments	11,797	11,083
Other non-current assets	136	80
Non-current assets	**11,933**	**11,225**
Inventory	48	47
Debtors and other receivables	117	100
Other current assets	226	89
Assets available for sale	176	26
Current assets	**568**	**262**
Total assets	**12,502**	**11,487**

Liabilities	2019	2018
Equity	5,559	4,811
Minority interests	1,402	1,290
Net equity	**6,960**	**6,102**
Bond issues and other non-current issues	3,781	3,777
Non-current financial debt	457	724
Deferred tax	377	362
Other non-current liabilities	87	81
Non-current liabilities	**4,702**	**4,943**
Bond issues and other current issues	648	284
Current financial debt	6	9
Creditors and other payables	137	107
Other current liabilities	48	42
Current liabilities	**839**	**442**
Total equity & liabilities	**12,502**	**11,487**

Market value reconciliation - €m

	2019
Tangible fixed assets - own use[1]	37
Real estate investment (w/o advances on fixed assets)[2]	11,796
Non-current assets held for sale - Investment properties	176
Inventories	48
Value accounted on balance	**12,058**
Unrealised capital gains - own use	35
Not appraised & other[3]	13
Tangible fixed assets	2
Rent free periods	88
Adjustments	**139**
Appraisal value according to external appraisers	**12,196**

(1) Included in the line of "Other non-current assets".
(2) Included in the line of "Property Investments".
(3) Includes turnkey projects.

Appendix 1.2. Historical series

Offices historical series breakdown[(1)]

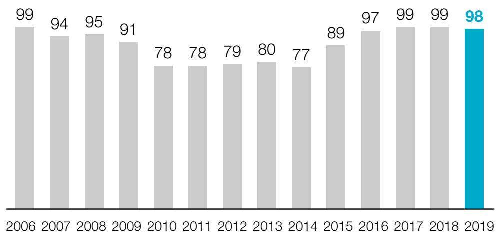
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Barcelona																
Physical Offices Occupancy (%)	97%	100%	99%	94%	95%	91%	78%	78%	79%	80%	77%	89%	97%	99%	99%	98%
Rental revenues (€m)	55	53	56	60	51	49	39	32	31	28	28	27	30	35	41	48
Net Rental Income (€m)	53	51	55	58	49	47	37	28	27	25	23	23	28	34	39	44
NRI / Rental revenues (%)	95%	96%	97%	97%	96%	97%	93%	88%	89%	89%	85%	85%	92%	96%	94%	92%
Madrid																
Physical Offices Occupancy (%)	93%	98%	99%	99%	94%	89%	88%	90%	75%	80%	89%	95%	97%	94%	87%	94%
Rental revenues (€m)	37	44	68	70	56	50	47	45	44	35	32	35	43	52	94	90
Net Rental Income (€m)	34	42	66	66	52	46	42	41	40	30	28	31	38	46	83	76
NRI / Rental revenues (%)	93%	94%	96%	95%	92%	92%	90%	90%	90%	86%	85%	88%	88%	88%	88%	85%
Paris																
Physical Offices Occupancy (%)	97%	96%	98%	99%	98%	94%	87%	92%	94%	80%	85%	95%	97%	96%	98%	97%
Rental revenues (€m)	157	153	162	170	182	183	175	152	150	149	152	169	198	196	194	199
Net Rental Income (€m)	147	145	153	162	171	173	162	141	138	137	139	155	188	185	183	189
NRI / Rental revenues (%)	94%	95%	95%	95%	94%	94%	93%	93%	92%	92%	92%	92%	95%	94%	94%	95%

(1) Does not include logistics and others.

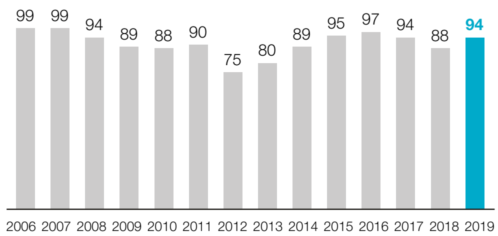
Evolution of physical office occupancy - Percentage

Office Occupancy[1] - Evolution of Colonial's Portfolio

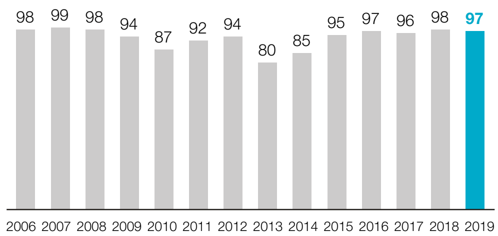
Barcelona



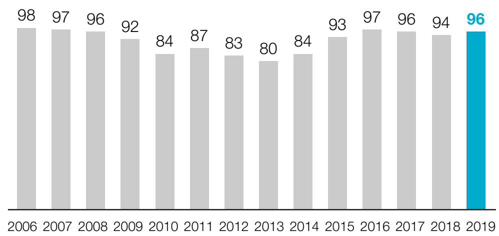
Madrid



Paris



Total



(1) Occupied surfaces / Surfaces in operation.

02. Consolidated Financial Statements 2019

Inmobiliaria Colonial, SOCIMI, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2019, prepared in accordance with International Financial Reporting Standards and Consolidated Management Report

Translation of Consolidated financial statements for the year ended 31 December 2019, 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.

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This version of our report is a free translation of the original, which will be prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor´s report on the consolidated annual accounts

To the shareholders of Inmobiliaria Colonial, SOCIMI, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Inmobiliaria Colonial, SOCIMI, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at 31 December 2019, 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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Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Key audit matter	How our audit addressed the key audit matter
Valuation of Investment Property	
Colonial Group has real estate assets which are recognised in Investment property amounting to Euro 11,797,117 thousand at 31 December 2019 under the fair value model in accordance with NIC 40, that represent 94% of total assets. Also, the variation in value in investment property in 2019 amounts to Euro 842,657 thousand, representing 83% of the consolidated profit before taxes for the year. Notes 4.c), 10 and 20.f) to the accompanying consolidated annual accounts contains information on the assets included in this heading. In order to obtain the fair value of these assets, the Group commissions valuations that are carried out by independent third-party experts. Fair value is determined using the discounted cash flow methodology, in accordance with standard market practice. Such valuations are based on a series of significant judgements and estimates. We have therefore focused on this area due to the materiality of this heading with respect to the Company's total assets and the significant judgment required on the part of Management. Changes in these assumptions could lead to a significant variation in the fair value of such assets and their impact on the consolidated comprehensive income statement and consolidated statement of financial position.	We obtained the year-end valuations of these assets by independent experts and we assessed that these experts meet the requirements of competence and independence, finding no exceptions. We determined that the valuations were performed in accordance with the Valuation Rules of the Royal Institution of Chartered Surveyors (RICS), included in the so-called "Red Book" - valuation manual. In this respect, we held meetings with the valuers together with our internal experts and verified for a representative sample of these valuations the reasonability of the variables used, such as final profitability, term of the rental contracts, the type and age of the properties, their location and occupancy rate and the discount rate used. Also, for a sample of assets, we verified, through the relevant purchase deeds, the technical specifications used by the independent experts in determining the fair value of those assets. Lastly, we assessed the relevant disclosures in Notes 4.c), 10 and 20.f) to the accompanying consolidated annual accounts. We consider that we have obtained sufficient audit evidence in the course of our work to corroborate the reasonableness of the valuation of investment property.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2019 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 is defined in the legislation governing the audit practice, which establishes two different levels:

a) A specific level that is applicable to certain information included in the Annual Corporate Governance Report (ACGR), as defined in art. 35.2. b) of Law 22/2015, on Audit of Accounts, which consists in verifying only that the aforementioned information has been provided in the management report, and otherwise, to report on it.

b) A general level applicable to the rest of the information included in the consolidated management report, which consists of evaluating and reporting on the concordance of the aforementioned information with the consolidated annual accounts, based on the Group's knowledge obtained in the performance of the audit of the aforementioned accounts and without including information other than that obtained as evidence during the same, as well as evaluating and reporting whether the content and presentation of this part of the consolidated management report are in accordance with the regulations that result from application. If, based on the work we have done, we conclude that there are material inaccuracies, we are obliged to report it.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above is provided in the consolidated management report 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 2019 financial year, and its content and presentation are in accordance with the applicable regulations.

Responsibility of the directors and the audit committee for the consolidated annual accounts

The Parent company´s directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the 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 directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company´s audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

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 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 committee 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 committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee 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 committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor´s report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Report to the Parent company´s audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's audit committee dated 27 February 2020.

Appointment period

The General Ordinary Shareholders' Meeting held on 28 June 2016 appointed us as auditors of the Group for a period of 3 years, as from the year ended 31 December 2017.

Services provided

Services provided to the Group for services other than the audit of the accounts, are indicated in the Note 25 to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by
Mireia Oranias Casajoanes (20973)

February 27, 2020

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries (Colonial Group)

Consolidated statement of financial position at 31 December 2019 – Thousands of euros

Assets	Note	31 December 2019	31 December 2018
Goodwill	7	–	62,225
Intangible assets		4,900	3,759
Right-of-use assets	8	12,787	–
Property, plant and equipment	9	50,900	43,332
Investment property	10	11,797,117	11,083,133
Financial assets at amortised cost	11	33,585	31,863
Derivative financial instruments	16	25,379	591
Non-current deferred tax assets	19	448	411
Other non-current assets		8,233	–
Non-current assets		**11,933,349**	**11,225,314**
Inventories	12	48,196	46,587
Trade and other receivables	13	117,095	99,972
Financial assets at amortised cost		90	1,300
Deferred tax assets	19	9,566	19,757
Cash and cash equivalents	15	216,781	68,293
Current assets		**391,728**	**235,909**
Assets classified as held for sale	**24**	**176,434**	**26,091**
Total assets		**12,501,511**	**11,487,314**

The accompanying Notes 1 to 26 and the Appendix are an integral part of the consolidated statement of financial position at 31 December 2019.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries (Colonial Group)

■ Consolidated statement of financial position at 31 December 2019 – Thousands of euros

Equity and liabilities	Note	31 December 2019	31 December 2018
Share capital		1,270,287	1,270,287
Share premium		1,513,749	1,578,439
Reserves of the Parent		186,822	215,990
Consolidated reserves		1,735,202	1,223,497
Valuation adjustments recognised in equity – financial instruments		22,403	(2,078)
Other equity instruments		9,515	6,017
Treasury shares		(6,179)	(5,606)
Profit/(loss) for the year		826,799	524,763
Equity attributable to shareholders of the Parent company		**5,558,598**	**4,811,309**
Non-controlling interests		**1,401,899**	**1,290,486**
Equity	**14**	**6,960,497**	**6,101,795**
Bank borrowings and other financial liabilities	15	442,358	720,710
Bonds and similar securities issued	15	3,781,442	3,776,866
Derivative financial instruments	16	2,782	3,218
Lease liabilities	8	12,262	–
Non-current deferred tax liabilities	19	381,701	374,882
Non-current provisions	18	1,499	1,380
Other non-current liabilities	17	79,940	66,333
Non-current liabilities		**4,701,984**	**4,943,389**
Bank borrowings and other financial liabilities	15	3,247	8,627
Bonds and similar securities issued	15	647,726	284,242
Derivative financial instruments	16	675	473
Lease liabilities	8	2,131	–
Trade and other payables	17	158,578	114,779
Deferred tax liabilities	19	19,085	16,349
Current provisions	18	7,588	17,660
Current liabilities		**839,030**	**442,130**
Total equity and liabilities		**12,501,511**	**11,487,314**

The accompanying Notes 1 to 26 and the Appendix are an integral part of the consolidated statement of financial position at 31 December 2019.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries (Colonial Group)

Consolidated income statement and statement of comprehensive income for the year ended 31 December 2019 – Thousands of euros

Income statement	Note	2019	2018
Revenue	20-a	354,514	348,273
Other income	20-b	9,617	5,677
Staff costs	20-c	(29,916)	(29,138)
Other operating expenses	20-d	(55,094)	(60,094)
Depreciation and amortisation		(6,940)	(3,353)
Net change in provisions	20-e	6,960	2,436
Net gains/(losses) on sales of assets	20-g	19,924	11,721
Operating profit		**299,065**	**275,522**
Changes in fair value of investment property	20-f	873,699	701,952
Gains/(losses) on changes in value of assets and impairment	20-f	(61,894)	(131,390)
Finance income	20-h	7,298	7,831
Finance costs	20-h	(103,386)	(149,433)
Impairment of financial assets	20-h	–	(143)
Profit before tax		**1,014,782**	**704,339**
Income tax expense	19	(22,259)	(26,230)
Consolidated net profit		**992,523**	**678,109**
Net profit for the year attributable to the Parent		826,799	524,763
Net profit attributable to non-controlling interests	14	165,724	153,346
Basic earnings per share (euros)	5	1.63	1.17
Diluted earnings per share (euros)	5	1.63	1.17

The accompanying Notes 1 to 26 and the Appendix are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2019.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries (Colonial Group)

Consolidated income statement and statement of comprehensive income for the year ended 31 December 2019 – Thousands of euros

Statement of comprehensive income	Note	2019	2018
Consolidated net profit		**992.523**	**678.109**
Other components of comprehensive income recognised directly in equity		**23,801**	**(53,854)**
Gains/(losses) on hedging instruments	14 and 16	23,583	956
Gains/(losses) on available-for-sale financial assets	11	–	(54,777)
Tax effect on prior years' profit or loss	14 and 16	218	(33)
Transfers to comprehensive income		**2,166**	**(2,429)**
Gains/(losses) on hedging instruments	14 and 16	2,713	(2,472)
Tax effect on prior years' profit or loss	14 and 16	(547)	43
Consolidated comprehensive income		**1,018,490**	**621,826**
Comprehensive income for the year attributable to the Parent		851,888	468,467
Comprehensive income attributable to non-controlling interests		166,602	153,359
Comprehensive basic earnings per share (euros)		1.68	1.05
Comprehensive diluted earnings per share (euros)		1.68	1.05

The accompanying Notes 1 to 26 and the Appendix are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2019.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries (Colonial Group)

Consolidated statement of changes in equity for the year ended 31 December 2019 – Thousands of euros

	Note	Share capital	Share premium	Reserves of the Parent	Reserves at consolidated companies	Hedging derivatives
Balance at 31 December 2017	**14**	**1,088,293**	**1,126,248**	**245,118**	**406,366**	**(559)**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**(1,519)**
Transactions with shareholders:						
Capital increases		181,994	463,517	(1,149)	–	–
Treasury share portfolio		–	–	7,332	–	–
Distribution of 2017 results (dividends)		–	(11,326)	(33,798)	650,026	–
Share-based remuneration payments		–	–	(1,513)	–	–
Changes in scope		–	–	–	151,426	–
Other changes		–	–	–	15,679	–
Balance at 31 December 2018	**14**	**1,270,287**	**1,578,439**	**215,990**	**1,223,497**	**(2,078)**
Change of accounting policy (Note 2-g)	2-g	–	–	–	(887)	–
Balance at 1 January 2019		**1,270,287**	**1,578,439**	**215,990**	**1,222,610**	**(2,078)**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**25,089**
Transactions with shareholders:						
Capital increases		–	–	–	–	–
Treasury share portfolio		–	–	–	–	–
Distribution of 2018 results (dividends)		–	(64,690)	(569)	488,455	–
Share-based remuneration payments		–	–	(1,131)	–	–
Changes in scope		–	–	(27,468)	25,733	(608)
Other changes		–	–	–	(1,596)	–
Balance at 31 December 2019	**14**	**1,270,287**	**1,513,749**	**186,822**	**1,735,202**	**22,403**

The accompanying Notes 1 to 26 and the Appendix are an integral part of the consolidated statement of changes in equity at 31 December 2019.

	Financial assets at fair value with changes in equity	Other equity instruments	Treasury shares	Result	Equity attributable to shareholders of the Parent	Non-controlling interests	Equity
	70,415	**4,686**	**(31,262)**	**682,523**	**3,591,828**	**2,087,870**	**5,679,698**
	(54,777)	**–**	**–**	**524,763**	**468,467**	**153,359**	**621,826**
	–	–	–	–	644,362	–	644,362
	–	–	22,754	–	30,086	–	30,086
	–	–	–	(682,523)	(77,621)	(52,273)	(129,894)
	–	1,667	2,902	–	3,056	358	3,414
	–	–	–	–	151,426	(899,425)	(747,999)
	(15,638)	(336)	–	–	(295)	597	302
	–	**6,017**	**(5,606)**	**524,763**	**4,811,309**	**1,290,486**	**6,101,795**
	–	–	–	–	(887)	(104)	(991)
	–	**6,017**	**(5,606)**	**524,763**	**4,810,422**	**1,290,382**	**6,100,804**
	–	**–**	**–**	**826,799**	**851,888**	**166,602**	**1,018,490**
	–	–	–	–	–	–	–
	–	–	(3,395)	–	(3,395)	–	(3,395)
	–	–	–	(524,763)	(101,567)	(30,744)	(132,311)
	–	3,498	2,822	–	5,189	417	5,606
	–	–	–	–	(2,343)	(26,182)	(28,525)
	–	–	–	–	(1,596)	1,424	(172)
	–	**9,515**	**(6,179)**	**826,799**	**5,558,598**	**1,401,899**	**6,960,497**

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries (Colonial Group)

Consolidated statement of cash flows for the year ended 31 December 2019 – Thousands of euros

Cash flows from operations	Note	2019	2018
1. Cash flows from operating activities			
Profit from operations		299,065	275,522
Adjustments to profit			
Depreciation and amortisation (+)		6,940	3,353
Net change in provisions (+/–)	20-e	(6,960)	(2,436)
Other		3,870	3,489
Gains / (losses) on sale of investment property (+/–)	20-g	(19,924)	(11,721)
Adjusted profit		**282,991**	**268,207**
Taxes recovered (paid) (+/–)		(2,549)	(11,834)
Interest received (+)		2,232	2,460
Increase / (decrease) in current assets and liabilities			
Inventories (+/–)		(1,425)	–
Increase / (decrease) in receivables (+/–)		(3,178)	15,279
Increase / (decrease) in payables (+/–)		40,656	(107,866)
Increase / (decrease) in other assets and liabilities (+/–)		3,080	11,107
Total net cash flows in operating activities		**321,807**	**177,353**
2. Cash flows from investing activities			
Investments in (–)			
Intangible assets		(4,456)	(2,973)
Property, plant and equipment	9	(9,133)	(4,063)
Investment property	10	(249,017)	(307,661)
Non–current financial assets and others		(30,247)	(216,776)
Business combinations	2-f	–	(843,149)
Cash and cash equivalents acquired in a business combination		–	160,157
		(292,853)	**(1,214,465)**
Disposals of (+)			
Investment property and assets classified as held for sale	10 and 24	272,149	378,959
		272,149	**378,959**
Total net cash flows in investing activities		**(20,704)**	**(835,506)**

The accompanying Notes 1 to 26 and the Appendix are an integral part of the consolidated statement of cash flows at 31 December 2019.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries (Colonial Group)

Consolidated statement of cash flows for the year ended 31 December 2019 – Thousands of euros

Cash flows from operations	Note	2019	2018
3. Cash flows from financing activities			
Dividends paid (–)	14	(132,311)	(129,894)
Repayment of bank borrowings (–)	15	(361,042)	(955,744)
Repayment of debts with bondholders (–)	15	–	(675,000)
Interest paid (+/–)	20-h	(88,437)	(142,723)
Redemption of financial instruments (–)	20-h	(4,743)	–
Treasury share transactions (+/–)	14	(3,395)	(58)
		(589,928)	**(1,903,419)**
New bank borrowings obtained (+)	15	75,000	120,440
New bondholder borrowings obtained (+)	15	363,500	1,412,500
Expenses associated with capital increases	14	–	(1,149)
Other proceeds/(payments) for current financial investments and other (+/–)		(1,187)	(6,527)
		437,313	**1,525,264**
Total net cash flows in financing activities		**(152,615)**	**(378,155)**
4. Net increase / decrease in cash and cash equivalents			
Cash flow for the year		148,488	(1,036,308)
Cash or cash equivalents at beginning of year	15	68,293	1,104,601
Cash or cash equivalents at end of year	15	216,781	68,293

The accompanying Notes 1 to 26 and the Appendix are an integral part of the consolidated statement of cash flows at 31 December 2019.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2019

1. COLONIAL GROUP BUSINESS ACTIVITY

Inmobiliaria Colonial, S.A. is a public limited company incorporated in Spain, for an indefinite period, on 8 November 1956. Its registered offices are at Paseo de la Castellana, 52, Madrid.

On 29 June 2017, the shareholders at the parent Company's Annual General Meeting resolved to adopt the SOCIMI (hereinafter, REIT) Tax Regime and to make the corresponding bylaw amendments to bring the Company Bylaws into line with the requirements stipulated in this regime, which included changing the corporate name to Inmobiliaria Colonial, SOCIMI, S.A.

On 30 June 2017, the parent Company submitted a request to the tax authorities to be included in the REIT Tax Regime, applicable as of 1 January 2017.

The parent Company's purpose, as set out in its bylaws, is as follows:

> the acquisition and development of urban properties for lease;

> the ownership of interests in the share capital of listed real estate investment companies (REITs) or other non-resident entities in Spain with the same corporate purpose, which are subject to a regime similar to that established for REITs in relation to the obligatory profit distribution policy stipulated by law or the bylaws;

> the ownership of interests in the share capital of other resident or non-resident entities in Spain, the main corporate purpose of which is the acquisition of urban properties earmarked for lease, which are subject to the regime established for REITs in relation to the obligatory profit distribution policy stipulated by law or the bylaws and meet the investment requirements stipulated for these companies; and

> the ownership of shares or equity interests in collective real estate investment undertakings governed by Law 35/2003, of 4 November, on collective investment undertakings or any law that may replace it in the future.

In addition to the economic activity relating to the main corporate purpose, the Parent may also carry on any other ancillary activities, i.e., those that they generate income representing less than 20%, taken as a whole, of its income in each tax period, or those that may be considered ancillary activities under the legislation applicable at any time, including, in any case, the management, restoration and operation of properties and the performance of all manner of studies, reports, appraisals, valuations and surveys; and in general, the provision of real estate consulting and advisory services, property asset management, development and marketing services, and technical assistance through contracts with other public or private companies or entities.

Activities that by law are attributable exclusively to special purpose vehicles are expressly excluded from its corporate purpose.

All activities included in the corporate purpose will be carried out as authorised by current legislation at any given time, expressly excluding its own activities that are exclusively granted by prevailing legislation to natural persons or legal persons other than this parent Company.

The Parent may also carry out the aforementioned activities, in full or in part, indirectly through ownership interests in other companies with an identical or similar corporate purpose.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries ("the Group") carries out its activities in Spain (mainly in Barcelona and Madrid) and in France (Paris) through the group of which the parent is Société Foncière Lyonnaise, S.A ("SFL subgroup" or "SFL" for the subsidiary).

Inmobiliaria Colonial, SOCIMI, S.A. has been listed on the Spanish electronic trading system and Stock Exchange since 19 June 2017, when it was included on the benchmark stock market index, the IBEX-35.

In 2019, the Parent maintains the credit rating obtained from *Standard & Poor's Rating Credit Market Services Europe Limited* at "BBB+" long-term credit rating and an "A-2" short-term credit rating, both with a stable outlook. In addition, the Parent retains the rating obtained from Moody's "Baa2" with a stable outlook. In 2019, the subsidiary SFL maintained its credit rating of "BBB+" with a stable outlook, and the "A-2" short-term credit rating.

In view of the business activity carried on by the Group, it does not have any environmental expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these explanatory notes. However, the Group does apply an active environmental policy in relation to urban processes of construction and maintenance and the preservation of its property portfolio.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

a) 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 Colonial Group's consolidated equity and financial position at 31 December 2019 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 2019 were prepared on the basis of the accounting records kept by the Parent and by the other companies comprising the Colonial Group, and were authorised for issue by the Parent's directors at the Board of Directors meeting held on 27 February 2020.

However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements at 31 December 2019 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify the policies and bases used and to make them compliant with EU-IFRS.

In order to present on a consistent basis the various items that make up the consolidated financial statements, the accounting principles and measurement bases used by the Parent were applied to all the companies included in the scope of consolidation.

The Group's consolidated financial statements for the year ended 31 December 2018 were approved by the shareholders at the Parent's Annual General Meeting held on 14 June 2019.

b) Adoption of International Financial Reporting Standards

The Group's consolidated financial statements are presented in accordance with EU-IFRS, pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002. In Spain, the obligation to present consolidated financial statements under European IFRS is also regulated in final provision eleven of Law 62/2003, of 30 December, on tax, administrative and social measures.

The main accounting principles and measurement bases adopted by the Group are detailed in Note 4.

Standards and interpretations effective this year

New accounting standards came into force in 2019 and were accordingly taken into account when preparing these consolidated financial statements. These new standards are as follows:

> IFRS 16, "Leases"

> IFRS 9 (Amendment), "Prepayment features with negative compensation"

> IFRIC 23, "Uncertainty over Income Tax Treatments"

> NIC 28 (Amendment) "Long-term interests in associates and joint ventures"

> IAS 19 (Amendment), "Plan amendment, curtailment or settlement"

> Annual improvements to IFRS. 2015-2017 cycle: The amendments affect IFRS 3, IFRS 11, IAS 12 and IAS 23 and apply to annual periods beginning on or after 1 January 2019. The main changes are:

– IFRS 3, “Business combinations”: A previously held interest in a joint venture is re-measured when control of the business is obtained.

– IFRS 11, “Joint arrangements”: A previously held interest in a joint venture is not re-measured when joint control of the business is obtained.

– IAS 12, “Income tax”: All tax consequences of dividend payments are accounted for in the same way.

– IAS 23, “Borrowing costs”: Any specific loan originally made to develop a qualifying asset is considered part of the generic loans when the asset is ready for use or sale.

These standards were taken into account with effect from 1 January 2019, and their impact on these consolidated financial statements was not material, except for IFRS 16 “Leases” (Note 2-g).

Standards and interpretations issued but not yet effective

At the date of authorisation for issue of these consolidated financial statements, the following standards, amendments or interpretations were published by the IASB and the *IFRS Interpretations Committee* but had not yet come into force, and are subject to adoption by the European Union.

IFRS 10 (Amendment) and IAS 28 (Amendment), “Sales or contributions of assets between an investor and its associate/joint venture”.

> IFRS 17, “Insurance contracts”

> IFRS 3 (Amendment), “Definition of a business”

> IAS 1 (Amendment) and IAS 8 (Amendment) “Definition of material”

> IFRS 9 (Amendment), IFRS 7 (Amendment) and IAS 39 (Amendment) “Interest rate benchmark reform”

The application of new standards, amendments and interpretations will be considered by the Group once they have been ratified and adopted, as the case may be, by the European Union.

The Parent’s directors have reviewed the potential impacts of the future application of these standards and consider that their entry into force will not have a material effect on the consolidated financial statements.

c) Functional currency

These financial statements are presented in the Group’s functional currency, the euro, as this is the currency of the main economic area in which the Group operates.

d) Responsibility for the information provided and accounting 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 properties and inventories (Notes 9, 10 and 12).

The market value was obtained from the appraisals periodically made by independent experts. These valuations were performed at 31 December 2019 and 2018 in accordance with the methods described in Notes 4-b, 4-c and 4-t.

> Classification, measurement and impairment of financial investments (Note 4-e).

> Estimation of the appropriate provisions for bad debts (Note 13).

> Measurement of deferred tax liabilities recognised on the consolidated statement of financial position (Notes 4-m and 19).

> Measurement of assets classified as held for sale (Notes 4-s and 24).

> The measurement and impairment of goodwill (Note 7).

> The market value of certain financial assets (Note 11), including derivative financial instruments (Note 16).

> Evaluation of litigation and commitments at year-end.

Although these estimates were made on the basis of the best available information at the date of authorising these consolidated financial statements for issue, events that take place in the future might make it necessary to change these estimates (upwards or downwards). Changes in accounting estimates would be applied prospectively and would be recognised in the consolidated income statement.

e) Basis of consolidation

The accompanying consolidated financial statements were prepared from the accounting records of Inmobiliaria Colonial, SOCIMI, S.A., and of the companies controlled by it, whose financial statements were prepared by the management of each Group company. The Parent is considered to have effective control in the circumstances outlined below.

The results of the subsidiaries acquired or sold during the year are included in consolidated income from the effective date of acquisition and are no longer included from the date of disposal, as appropriate.

All accounts receivable and payable and other transactions between the consolidated companies have been eliminated on consolidation.

Where necessary, the financial statements of the subsidiaries are adjusted to ensure uniformity with the accounting policies applied by the Parent. All subsidiaries have the same reporting date as the Parent, i.e., 31 December.

The interest of non-controlling shareholders is established in proportion to the fair values of the identifiable assets and liabilities recognised. Non-controlling interests in:

> Investees' equity: recognised in equity under "Non-controlling interests" in the consolidated statement of financial position.

> Profit or loss for the year: recognised under "Net profit attributable to non-controlling interests" in the consolidated income statement.

All Group companies were fully consolidated, as outlined below:

> Subsidiaries are fully consolidated and are considered to be all entities in which the Group directly or indirectly controls the financial and operating policies such that power is exercised over the investee. This is generally accompanied by an ownership interest of more than half of an entity's voting rights. In addition, to evaluate whether the Group controls another entity, it considers the power over the investee; the exposure or rights to variable returns of the investment; and the ability to use this power over the investee to affect the amount of the investor's returns. When evaluating whether the Group exercises control over an entity, the existence and the effect of any potential voting rights, both those held by the Parent and by third parties, are taken into consideration, provided they are of a substantive nature.

> Subsidiaries are accounted for using the acquisition method. The acquisition cost is the fair value of the assets delivered, the equity instruments issued and the liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and identifiable liabilities and contingencies incurred in a business combination are measured initially at fair value at the acquisition date, regardless of the effect of non-controlling interests. When the acquisition cost is higher than the fair value of the Group's interest in the identifiable net assets acquired, the difference is recognised as goodwill. If the acquisition cost is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of comprehensive income (details of the companies consolidated at 31 December 2019 and 2018 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.

f) Changes in the scope of consolidation

The following changes occurred in the scope of consolidation in 2019:

> On 20 February 2019, the subsidiary Utopicus Innovación Cultural, S.L. increased capital by offsetting the loan signed on 8 October 2018 with the Parent through the issue of 4,547 shares of 1 euro par value each, plus a share premium of 4,995 thousand euros. The capital increase was fully subscribed by the Parent for an amount of 4,999 thousand euros. As a result of the transaction, the Parent now holds 89.48% of the capital of Utopicus.

> On 30 April 2019, the Parent acquired 45% of the share capital of the subsidiary Torre Marenostrum, S.L. ("Torre"), owner of an office building located in Barcelona. Prior to this acquisition, the Parent held 55% of Torre's shares and with this operation it became the sole shareholder of Torre. The acquisition cost amounted to 28,525 thousand euros.

> On 29 July 2019, the subsidiary Utopicus Innovación Cultural, S.L. carried out two capital increases, (i) the first by offsetting the loan signed on 29 July 2019 through the issue of 8,986 shares of 1 euro par value each plus a share premium of 4,991 thousand euros and (ii) a second capital increase through the issue of 19,770 shares of 1 euro par value each plus a share premium of 10,980 thousand euros. Both capital increases were fully subscribed by the Parent for 5,000 thousand euros and 11,000 thousand euros, respectively. As a result of these operations, the Parent has acquired 96.81% of the share capital of the subsidiary.

Also, in 2019 the Parent carried out the merger by absorption of Axiare Properties, S.L.U., Axiare Investigación, Desarrollo e Innovación, S.L.U., Chamaleon (CEDRO), S.L.U., Venusaur, S.L.U., Colonial Invest, S.L.U., Hofinac Real Estate, S.L.U., Fincas y Representaciones, S.A.U., Colonial Arturo Soria, S.L.U. and LE Offices Egeo, S.A.U., Danieltown Spain, S.L.U., Moorage Inversiones 2014, S.L.U., Almacenes Generales Internacionales, S.A.U., Soller, S.A.U. and Axiare Investments, S.L.U. and Torre Marenostrum, S.L.U.

The following changes occurred in the scope of consolidation in 2018:

> On 16 January 2018, the Parent acquired 100% of the share capital of the Spanish company LE Offices Egeo, S.A.U. (Egeo), owner of an office building located in Madrid. The acquisition cost amounted to 49,098 thousand euros, including related costs. In addition, in 2018 the loan held by Egeo with a financial institution for 30,182 thousand euros, including interest, was paid off early.

> On 20 March 2018, the subsidiary Utopicus increased its share capital by 4 thousand euros, corresponding to 3,638 shares with a par value of 1 euro each, plus a share premium, which was subscribed for and paid in full by the Parent.

> On 7 May 2018, the Parent acquired all the shares of the subsidiary Peñalvento, S.L.U. from the subsidiary Almacenes Generales Internacionales, S.A.U. for 20,755 thousand euros.

> On 16 November 2018, the Parent acquired 10,323,982 shares of the subsidiary SFL from Qatar Holding, LLC and DIC Holding, LLC through (i) the Parent's contribution of 7,136,507 shares of the subsidiary as consideration for the subscription of the 53,523,803 new shares of the Company (Note 14-a), (ii) the exchange of 400,000 shares of the subsidiary SFL for 3,000,000 shares of the Parent that it held as treasury shares (Note 14-f), and (iii) the sale to the Parent of 2,787,475 shares of the subsidiary SFL for 203,486 thousand euros.

> On 29 November 2018, the Parent acquired 281,022 shares in the subsidiary SFL for 18,969 thousand euros.

> In addition, the Parent acquired 441,000 shares of the subsidiary SFL through the exchange of 315,000 shares of the Parent held as treasury shares (Note 14-f) and 8,442 thousand euros.

Friendly takeover bid for Axiare Patrimonio SOCIMI, S.A.

On 28 December 2017, the Spanish National Securities Market Commission authorised the friendly takeover bid to acquire shares of Axiare Patrimonio SOCIMI, S.A. submitted by the Parent on 24 November 2017, as it considered that its terms were in line with applicable laws and that the contents of the explanatory prospectus were sufficient.

The offer was made for 100% of the share capital of Axiare Patrimonio SOCIMI, S.A. consisting of 79,062,486 shares, admitted for trading on the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges and included in the Spanish Stock Market Interconnection System, not including 22,762,064 shares, representing 28.79% of the share capital, which were blocked by the offeror. Consequently, the offer was effectively extended to the acquisition of 56,300,422 shares of Axiare Patrimonio SOCIMI, S.A., which represent 71.21% of the share capital.

The price offered was 18.36 euros per share; this amount arises through deducting the amount of the dividend paid by Axiare after the takeover bid was announced, of 0.14 euros per share, from the price initially offered of 18.50 euros per share.

On 28 December 2017, the first of the announcements referred to in Article 22 of Royal Decree 1066/2007, of 27 July, for the takeover bid of Axiare Patrimonio SOCIMI, S.A. by Inmobiliaria Colonial, SOCIMI, S.A., was made. Consequently, in accordance with the terms set forth in the prospectus of the aforesaid offer, the acceptance period lasted from 29 December 2017 to 29 January 2018, both inclusive.

On 2 February 2018, the Spanish National Securities Market Commission published the result of the takeover bid, which was accepted for 45,912,569 shares, representing 81.55% of the shares targeted by the takeover bid and 58.07% of the share capital of Axiare Patrimonio SOCIMI, S.A., entailing the payment of 842,955 thousand euros.

With this disbursement, the value of the ownership interest in Axiare Patrimonio SOCIMI, S.A. amounted to 1,207,647 thousand euros, including the value of the ownership interest held by the Parent prior to the date of the takeover. As a result, taking into account the shares already previously held by the Parent, the latter now holds 68,674,633 shares, representing 86.86% of the share capital of Axiare Patrimonio SOCIMI, S.A.

Reason for the business combination

As explained in the prospectus of the takeover bid, with the acquisition of Axiare, the Colonial Group consolidated its position as the European platform in the prime office market of Paris, Madrid and Barcelona. Axiare's asset portfolio at 30 September 2017, with 74% relating to offices, of which 93% are located in Madrid, clearly complements the Colonial Group's strategy, which consists of investing in the office markets of Madrid, Barcelona and Paris, with a focus on high-quality buildings. The acquisition of Axiare will allow Colonial to increase the value of its current portfolio and increase the Group's exposure in Spain. Furthermore, the synergies with the acquisition of Axiare may represent a savings in operating costs. Accordingly, it will potentially enable Axiare's financing structure to be optimised as a result of its integration into the Group.

Net assets acquired and cost of business combination

The Parent's directors made an initial allocation of the cost of the business combination, provisionally estimating that the difference between the cost of the business combination and the fair value of the net assets acquired is as shown in the following table:

Thousands of euros

	Carrying amount	Value adjustment	Fair value
Investment property	1,734,566	(3,193)	1,731,373
Other non-current assets	32,662	–	32,662
Current assets	180,414	9,969	190,383
Non-current liabilities	(645,213)	–	(645,213)
Current liabilities	(116,181)	(3,999)	(120,180)
Total net assets	**1,186,248**	**2,777**	**1,189,025**
Consideration paid on the investment (*)			**1,207,645**
Capital increase as a result of the merger			**157,909**
Positive combination difference (Goodwill)			**176,529**

(*) The consideration paid was calculated as the total acquisition price plus the revaluation of the investment acquired prior to the acquisition of control.

These initial estimates were provisional. They are now final.

The fair value of the net assets in the property portfolio of Axiare Patrimonio SOCIMI, S.A. and subsidiaries was estimated using valuations made by independent experts of the property assets acquired as of 31 December 2017.

"Other operating expenses" in the consolidated income statement for 2018 included 8,021 thousand euros in transaction costs associated with the transaction.

The fair value of the accounts receivable acquired, mainly of a commercial nature, amounted to 15,886 thousand euros and did not differ from their gross contractual amounts. The Parent's directors do not consider that, at the acquisition date, there were signs that such accounts would not be collected in full.

The operating income of the Axiare subgroup in January 2018 amounted to losses of 57,234 thousand euros, including 47,842 thousand euros relating to incentive and indemnity plans and 12,579 thousand euros relating to the takeover bid launched by Inmobiliaria Colonial, SOCIMI, S.A.

Allocation to the cash-generating unit and impairment of goodwill

In accordance with IAS 36, Management identifies the different cash-generating units by looking at the smallest identifiable group of assets that generates cash inflows for the entity that are largely independent of the cash inflows from other assets or groups of assets.

In this context, the Group has considered, when defining its cash-generating units, how the management of the different real estate assets that make up the Group is organised, and also how to frame them within the business segment.

The Parent's directors consider that the change in value recorded for the structured portfolio acquired through the business combination with Axiare after the date of the acquisition of control represents the materialisation of the expectations existing at the date of this business combination.

Merger by absorption between Inmobiliaria Colonial, SOCIMI, S.A. (absorbing company) and Axiare Patrimonio SOCIMI, S.A. (absorbed company)

On 4 July 2018, the merger deed executed on 2 July 2018 between Inmobiliaria Colonial, SOCIMI, S.A. and Axiare Patrimonio SOCIMI, S.A. was registered with the Madrid Mercantile Registry. In this respect, to cover the exchange of the merger, the Parent issued 19,273,622 new ordinary shares with a par value of 2.50 euros each of the same class and series as those currently in circulation, representing 4.43% of the share capital of Colonial prior to the merger, to be delivered to Axiare's shareholders in accordance with the exchange rules and procedures established for this purpose. The total amount of the increase amounted to 157,909 thousand euros, of which 48,184 thousand euros are related to share capital and 109,725 thousand euros to share premium. The new shares were admitted to trading on 9 July 2018.

At 31 December 2019, the subsidiaries Colonial Tramit, S.L.U., SAS SB2, SAS SB3 and SCI SB3 were dormant. At 31 December 2018, the subsidiaries Colonial Invest, S.L.U. and Axiare Properties, S.L.U. were also dormant.

g) Comparison of information

The information relating to 2019 included in these notes to the consolidated financial statements is presented, for comparison purposes, with the information relating to 2018.

The Group adopted IFRS 16 retrospectively from 1 January 2019, although it has not restated the comparative figures for 2018, as permitted under the specific transitional provisions of the standard. Reclassifications and adjustments arising from the new lease rules are therefore recognised in the opening consolidated statement of financial position at 1 January 2019.

With the adoption of IFRS 16, the Group recognised lease liabilities in respect of leases previously classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted to present value using the tenant's incremental borrowing rate at 1 January 2019. The weighted average incremental rate of lessee indebtedness applied to lease liabilities at 1 January 2019 was 5.158%.

The new values of lease liabilities were recognised as adjustments to the corresponding right-of-use assets immediately after the initial date of application.

Thousands of euros

	1 January 2019
Operating lease commitments presented at 31 December 2018	22,591
Discounted to present value using the lessee's incremental borrowing rate on the initial application date	17,914
Lease liabilities recognised at 1 January 2019	**17,914**
Of which:	
Current lease liabilities	2,298
Non-current lease liabilities	15,616

Right-of-use assets associated with property leases were measured retrospectively as if the rules had always applied. Recognised right-of-use assets relate to the following types of assets:

Thousands of euros

	1 January 2019
Properties	16,593
Total right-of-use assets	**16,593**

The change in accounting policy affected the following items in the consolidated statement of financial position at 1 January 2019:

> Right-of-use assets - increase of 16,593 thousand euros (Note 8).

> Deferred and non-current tax assets - increase of 330 thousand euro (Notes 8 and 19-e)

> Lease liabilities - increase of 17,914 thousand euros (Note 8).

The net impact on consolidated reserves and non-controlling interests at 1 January 2019 was a decrease of 887 thousand euros and 104 thousand euros, respectively.

Earnings per share at 31 December 2019 did not change significantly as a result of the adoption of IFRS 16.

When applying IFRS 16 for the first time, the Group used the following practical solutions permitted by the standard:

> use of a single discount rate for a portfolio of leases with reasonably similar characteristics,

> confidence in prior determinations of whether leases are onerous,

> accounting for operating leases with a remaining lease term of less than 12 months at 1 January 2019 as short-term leases,

> exclusion of initial direct costs in measurement of a right-of-use asset at the date of initial application, and

> retrospective determination of the term of the lease when the contract contains options to extend or terminate the lease.

The Group chose not to reassess whether a contract is, or contains, a lease on the date of initial application. Instead, for contracts signed before the transition date, the Group relies on its assessment under IAS 17 and IFRIC 4 Determining whether an Arrangement Contains a Lease.

h) Aggregation of items

Certain items in the consolidated statement of financial position, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows are grouped together in order to facilitate comprehension. However, whenever the amounts involved are material, the information is broken down in the related notes to the consolidated financial statements.

i) Correction of errors

No significant errors were detected in the preparation of the accompanying consolidated financial statements that would have made it necessary to restate the amounts included in the consolidated financial statements for 2018.

j) Negative working capital

At 31 December 2019, the Group had a negative working capital of 270,868 thousand euros, however, the Group has sufficient undrawn lines of financing to cover this amount (Note 15).

3. DISTRIBUTION OF THE PARENT'S PROFIT

The distribution of profit for 2019 proposed by the Board of Directors of the Parent and that will be submitted for approval at the Annual General Meeting is as follows:

Thousands of euros

Profit for the year of the Parent	**87,867**
To legal reserve	8,787
To dividends	79,080
Total distributed	**87,867**

The Parent's board of directors will submit for approval at the annual general meeting a proposed distribution of dividends totalling 0.22 euros per share, which would give rise to a total maximum dividend of 111,785 thousand euros based on the current number of outstanding 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 14-f).

In the past five years, the Parent has distributed the following dividends:

Thousands of euros

	2014	2015	2016	2017	2018
Dividends distributed	–	47,833	62,749	77,219	101,567

4. MEASUREMENT BASES

The main accounting policies and measurement bases used to prepare the consolidated financial statements, in accordance with EU-IFRS and the interpretations in force when these consolidated financial statements were prepared, are as follows:

a) Business combinations and intangible assets

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.

Business combinations

Business combinations are accounted for by applying the acquisition method.

The cost of the business combination is allocated at the acquisition date by recognising, at fair value, all assets, liabilities and contingent liabilities of the acquired entity that meet the criteria for recognition established in IFRS 3. The excess of the cost of a business combination over the acquiree's allocated assets, liabilities and contingent liabilities is recognised as goodwill, which, accordingly, represents advance payments made by the Colonial Group for future economic benefits generated by the assets of the acquiree that are not individually and separately identifiable and recognisable.

The negative difference, if any, between the cost of the business combination and the allocation to assets, liabilities and contingent liabilities of the acquired entity is recognised as a gain or loss in the year in which it arises.

If a business combination is achieved in stages, the acquirer remeasures its previously held equity interest in the acquiree at fair value at the acquisition date and recognises any resulting gain or loss in the consolidated statement of comprehensive income or under other consolidated comprehensive income, where appropriate.

Impairment of goodwill

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently in the event of supervening facts or changes in circumstances indicating that it may have become impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and value in use. For the purposes of assessing impairment losses, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

b) Property, plant and equipment (Note 9)

Property for own use, in addition to other property, plant and equipment, are recognised at acquisition cost less any accumulated depreciation and any impairment.

Historical cost includes expenses directly attributable to the acquisition of the properties. Possible impairment losses on properties are recorded in accordance with the same valuation assumptions as those described in Note 4-c.

Subsequent costs are capitalised or recognised as a separate asset only when it is probable that the future benefits associated with ownership of the asset will flow to the Group and its cost can be determined reliably. Other maintenance and upkeep expenses are charged to the consolidated income statement in the year incurred.

Group companies depreciate property, plant and equipment for own use and other items using the straight-line method, and distribute asset costs throughout the estimated useful life. The breakdown of the useful life of property for own use located in Spain and France is as follows:

Years of estimated useful life

	Spain	France
Property for own use		
Buildings	50	50
Facilities	10 a 15	10 a 50
Other property, plant and equipment	4 a 10	5 a 50

Gains or losses arising on the disposal (Note 20-g) or derecognition of an asset (Note 20-f) from this heading are determined as the difference between the sale price and its carrying amount and are recognised in the consolidated income statement.

c) Investment property (Note 10)

"Investment property" in the consolidated statement of financial position reflects the values of land, buildings and other constructions held to either earn rent or to obtain capital gain from their future sale due to increases in their respective market prices.

Investment property is stated at its fair value at the end of the reporting period and is not subject to annual depreciation.

Profit or loss arising from changes in the fair value of investment property is included in 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 20-f). These gains or losses are not included in operating profit as the changes in value are not directly within the control of the Group's management.

Assets are transferred from investment property in progress to investment property when they are ready for use. The classification of an investment property to investment property in progress takes place only when the rehabilitation or renovation project will exceed one year in length.

When the Group recognises as an increase in fair value of an investment property the cost of an asset that replaces another already included in such amount, the Group reduces the value of the property by the fair value of the asset replaced, recognising the impact under "Gains/(losses) on changes in value of assets and impairment" in the consolidated income statement (Note 20-f). If the fair value of the assets replaced cannot be reliably determined, the cost of the replacement is included in the carrying amount of the property, whose fair value is later reassessed periodically on the basis of appraisals performed by independent experts.

In accordance with IAS 40, the Group calculates the fair value of its investment property on a regular basis. Fair value is determined based on valuations performed by independent third-party experts at the date of preparation of the consolidated statement of financial position (Jones Lang LaSalle and CB Richard Ellis Valuation in Spain for both 2019 and 2018 and in France for 2019, CB Richard Ellis Valuation and Cushman & Wakefield and for 2018, Jones Lang LaSalle and Cushman & Wakefield), so that at the end of each period the fair value reflects market conditions for the investment property items at that date. The valuation reports prepared by independent experts contain only the standard warnings and/or disclaimers concerning the scope of the findings of the appraisals carried out, referring to the comprehensiveness and accuracy of the information provided by the Group.

The *Discounted Cash Flow* (hereinafter, "DCF") method was primarily used to determine the market value of the Group's investment property in 2019 and 2018.

The DCF method applied over a 10-year horizon is used, in accordance with current market practices, unless the specific characteristics of the investment suggest another course of action. The cash flow is considered throughout the period on a monthly basis to reflect increases in the CPI, the timetable for future rent reviews, the maturity of operating leases, etc.

With regard the increases in the CPI, the generally accepted forecasts are normally adopted.

Given that the appraiser does not know with certainty whether there will be periods of vacancy in the future, nor their duration, their forecasts are prepared based on the quality and location of the building, and they will generally adopt an average lease period if there is no information about the future intentions of each tenant. The assumptions determined in relation to the periods of vacancy and other factors are explained in each valuation.

The resulting profitability or *Terminal Capitalisation Rate* (hereinafter, "TCR") adopted in each case refers not only to the market conditions forecast at the end of each cash flow period, but also to the rental conditions that are expected to be maintained and the physical location of the property, taking into account any possible improvements planned for the property and included in the analysis.

With regard to acceptable discount rates, conversations are regularly held with various institutions to assess their attitude towards different investment rates. This general consensus, together with the data on any sales made and market forecasts relating to variations in the discount rates, serve as starting points for the appraisers to determine the appropriate discount rate in each case.

The properties were assessed individually, considering each of the lease agreements in force at the end of the reporting period. Buildings with unlet floor space were valued on the basis of future estimated rental income, net of an estimated letting period.

The most relevant key inputs of this method for the purposes of sensitivity analysis are the determination of net income and the rate of return, especially as it is a 10-year discounted cash flow model. The other variables considered, although they are taken into account for the determination of fair value, are not considered to be key and, therefore, no quantitative information is included, nor is their sensitivity measured.

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 2019 and 2018 are set out in the tables below:

Gross

Yields (%) – Offices	31 December 2019	31 December 2018
Barcelona – Prime Yield		
Leased out	4.35	4.72
Total portfolio	4.37	4.75
Madrid – Prime Yield		
Leased out	4.27	4.53
Total portfolio	4.30	4.51
Paris – Prime Yield		
Leased out	3.14	3.23
Total portfolio	3.02	3.24

Assumptions made at 31 December 2019

Rent increases (%) – Offices	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter
Barcelona					
Leased out	3.0	3.0	3.0	3.0	2.25
Total portfolio	3.0	3.0	3.0	3.0	2.25
Madrid					
Leased out	3.0	3.0	3.0	3.0	2.5
Total portfolio	3.0	3.0	3.0	3.0	2.5
Paris					
Leased out	1.5	1.5	1.5	1.5	1.5
Total portfolio	1.5	1.5	1.5	1.5	1.5

Assumptions made at 31 December 2018

Rent increases (%) – Offices	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter
Barcelona					
Leased out	3.0	3.0	3.0	3.0	2.25
Total portfolio	3.0	3.0	3.0	3.0	2.25
Madrid					
Leased out	3.0	3.0	3.0	3.0	2.5
Total portfolio	3.0	3.0	3.0	3.0	2.5
Paris					
Leased out	0.5	1.0	1.5	1.5	1.5
Total portfolio	0.5	1.0	1.5	1.5	1.5

In addition, developments in progress were valued using the dynamic residual method as the best approximation. This method begins with an estimate of the income yielded by the developed and fully leased property; from this value, development, planning, construction and demolition costs, professional fees, permit and marketing costs, borrowing costs and development profit, among other items, are then deducted, in order to arrive at a price that a developer might pay for the asset under development.

A change of one-quarter of one point in yields would have the following impact on the valuations used by the Group at 31 December 2019 and 2018 to determine the value of its investment property: property, plant and equipment for own use, investment property, inventories and assets classified as held for sale:

Thousands of euros

Sensitivity of valuations to a change of one quarter of a point in yields	Assessment	Decrease of one quarter of a point	Increase of one quarter of a point
December 2019	12,196,429	878,506	(755,998)
December 2018	11,348,133	776,117	(671,522)

A reconciliation between the valuations used by the Group and the carrying amounts of the headings of the consolidated statement of financial position where the valued assets are recognised, is as follows:

	31 December 2019	31 December 2018
Headings of the consolidated statement of financial position		
Property, plant and equipment - Own use	36,973	34,734
Investment property (Note 10)	11,796,117	11,083,133
Inventory (Note 12)	48,196	46,587
Assets classified as held for sale (Note 24)	176,434	26,091
Trade and other receivables – Lease incentives (Note 13)	86,733	88,061
Trade and other receivables – Lease rights acquired	3,994	–
Total headings of the consolidated statement of financial position	**12,148,447**	**11,278,606**
Unrealised gains on assets recognised under IAS 16	37,726	31,614
Unrealised gains on other assets	4,256	11,913
Payments outstanding	6,000	26,000
Valuation	**12,196,429**	**11,348,133**

Although the sensitivity of other key variables was considered, such analysis was not carried out given that reasonable changes that could arise would not lead to a material change in the fair value of the assets.

The income earned in 2019 and 2018 from the lease of investment properties amounted to 354,514 thousand euros and 348,273 thousand euros, respectively (Note 20-a) 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-q).

d) 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.

e) Investments and other financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

> assets subsequently measured at fair value (either through profit or loss or other comprehensive income), and

> assets measured at amortised cost.

The classification depends on the entity's business model for managing financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are recorded in the income statement or in other comprehensive income. For investments in equity instruments not held for trading, this depends on whether the Group made an irrevocable election at initial recognition to account for the investment in equity at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when it changes its business model to manage those assets.

Recognition and derecognition

Conventional purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group undertakes to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets expire or are transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

On initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset that is not at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition of the financial asset. The transaction costs of financial assets recognised at fair value through profit and loss are recognised as an expense in the income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are only the payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and on the characteristics of the asset's cash flows. There are three measurement categories in which the Group classifies its debt instruments:

> Amortised cost: Assets held for the collection of contractual cash flows when those cash flows represent only principal and interest payments are measured at amortised cost. Interest income on these financial assets is included in interest income in accordance with the effective interest rate method. Any gain or loss arising when they are derecognised is recognised directly in profit and loss. Impairment losses are presented as a separate line item in the income statement.

> Fair value through other comprehensive income: Assets held for the collection of contractual cash flows and for the sale of financial assets, when the cash flows from the assets represent only principal and interest payments, are measured at fair value through other comprehensive income. Changes in the carrying amount are taken to other comprehensive income, except for the recognition of impairment losses, interest income and exchange gains or losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit and loss and recognised in financial expenses. Interest income on these financial assets is included in interest income in accordance with the effective interest rate method. Exchange gains and losses are presented under financial expenses and impairment charges are presented as a separate line item in the income statement.

> Fair value through profit or loss: Assets that do not meet the criteria for measurement at amortised cost or at fair value through other comprehensive income are recognised at fair value through profit or loss. A gain or loss on a debt investment that is subsequently recognised at fair value through profit or loss is recognised in profit or loss and presented net in the income statement within financial expenses in the year it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. When Group management has chosen to present gains and losses in the fair value of investments in equity in other comprehensive income, there is no subsequent reclassification of gains and losses in the fair value to income following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive the payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in financial expenses in the income statement where applicable. Impairment losses (and reversals of impairment losses) on investments in equity measured at fair value through other comprehensive income are not presented separately from other changes in fair value.

Impairment losses

The Group evaluates on a prospective basis the expected credit losses associated with its assets at amortised cost and at fair value through other comprehensive income. The method applied for impairment depends on whether there has been a significant increase in credit risk.

For trade receivables, given the composition of the Group's portfolio, which is made up of companies of recognised prestige and proven financial solvency, the low history of losses from debtor balances over the last 10 years, including the years of financial crisis, the Group has estimated that the expected impairment of these financial assets is immaterial.

f) Receivables (Note 13)

Trade receivables are measured at their recoverable amount, i.e. net, where applicable, of the allowances recognised to cover past-due balances where circumstances reasonably warrant their consideration as doubtful debts.

g) Cash and cash equivalents (Note 15-k)

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.

h) Own equity instruments (Note 14)

An equity instrument represents a residual interest in the assets of the Parent after deducting all of its liabilities.

Equity instruments issued by the Parent are recognised in equity at the proceeds received, net of direct issue costs.

Any treasury shares of the Parent acquired during the year are recognised directly as a deduction from equity at the value of the consideration paid. Any gains or losses on the acquisition, sale, issue or retirement of own equity instruments are recognised directly in equity and not in the consolidated income statement.

i) Provisions and contingent liabilities (Note 18)

When preparing the consolidated financial statements, the Parent's directors make a distinction between:

> Provisions: creditor balances covering obligations arising as a consequence of past events which could give rise to liabilities at the Group companies, the nature of which is certain but the amount and timing of which cannot be determined, and

> Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of consolidated companies.

The consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised, but are disclosed in Note 18.

Provisions, which are quantified taking into consideration the best information available concerning the consequences of the events on which they are based, and which are revised at each reporting close, are recognised in order to cover the specific and likely risks for which they were originally recognised, and are fully or partially reversed if and when said risks cease to exist or are reduced.

j) Employee benefits

Termination benefits

Under current Spanish legislation, the Group is required to pay termination benefits to employees terminated under certain conditions. Severance payments which can be reasonably quantified are recorded as an expense in the year in which the decision to terminate the contract is taken and a valid expectation regarding termination is transmitted to third parties. At 31 December 2019 and 2018, the Parent has not recorded any provision for this item.

Pension obligations

In 2019 and 2018 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 2019 and 2018, the SFL subgroup had several defined benefit pension plans. Defined benefit obligations are calculated on a regular basis by independent actuarial experts. The actuarial assumptions used to calculate these liabilities are adapted to the situation and to applicable French legislation, in accordance with IAS 19. The actuarial cost recorded in the consolidated statement of comprehensive income in relation to these plans is the sum of the service costs for the period, the interest expense and actuarial gains and losses. At 31 December 2019, net liabilities for defined benefits amounted to 1,018 thousand euros (902 thousand euros at 31 December 2018).

Share-based payments (Note 21)

The Group recognises the goods and services received as an asset or an expense, depending on their nature, when they are received, along with an increase in equity if the transaction is settled using equity instruments or the corresponding liability if the transaction is settled at an amount based on the value of the equity instruments.

In the case of transactions settled with equity instruments, both the services rendered and the increase in equity are measured at the fair value of the equity instruments granted, by reference to the grant date. If, on the other hand, they are settled in cash, the goods and services received and the corresponding liability are recognised at the fair value of the goods and services received as of the date on which the recognition requirements are met.

k) Derivative financial instruments (Note 16)

The Group uses financial derivatives to manage its exposure to variations in interest rates. All derivative financial instruments, whether or not they are designated as hedging instruments, are carried at fair value, market value in the case of listed securities, or using option valuation methods or discounted cash flow analysis for non-listed securities. The fair value of the derivative financial instruments is determined based on the valuations made by independent experts (Solventis A.V., S.A., in 2019 and 2018).

The following measurement base was used to recognise each of the following:

> Cash flow hedges: fair value gains or losses arising on transactions which classify for hedge accounting are recognised, net of taxes, directly in other consolidated comprehensive income, under “Gains/(losses) on hedging instruments”, until the underlying or expected transaction occurs, at which point they are reclassified, where appropriate, to “Finance costs” or “Finance income” in the consolidated income statement. Any valuation gains and losses on the ineffective portion of the hedge are recognised directly as financial profit or loss in the consolidated income statement.

> Treatment of financial instruments that are not allocated to a specific liability and do not qualify for hedge accounting: gains or losses arising from the restatement at fair value of these financial instruments are recognised directly as financial profit or loss in the consolidated income statement.

In accordance with IFRS 13, the Group estimated its own credit risk and that of the counterparty in the measurement of its derivative portfolio.

Hedge accounting is discontinued when a hedging instrument expires or is sold or exercised, or when the hedge no longer qualifies for hedge accounting. Gains or losses on hedging instruments recognised in other consolidated comprehensive income remain under this caption until the related transaction is performed. Once the related cash flow occurs, any cumulative gain or loss recognised in other consolidated comprehensive income is transferred to consolidated profit or loss for the year. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other consolidated comprehensive income is transferred to consolidated net profit or loss for the year.

Prospective and retrospective testing for hedging instrument effectiveness is carried out on a monthly basis:

> Retrospective tests measure how effectively the derivative instrument would have hedged the liability over its life, using historical interest rates to date.

> Prospective tests measure the instrument’s expected effectiveness on the basis of forward interest rates as published by Bloomberg at the measurement date. This is adjusted monthly from the inception of the hedge on the basis of the historical interest rates already established.

The method used to determine the effectiveness of hedging instruments consists of calculating the statistical correlation between the benchmark interest rates at each measurement date for the derivative and the related hedged liability, taking into consideration that the hedging instrument is considered effective if this statistical correlation is between 0.80 and 1.

The Group’s use of financial derivatives is governed by a set of approved risk management policies and hedges.

l) Current/non-current

The ordinary operating cycle is defined as the period from the acquisition of the assets used to carry on the Group’s lines of business to the date that they are turned into cash or cash equivalents.

The Group’s primary business is the lease of assets and its normal business cycle is the calendar year. Therefore, assets and liabilities maturing in one year or less are classified as current assets and those maturing in more than one year are classified as non-current assets, except for receivables arising from the recognition of lease incentives (Notes 4-n and 13-c), which are applied on a straight-line basis over at least the term of the lease agreement and are considered to be current assets.

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.

m) Income tax (Note 19)

General regime

The expense for Spanish corporate income tax and similar taxes applicable to consolidated foreign operations is recognised in the consolidated statement of comprehensive income, except when the tax expense is generated by a transaction whose gains or losses are taken directly to equity, in which case the corresponding tax is also recognised in equity.

Income tax expense is the sum of the tax payable on profit for the year and the variation in recognised deferred tax assets and liabilities.

Corporate income tax expense for the year is calculated based on taxable profit for the year, which differs from the net profit or loss presented in the consolidated statement of comprehensive income because it excludes certain taxable profit and deductible expenses from prior years, as well as other exempt items. The Group's current tax liabilities are calculated using tax rates that have been enacted or substantively enacted by the reporting date.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised in the consolidated statement of financial position to the extent that it has become probable that they will be recovered through future taxable profits. In accordance with IAS 12, changes in deferred tax assets and liabilities caused by changes in tax rates or tax laws are recognised in the consolidated income statement for the year in which these changes are approved.

In accordance with IAS 12, when measuring deferred tax liabilities the Group reflects the tax consequences that would arise from the manner in which the carrying amount of its assets is expected to be recovered or settled. In this regard, for deferred tax liabilities that arise from investment properties that are measured using the IAS 40 fair value model, there is a rebuttable presumption that their carrying amount will be recovered through their sale. Consequently, the deferred tax liabilities arising from the Group's investment properties located in Spain were calculated by applying a tax rate of 25%, less any existing tax credits not recognised at 31 December 2019. The effective tax calculation rate was therefore 18.75%.

Until 31 December 2016, the Parent was the head of a group of companies filing consolidated tax returns under tax group no. 6/08.

REIT regime

Effective as of 1 January 2017 (Note 1), the tax regime of the Parent and the majority of its Spanish subsidiaries is governed by Law 11/2009, of 26 October, as amended by Law 16/2012, of 27 December, governing listed real estate investment 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 their acquisition, and in equity investments in other companies referred to in Article 2.1 of the aforementioned Law.

   The value of the asset is calculated based on the average of the quarterly individual balance sheets of the year. To calculate this value, the REIT may opt to substitute the carrying amount for the fair value of the items contained in these balance sheets, which will apply to all the balance sheets of the year. Any money or collection rights arising from the transfer of the aforementioned properties or investments made in the year or in prior years will not be included in the calculation unless, in the latter case, the reinvestment period referred to in Article 6 of the aforementioned Law has expired.

   This percentage must be calculated on the average of the consolidated balances if the company is the parent of a group, in accordance with the criteria established in Article 42 of the Spanish Commercial Code, regardless of its place of residence and of the obligation to formally prepare consolidated financial statements. Such a group must be composed exclusively of the REITs and the other entities referred to in Article 2.1 of the aforementioned Law.

2. Similarly, at least 80% of the rental income from the tax period corresponding to each year, excluding the rental income arising from the transfer of the ownership interests and the properties used by the company to achieve its main corporate purpose, once the holding period referred to below has elapsed, should be obtained from the lease of properties and dividends or shares of profits arising from the aforementioned investments.

   This percentage must be calculated based on the consolidated balances if the company is the parent of a group, in accordance with the criteria established in Article 42 of the Spanish Commercial Code, regardless of its place of residence and of the obligation to formally prepare consolidated financial statements. Such a group must be composed exclusively of the REITs and the other entities referred to in Article 2.1 of the aforementioned Law.

3. The properties included in the REIT's assets should remain leased for at least three years. The time during which the properties have been made available for lease will be included in calculating this term, with a maximum of one year.

   The term will be calculated:

   a) For properties that are included in the REIT's assets before the company avails itself of the regime, from the beginning of the first tax period in which the special tax regime set forth in this Law is applied, provided that the property is leased or offered for lease at that date. Otherwise the following shall apply.

b) For properties developed or acquired subsequently by the REIT, from the date on which they were leased or made available for lease for the first time.

c) In the case of shares or ownership interests in the companies referred to in Article 2.1 of this Law, they should be retained on the asset side of the REIT's balance sheet for at least three years following their acquisition or, as appropriate, from the beginning of the first tax period in which the special tax regime set forth in this Law is applied.

As established in transitional provision one of Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December, governing listed real estate investment companies, these companies may opt to apply the special tax regime under the terms and conditions established in Article 8 of this Law, even if it does not meet the requirements established therein, provided that such requirements are met within two years after the date of the option to apply that regime.

Failure to meet this condition will require the REIT to file income tax returns under the general tax regime from the tax period in which the aforementioned condition is not met. The REIT will also be obliged to pay, together with the amount relating to the aforementioned tax period, the difference between the amount of tax payable under the general tax regime and the amount paid under the special tax regime in the previous tax periods, including any applicable late-payment interest, surcharges and penalties.

The corporate income tax rate for REITs is set at 0% However, where the dividends that the REIT distributes to its shareholders holding an ownership interest equal to or exceeding 5% are exempt from tax or are subject to a tax rate lower than 10%, at the main office of this shareholder, the REIT shall be subject to a special charge of 19%, which shall be considered to be the corporate income tax charge, on the amount of the dividend distributed to these shareholders. If applicable, this special charge must be paid by the REIT within two months after the dividend distribution date.

SIIC regime – SFL subgroup

Since 1 January 2003, the SFL subgroup companies have filed tax returns under the French tax regime applicable to listed real estate investment companies ("the SIIC regime"). This regime enabled the assets allocated to the rental business to be recognised at market value at the date on which it availed itself of this tax regime, currently subject to a tax rate of 19% ("exit tax"), payable within a period of four years, on the capital gains recognised.

This regime affects only real estate activities, and is not applicable to companies engaged in sales and services, such as Segpim, S.A. and Locaparis SAS in the SFL subgroup, to properties under finance leases (unless the lease is cancelled early) or to the subgroups and investees in conjunction with third parties.

This regime affords the SFL subgroup an exemption from taxes on earnings generated from its rental business and on capital gains obtained from the sale of properties, provided that 95% of profit from that activity and 60% of the capital gains obtained from property sales of companies under this regime are distributed each year in the form of dividends.

On 30 December 2006, a new amendment to the SIIC regime ("SIIC 4") was approved, which established, among other provisions, that dividends paid annually to shareholders that directly or indirectly hold more than 10% of the share capital of an SIIC and that are exempt from tax or subject to a tax rate that is less than two-thirds of the standard French income tax rate would be subject to a 20% levy, payable by the SIIC. This provision applies to the dividends distributed from 1 July 2007 onwards. At 31 December 2007, the Parent notified SFL that dividends distributed from 1 July 2007 would be taxed in Spain at a rate of over 11.11% as a result of the partial waiver of the exemption for these dividends. As a result, the 20% tax withheld at source described above was not applicable.

After the Parent adhered to the REIT regime, the 20% tax withheld at source was no longer applicable, provided the significant shareholders comply with their minimum tax obligations in accordance with SIIC regulations.

n) Revenue and expenses (Note 20)

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

However, in accordance with the accounting principles established in the EU-IFRS conceptual framework, the Group recognises revenue when it is earned together with all the necessary associated expenses. The sale of goods is recognised when the goods have been delivered and ownership transferred.

Interest income is accrued on a time proportion basis, according to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts the future cash receipts estimated over the expected life of the financial asset from the asset's carrying amount.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established, i.e. when shareholders at the Annual General Meetings of the subsidiaries approve the distribution of the corresponding dividend.

Property leases

In accordance with IFRS 16, leases are classified as finance leases whenever their terms imply that substantially all the risks and rewards incidental to ownership of the leased asset have been transferred to the lessee. Other leases are classified as operating leases. At 31 December 2019 and 2018, all of the Group's leases qualified as operating leases.

Property leases - Lessor

Revenue from operating leases is recognised as income on a straight-line basis over the term of the lease, and the initial direct costs incurred in arranging these operating leases are taken to the consolidated income statement on a straight-line basis over the minimum term of the lease agreement.

The minimum term of a lease is considered to be the time elapsed from the start of the lease to the first option for renewing the lease.

Specific lease terms and conditions: lease incentives

Lease agreements include certain specific conditions linked to incentives or rent-free periods offered by the Group to its clients. The Group recognises the aggregate cost of incentives granted as a reduction in rental income of the lease. The effects of the rent-free periods are recognised during the minimum term of the lease on a straight-line basis.

Indemnity payments made by lessees to cancel their leases prior to their minimum termination date are also recognised as income in the consolidated income statement on the date on which they become due and payable to the Group.

Property leases - Lessee

Until 2018, property, plant and equipment rentals were classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) were charged to profit or loss on a straight-line basis over the term of the lease.

From 1 January 2019, leases are 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 liabilities and interest expense. The financial expense is charged to profit or loss over the term of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The right-of-use asset is amortised over the shorter of the asset's useful life or the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

> fixed payments (including fixed payments in substance), less any incentive for lease receivables,

> variable lease payments that depend on an index or rate,

> amounts the lessee is expected to pay as residual value guarantees,

> the exercise price of a call option if the lessee is reasonably certain that it will exercise the option, and

> penalty payments on termination of the lease, if the term of the lease reflects the exercise by the lessee of that option.

Lease payments are discounted using the interest rate implied in the lease. If that rate cannot be determined, the incremental rate of borrowing is used, being the rate that the lessee would have to pay to borrow the necessary funds to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost which includes the following:

> the amount of the initial measurement of the lease liability,

> any lease payments made on or before the start date less any lease incentives received,

> any initial direct costs, and

> restoration costs.

Payments under short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a term of 12 months or less.

o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of investment property or inventory (Notes 10 and 12), which require preparation during a significant period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

p) Consolidated statement of cash flows (indirect method)

The following terms are used in the consolidated statement of cash flows with the meanings specified:

> Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to insignificant risk of changes in value.

> Operating activities: the principal revenue-producing activities and other activities that are not investing or financing activities.

> Investing activities: the acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.

> Financing activities: non-operating activities that result in changes in the size and composition of equity and liabilities.

q) Costs passed on to lessees

In accordance with EU-IFRS, the Group does not consider the costs incurred by lessees from its investment properties as revenue and they are recognised, less the corresponding costs, in the consolidated income statement. The amount passed on for these items in 2019 and 2018 was 64,155 thousand euros and 65,341 thousand euros, respectively.

Direct operating expenses associated with investment properties that generated rental income in 2019 and 2018, included under "Operating profit" in the consolidated income statement, amounted to 91,726 thousand euros and 91,780 thousand euros, respectively, prior to deducting the costs passed on to the lessees. Expenses incurred in connection with investment properties that did not generate rental income were not material.

r) Related-party transactions

All the Group's transactions with related parties are at arm's length. Transfer prices are adequately supported, and consequently the Parent's directors consider that no significant risks exist in this respect from which significant liabilities could arise in the future.

s) Assets classified as held for sale (Note 24)

Assets classified as held for sale are measured at the lower of their carrying amount in accordance with applicable measurement rules and fair value less costs to sell.

Non-current assets are classified as held for sale if it is estimated that their carrying amounts will be recovered through a sale rather than through continuing use. This condition is met when the sale of the asset is considered highly probable, the asset is in condition to be sold immediately and the sale is expected to be fully realised within a period of no more than twelve months from its classification as a held-for-sale asset.

The Colonial Group classifies non-current assets as held for sale when the Board of Directors or Executive Committee has officially approved the disposal and the sale is considered highly probable within a period of twelve months.

t) Inventories

Inventories, consisting of land, developments under construction and finished developments, are measured at acquisition cost or execution cost.

Execution cost includes direct and indirect construction costs in addition to the expenses incurred in financing the construction work while in progress, as long as the construction work takes longer than one year.

Prepayments made in connection with call options on properties are recognised as inventory prepayments and it is assumed that expectations regarding the conditions enabling their exercise will be met.

The Group records inventory impairment provisions, as appropriate, when market value is lower than carrying amount.

The corresponding valuation was carried out based on appraisals performed by independent experts (Jones Lang LaSalle) in accordance with the Appraisal and Valuation Standards issued by the Royal Institute of Chartered Surveyors (RICS) of the United Kingdom, and the International Valuation Standards (IVS) issued by the International Valuation Standards Committee (IVSC).

Developments in progress were valued using the dynamic residual method as the best approximation. This method begins with an estimate of the income yielded by the developed and fully leased property; from this value, development, planning, construction and demolition costs, professional fees, permit and marketing costs, borrowing costs and development profit, among other items, are then deducted, in order to arrive at a price that a developer might pay for the asset under development.

u) 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-k). Credit risk at 31 December 2019 and 2018 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 2019 – Thousands of euros

	Level 1	Level 2	Level 3
Assets			
Derivative financial instruments:			
Classified as hedges	–	25,379	–
Not classified as hedges	–	–	–
Total assets (Note 16)	**–**	**25,379**	**–**
Liabilities			
Derivative financial instruments:			
Classified as hedges	–	1,792	–
Not classified as hedges	–	1,665	–
Total liabilities (Note 16)	**–**	**3,457**	**–**

31 December 2018 – Thousands of euros

	Level 1	Level 2	Level 3
Assets			
Derivative financial instruments:			
Not classified as hedges	–	591	–
Total assets (Note 16)	**–**	**591**	**–**
Liabilities			
Derivative financial instruments:			
Classified as hedges	–	2,650	–
Not classified as hedges	–	1,041	–
Total liabilities (Note 16)	**–**	**3,691**	**–**

5. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing earnings for the year attributable to shareholders of the Parent (after tax and non-controlling interests) by the weighted average number of shares outstanding during that year.

At 31 December 2019 and 2018, there were no instruments that may have had a diluting effect on the Parent's average number of ordinary shares.

Thousands of euros

	2019	2018
Consolidated profit for the year attributable to shareholders of the Parent:	**826,799**	**524,763**
	No. of shares	No. of shares
Weighted average number of ordinary shares (in thousands)	507,661	448,214
	Euros	Euros
Basic earnings per share:	1.63	1.17
Diluted earnings per share:	1.63	1.17

6. SEGMENT REPORTING

a) Segmentation criteria

Segment reporting is organised, first, on the basis of the Group's business segments, and, secondly, by geographical segment.

The business lines described below have been defined in line with the Colonial Group's organisational structure at 31 December 2019 and 2018, which has been used by the Group's management to analyse the financial performance of the various operating segments.

b) 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:

2019 segment reporting – Thousands of euros

	Equity					Corporate unit	Total Group
	Barcelona	Madrid	Paris	Remainder	Total equity		
Income							
Revenue (Note 20-a)	48,248	101,290	198,710	6,266	354,514	–	**354,514**
Other income (Note 20-b)	6	53	7,403	–	7,462	2,155	**9,617**
Net gains/(losses) on sales of assets (Note 20-g)	3,949	9,569	–	6,406	19,924	–	**19,924**
Operating profit/(loss)	47,209	94,669	195,773	12,093	349,744	(50,679)	**299,065**
Changes in fair value of investment property (Note 20-f)	171,813	176,502	526,889	(1,505)	873,699	–	**873,699**
Gains/(losses) on changes in value of assets and impairment (Note 20-f)	(27)	(236)	(3)	–	(266)	(61,628)	**(61,894)**
Financial profit/(loss) (Note 20-h)	–	–	–	–	–	(96,088)	**(96,088)**
Profit before tax	–	–	–	–	–	1,014,782	**1,014,782**
Consolidated net profit	–	–	–	–	–	992,523	**992,523**
Net profit/(loss) attributable to non-controlling interests (Note 20-j)	–	–	–	–	–	(165,724)	**(165,724)**
Net profit/(loss) attributable to shareholders of the Parent (Note 5)	–	–	–	–	–	826,799	**826,799**

There were no significant inter-segment transactions in 2019.

None of the Group's customers represented more than 10% of income from ordinary activities.

Thousands of euros

	Equity					Corporate unit	Total Group
	Barcelona	Madrid	Paris	Remainder	Total equity		
Assets							
Goodwill	–	–	–	–	–	–	**–**
Intangible assets, property, plant and equipment, investment property, assets classified as held for sale and inventories (Notes 8, 9, 10, 12 and 24)	1,534,678	3,416,824	7,046,253	49,576	12,047,331	43,003	**12,090,334**
Financial assets	2,098	5,691	8,225	(314)	15,700	260,135	**275,835**
Other non-current assets	–	–	–	–	–	8,681	**8,681**
Trade receivables and other current assets	–	–	–	–	–	126,661	**126,661**
Total assets	**1,536,776**	**3,422,515**	**7,054,478**	**49,262**	**12,063,031**	**438,480**	**12,501,511**

Thousands of euros

	Equity					Corporate unit	Total Group
	Barcelona	Madrid	Paris	Remainder	Total equity		
Liabilities							
Bank borrowings and other financial liabilities (Notes 15 and 16)	–	–	–	–	–	449,062	**449,062**
Bonds and similar securities issued (Note 15)	–	–	–	–	–	4,429,168	**4,429,168**
Lease liabilities (Note 8)	–	–	–	–	–	14,393	**14,393**
Operating liabilities (suppliers and payables)	–	–	–	–	–	158,578	**158,578**
Other liabilities	–	–	–	–	–	489,813	**489,813**
Total liabilities	**–**	**–**	**–**	**–**	**–**	**5,541,014**	**5,541,014**

Thousands of euros

	Equity					Corporate unit	Total Group
	Barcelona	Madrid	Paris	Remainder	Total equity		
Other information							
Investments in intangible assets,property, plant and equipment, investment property and inventories	131,825	71,439	60,297	622	264,183	3,396	**267,579**
Depreciation and amortisation	(609)	(3,646)	(492)	–	(4,747)	(2,193)	**(6,940)**
Expenses that do not entail outflows of cash other than the depreciation and amortisation for the year:							
– Changes in provisions (Note 20-e)	25	235	47	(2)	305	6,655	**6,960**
– Changes in fair value of investment property (Note 20-f)	171,813	176,502	526,889	(1,505)	873,699	–	**873,699**
– Gains/(losses) on changes in value of assets and impairment (Note 20-f)	(27)	(236)	(3)	–	(266)	(61,628)	**(61,894)**

2018 segment reporting – Thousands of euros

	Equity					Corporate unit	Total Group
	Barcelona	Madrid	Paris	Remainder	Total equity		
Income							
Revenue (Note 20-a)	41,629	106,144	193,509	6,757	348,039	234	**348,273**
Other income (Note 20-b)	20	281	3,943	–	4,244	1,433	**5,677**
Net gains/(losses) on sales of assets (Note 20-g)	–	11,745	21	(45)	11,721	–	**11,721**
Operating profit/(loss)	38,802	105,522	185,577	6,466	336,367	(60,845)	**275,522**
Changes in fair value of investment property (Note 20-f)	180,263	237,583	289,014	(4,908)	701,952	–	**701,952**
Gains/(losses) on changes in value of assets and impairment (Note 20-f)	(15,610)	(10)	–	–	(15,620)	(115,770)	**(131,390)**
Financial profit/(loss) (Note 20-h)	–	–	–	–	–	(141,745)	**(141,745)**
Profit before tax	–	–	–	–	–	704,339	**704,339**
Consolidated net profit	–	–	–	–	–	678,109	**678,109**
Net profit/(loss) attributable to non-controlling interests (Note 20-j)	–	–	–	–	–	(153,346)	**(153,346)**
Net profit/(loss) attributable to shareholders of the Parent (Note 5)	–	–	–	–	–	524,763	**524,763**

There were no significant inter-segment transactions in 2018.

None of the Group's customers represented more than 10% of income from ordinary activities.

Thousands of euros

	Equity					Corporate unit	Total Group
	Barcelona	Madrid	Paris	Remainder	Total equity		
Assets							
Goodwill	–	–	–	–	62,225	–	**62,225**
Intangible assets, property, plant and equipment, investment property, assets classified as held for sale and inventories (Notes 8, 9, 10, 12 and 24)	1,246,581	3,344,285	6,459,341	111,540	11,161,747	41,155	**11,202,902**
Financial assets	2,468	3,714	820	2	7,004	95,043	**102,047**
Other non-current assets	–	–	–	–	–	411	**411**
Trade receivables and other current assets	–	–	–	–	–	119,729	**119,729**
Total assets	**1,249,049**	**3,347,999**	**6,460,161**	**111,542**	**11,230,976**	**256,338**	**11,487,314**

Thousands of euros

	Equity					Corporate unit	Total Group
	Barcelona	Madrid	Paris	Remainder	Total equity		
Liabilities							
Bank borrowings and other financial liabilities (Notes 15 and 16)	–	–	–	–	–	733,028	**733,028**
Bonds and similar securities issued (Note 15)	–	–	–	–	–	4,061,108	**4,061,108**
Operating liabilities (suppliers and payables)	–	–	–	–	–	114,779	**114,779**
Other liabilities	–	–	–	–	–	476,604	**476,604**
Total liabilities	**–**	**–**	**–**	**–**	**–**	**5,385,519**	**5,385,519**

Thousands of euros

	Equity					Corporate unit	Total Group
	Barcelona	Madrid	Paris	Remainder	Total equity		
Other information							
Investments in intangible assets, property, plant and equipment and investment property	82,105	104,899	50,667	871	238,542	1,918	**240,460**
Depreciation and amortisation	(62)	(302)	(468)	–	(832)	(2,521)	**(3,353)**
Expenses that do not entail outflows of cash other than the depreciation and amortisation for the year:							
– Changes in provisions (Note 20-e)	(95)	266	(660)	–	(489)	2,925	**2,436**
– Changes in fair value of investment property (Note 20-f)	180,263	237,583	289,014	(4,908)	701,952	–	**701,952**
– Gains/(losses) on changes in value of assets and impairment (Note 20-f)	(15,610)	(10)	–	–	(15,620)	(115,770)	**(131,390)**

7. GOODWILL

The changes in this caption in the statement of financial position are shown in the table below:

Thousands of euros

Balance at 31 December 2017	**–**
Business combination (Note 2-f)	176,529
Impairment of goodwill (Note 20-f)	(114,304)
Balance at 31 December 2018	**62,225**
Impairment of goodwill (Note 20-f)	(62,225)
Balance at 31 December 2019	**–**

The goodwill recognised at 31 December 2018 arose from the business combination with Axiare Patrimonio SOCIMI, S.A. and its subsidiaries (see Note 2-f) and was allocated to a single cash-generating unit, the structured portfolio of property assets thus acquired.

The Parent considers that the change in value recorded for the structured portfolio acquired through the business combination with Axiare Patrimonio SOCIMI, S.A. after the date of the acquisition of control represents the materialisation of the expectations existing at the date of this business combination.

The Parent's directors considered that the most reasonable way to measure the cash flows relating to the structured portfolio of assets acquired (property assets) and compare them on a like-for-like basis with the valuations of the properties performed by independent expert appraisers was to use the same time horizon as that used by the appraisers to value the properties, i.e., a time horizon of 10 years in accordance with standard market practice. The value expectations of the Parent's directors are based on their extensive experience in the real estate industry and on the high quality of the assets in the portfolio and of its customers, which translates into high levels of occupancy and loyalty, thus enabling them to make reasonable estimates over a ten-year period.

In 2018, the amount of goodwill was reduced in line with the revaluation of investment property arising from the business combination.

In 2019 the amount of goodwill was fully impaired in line with the revaluation of the investment property arising from the business combination with Axiare Patrimonio SOCIMI, S.A.

8. LEASES

The subsidiary Utopicus rents several offices. Rental contracts are normally made for fixed terms of 4 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. Leases do not impose covenants, but the leased assets cannot be used as collateral for loans.

Following the entry into force of IFRS 16 "Leases" on 1 January 2019 (see Note 2-g), the related changes in the consolidated statement of financial position in 2019 were as follows:

a) Right-of-use assets

Thousands of euros

	31 December 2019	1 January 2019 (Note 4-n)
Property, plant and equipment	12,787	16,593
Right-of-use assets	**12,787**	**16,593**

b) Deferred taxes relating to rights of use

Thousands of euros

	31 December 2019	1 January 2019 (Note 4-n)
Deferred tax assets relating to rights of use	369	330
Deferred tax relating to rights of use (Note 19)	**369**	**330**

c) Lease liabilities

Thousands of euros

	31 December 2019	1 January 2019 (Note 4-n)
Non-current lease liabilities	12,262	15,616
Current lease liabilities	2,131	2,298
Lease liabilities	**14,393**	**17,914**

d) Operating leases as lessee

The subsidiary Utopicus has agreed under contract the following minimum lease payments with the lessors in accordance with the contracts in force, taking into account the impact of expenses, future CPI increases and other agreed rent updates:

Thousands of euros

	2019	2018
Up to 12 months	2,152	2,141
Between 1 and 5 years	5,150	7,038
More than 5 years	276	347
Total minimum operating lease payments - as lessee	**7,578**	**9,526**

These amounts relate to the leases signed by the subsidiary Utopicus for the premises where it carries out its business.

e) Reconciliation of lease liabilities to minimum operating lease payments

The reconciliation of the two figures is shown in the table below:

Thousands of euros

	31 December 2019
Lease liabilities	14,393
Additional minimum lease payments at nominal value	–9,768
Future CPI increases	–292
Discount effect	3,245
Total minimum operating lease payments - as lessee	**7,578**

9. PROPERTY, PLANT AND EQUIPMENT

The changes in this caption of the consolidated statement of financial position have been the following:

Thousands of euros

	Properties for own use	Other property, plant and equipment	Total
Balance at 31 December 2017	**33,769**	**5,600**	**39,369**
Acquisition cost	**42,697**	**12,814**	**55,511**
Accumulated depreciation and amortisation	**(4,000)**	**(7,214)**	**(11,214)**
Accumulated impairment	**(4,928)**	**–**	**(4,928)**
Additions	2,947	977	3,924
Additions to scope (Note 2-f)	131	505	636
Depreciation charge	(575)	(1,063)	(1,638)
Disposals	(270)	(330)	(600)
Transfers (Note 10)	–	11	11
Impairment (Note 20-f)	1,630	–	1,630
Balance at 31 December 2018	**37,632**	**5,700**	**43,332**
Acquisition cost	**44,789**	**13,553**	**58,342**
Accumulated depreciation and amortisation	**(3,859)**	**(7,853)**	**(11,712)**
Accumulated impairment	**(3,298)**	**–**	**(3,298)**
Additions	6,657	2,476	9,133
Depreciation charge	(1,079)	(1,392)	(2,471)
Disposals	(187)	(115)	(302)
Transfers	70	(70)	–
Impairment (Note 20-f)	1,208	–	1,208
Balance at 31 December 2019	**44,301**	**6,599**	**50,900**
Acquisition cost	**51,280**	**15,684**	**66,964**
Accumulated depreciation and amortisation	**(4,889)**	**(9,085)**	**(13,974)**
Accumulated impairment	**(2,090)**	**–**	**(2,090)**

At 31 December 2019 and 2018, the Group used two floors of the building located at Avenida Diagonal, 530, in Barcelona, one floor of the building located at Paseo de la Castellana, 52, in Madrid and one floor of the building located at 42 rue Washington in Paris for its own use, while the rest of these buildings are rented out. The cost of buildings earmarked for the Group's own use is recognised under "Properties for own use".

At 31 December 2019, it was necessary to recognise a reversal of the impairment of assets amounting to 1,208 thousand euros, determined on the basis of valuations by independent experts (see Note 4-b). In 2018, an impairment loss of 1,630 thousand euros was reversed.

10. INVESTMENT PROPERTY

The changes in this caption of the statement of financial position were:

Thousands of euros

	Investment property	Investment property in progress	Prepayments for assets	Total
Balance at 31 December 2017	**8,545,388**	**247,008**	**–**	**8,792,396**
Additions	106,450	127,148	–	**233,598**
Additions to scope (Note 2-f)	1,700,094	110,616	–	**1,810,710**
Disposals (Note 20-g)	(358,466)	(24,368)	–	**(382,834)**
Transfers (Notes 9, 12 and 24)	(147,292)	74,603	–	**(72,689)**
Changes in fair value (Note 20-f)	651,382	50,570	–	**701,952**
Balance at 31 December 2018	**10,497,556**	**585,577**	**–**	**11,083,133**
Additions	155,137	97,761	1,000	**253,898**
Disposals (Note 20-g)	(641)	(17,321)	–	**(17,962)**
Transfers (Note 24)	(567,859)	203,250	–	**(364,609)**
Changes in fair value (Note 20-f)	831,407	11,250	–	**842,657**
Balance at 31 December 2019	**10,915,600**	**880,517**	**1,000**	**11,797,117**

Movements in 2019

In 2019 the Parent acquired a property in Barcelona and a floor of a building in Madrid for a total of 108,868 thousand euros. It also signed two purchase options for two floors on the same building in Madrid, which has resulted in a prepayment of 1,000 thousand euros.

The other additions in 2019 related to investments in property assets, both in development and in operation, amounting to 144,030 thousand euros, including 4,882 thousand euros of capitalised finance costs.

Disposals in 2019, totalling 22,950 thousand euros, gave rise to a gain of 3,873 thousand euros, including indirect costs of sale (see Note 20-g). The main transactions were sale of premises in Madrid, premises in Tenerife and land in Barcelona.

In addition, in 2019 there were disposals due to replacement for a total amount of 62 thousand euros.

In 2019, 19 properties were reclassified from “Investment property” to “Assets held for sale” in the consolidated statement of financial position, for a total of 364,609 thousand euros (Note 24).

Movements in 2018

In 2018 the Parent acquired property assets in Barcelona and Madrid for a total of 73,230 thousand euros.

The other additions in 2018 related to investments in property assets, both in development and in operation, amounting to 160,368 thousand euros, including 5,307 thousand euros of capitalised finance costs.

Additionally, as mentioned in Note 2-f, in 2018 an interest was acquired in the subsidiary Egeo and the business combination between the Parent and Axiare Patrimonio, SOCIMI, S.A. was recognised, giving rise to a total scope of consolidation of 1,810,710 thousand euros.

Disposals in 2018 amounted to 389,189 thousand euros, including indirect selling costs (Note 20-g). The main transactions were various properties located in Madrid, including a shopping centre, as well as a flat in Tenerife.

In addition, in 2018 there were disposals due to replacement for a total amount of 15,618 thousand euros.

On 3 October 2018, the Parent entered into a sale and purchase agreement, subject to conditions precedent, for an asset to be built on land that it owns, which will be executed between May 2022 and February 2023, provided the conditions precedent envisaged in the agreement have been met. The Parent's directors considered that there was a change in use of this asset, whereby it was reclassified to "Inventories" in the consolidated statement of financial position in the amount of 46,587 thousand euros.

At 31 December 2018, a property was reclassified from "Investment property" to "Assets classified as held for sale" in the statement of financial position in the amount of 26,091 thousand euros (Note 24).

a) Changes in fair value of investment property

"Changes in fair value of investment property" in the consolidated income statement includes the profit from the revaluation of investment property for 2019 and 2018, in the amount of 842,657 thousand euros and 701,952 thousand euros (Note 20-f), respectively, in accordance with the appraisals of independent experts at 31 December 2019 and 2018 (Note 4-c).

b) Capitalised borrowing costs

Capitalised borrowing costs are itemised in the following table (Note 20-h):

- **Thousands of euros**

	Capitalised in the period	Average interest rate
2019:		
SFL subgroup	4,882	1.44%
Total 2019:	**4,882**	
2018:		
Inmobiliaria Colonial, SOCIMI, S.A.	755	2.44%
Moorage inversions 2014, S.L.U.	297	2.44%
SFL subgroup	4,255	1.72%
Total 2018:	**5,307**	

c) Other information

The total surface area (above and under-ground) of investment property and projects under development is as follows:

- **Total surface area (m²) of investment property**

	Investment property		Investment property in progress (**)		Total	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Barcelona (*)	407,916	356,486	25,179	60,220	433,095	416,706
Madrid	554,978	562,419	166,556	55,066	721,534	617,485
Rest of Spain	199,159	492,324	24,741	83,399	223,900	575,723
Paris (*)	356,215	362,742	86,003	78,292	442,218	441,034
	1,518,268	**1,773,971**	**302,479**	**276,977**	**1,820,747**	**2,050,948**

(*) For 2019, figure includes 100% of the surface area of Washington Plaza (property belonging to the SCI Group company Washington, a company in which SFL has a 66% interest), of the Haussmann, Champs Élysées, 82-88 and Champs Élysées, 90 properties (belonging to the Parholding subgroup, in which SFL has a 50% interest), and of the Torre Europa, 46-48 property (belonging to Inmocol Torre Europa, S.A., in which the Parent has a 50% interest). In addition, in 2018 the figure also included 100% of the surface area of the Torre del Gas property (belonging to Torre Marenostrum, S.L., in which the Parent has a 55% interest).
(**) The surface area of 20,275 m² of the subsidiary Peñalvento is not included since the asset is classified under "Inventories" (see Note 12) and 99,153 m² of real estate assets are recorded under "Assets classified as held for sale".

At 31 December 2019, the Group has pledged assets as collateral for mortgage loans with a carrying amount of 1,189,474 thousand euros to secure debts amounting to 274,860 thousand euros (Note 15-g). At 31 December 2018, the above amounts amounted to 1,826,491 thousand euros and 515,642 thousand euros, respectively.

11. NON-CURRENT FINANCIAL ASSETS

The changes in this caption of the consolidated statement of financial position have been the following:

Thousands of euros

	31 December 2018	Inclusions	Disposals	31 December 2019
Deposits and guarantees given	31,863	1,722	–	33,585
Total financial assets at amortised cost	**31,863**	**1,722**	**–**	**33,585**

Thousands of euros

	31 December 2017	Additions to scope (Note 2-f)	Disposals	31 December 2018
Deposits and guarantees given	23,589	12,886	(4,612)	31,863
Total financial assets at amortised cost	**23,589**	**12,886**	**(4,612)**	**31,863**
Available-for-sale financial assets	419,277	–	(419,277)	–
Total financial assets at fair value with changes in equity	**419,277**	**–**	**(419,277)**	**–**

a) Deposits and guarantees given

Long-term deposits and guarantees basically comprise deposits made with the official bodies in each country for deposits collected from lessees, in accordance with prevailing legislation.

b) Available-for-sale financial assets - Interest in Axiare Patrimonio SOCIMI, S.A.

In 2016 and 2017 the Parent acquired 22,762,064 shares of Axiare Patrimonio SOCIMI, S.A. for a total of 348,862 thousand euros, representing 28.79% of the share capital of Axiare Patrimonio SOCIMI, S.A.

At 31 December 2017, the Parent recognised its shareholding in Axiare Patrimonio SOCIMI, S.A. at the year-end share price of 18.42 euros per share, which represented a cumulative impact on the Parent's equity of 70,415 thousand euros.

At 31 December 2017, the Parent's directors determined that there was no significant influence over Axiare Patrimonio SOCIMI, S.A., despite the assumption provided for in the regulations when the ownership interest in the share capital of the investee exceeds 25%. There was no such significant influence since:

> The Parent never held a majority of the voting rights or the possibility of appointing a majority of the members of the Board of Directors of Axiare Patrimonio SOCIMI, S.A. Since the Parent could not appoint any representatives, its involvement in the running of Axiare Patrimonio SOCIMI, S.A. was only through the exercise of its rights as a shareholder.

> The Parent did not participate or intervene in the financial or operating policy of Axiare Patrimonio SOCIMI, S.A., since it did not have any representatives on the Board of Directors. There is no evidence that the financial or operating policy of Axiare Patrimonio SOCIMI, S.A. was submitted for a decision by the shareholders at the Annual General Meeting at which the Parent could exercise its voting rights.

> Following the acquisition by the Parent of an interest that gave it more than 20% of the voting rights of Axiare Patrimonio SOCIMI, S.A., and since it did not have any representatives on its Board of Directors, the Parent did not intervene directly in the general policies and, in particular, in the dividends of Axiare Patrimonio SOCIMI, S.A. At that time, no general meeting of Axiare Patrimonio SOCIMI, S.A. was held and, therefore, the Parent was not able to exercise any influence through its voting rights.

> There were no significant transactions between the two companies, or any exchange of management personnel or provision of essential technical information since the acquisition by the Parent of over 20% of the share capital of Axiare Patrimonio SOCIMI, S.A.

Consequently, from the situation of the Parent in relation to its ownership interest in the share capital of Axiare Patrimonio SOCIMI, S.A., it can be concluded that there was no group of companies, nor was there any direct or indirect control or significant influence over the entity. In view of the foregoing, the financial stake in the capital of Axiare Patrimonio SOCIMI, S.A. was considered to be a financial investment.

In 2018, until the date on which control was obtained over Axiare Patrimonio SOCIMI, S.A., the Parent continued to recognise changes in the fair value of the ownership interest directly under "Changes in the fair value of available-for-sale financial assets" in consolidated equity.

Once control of the investee had been obtained, the cost of the investment became part of the cost of the business combination achieved in stages described in Note 2-f.

12. INVENTORIES

The composition of this caption in the consolidated statement of financial position is as follows:

Thousands of euros

Balance at 31 December 2017	**–**
Transfers (Note 10)	46,587
Balance at 31 December 2018	**46,587**
Additions	1,609
Balance at 31 December 2019	**48,196**

Inventory costs are determined by specific identification and include the cost of acquisition, development and borrowing costs incurred during development.

Inventories correspond to the office building that the Group is developing for a third party. The Group received a total of 21,215 thousand euros in prepayments (see Note 17).

The capitalised borrowing cost in 2019 amounted to 184 thousand euros, at an average interest rate of 2.12% (see Note 20-h). In 2018, no amount was recorded under this heading.

13. TRADE AND OTHER RECEIVABLES

The composition of this current asset heading in the consolidated statement of financial position is as follows:

Thousands of euros

	31 December 2019	31 December 2018
Trade receivables for sales and services	14,403	14,881
Trade receivables for sale of properties	14,070	146
Accrual of lease incentives	86,733	88,061
Other receivables	91,034	85,704
Other current assets	318	1,277
Impairment of receivables		
Trade receivables for sales and services	(3,990)	(4,624)
Other receivables	(85,473)	(85,473)
Total trade and other receivables	**117,095**	**99,972**

a) Trade receivables for sales and services

This item mainly includes amounts receivable from customers of the Group's rentals business, with monthly, quarterly or annual billing periods, with no significant overdue balances at 31 December 2019 and 2018.

b) Trade receivables for sale of properties

This item basically includes the deferred payment for the sale of an asset amounting to 13,750 thousand euros, which will be paid by the purchasers to the Parent by 30 March 2020 at the latest. This amount is secured by the purchasers through the granting of a first-ranking mortgage in favour of the Parent.

c) Accrual of lease incentives (Note 4-n)

This includes the amount of the incentives in the operating lease agreements (rent-free periods, etc.) that the Group offers its customers, which are recognised in the consolidated income statement during the minimum lease term. Of this amount, 66,210 thousand euros mature in more than one year (68,014 thousand euros at 31 December 2018).

d) Other receivables

At 31 December 2019 and 2018, "Other Receivables" includes mainly the amounts owed by Nozar, S.A. as a result of the termination of the purchase contracts entered into in July 2007 for failure to comply with the conditions precedent, including the interest accrued to date, totalling 85,473 thousand euros.

Nozar, S.A. is still in insolvency proceedings. Consequently, at 31 December 2019 and 2018, the accompanying statement of financial position includes the impairment loss for the entire amount of trade receivables due from that company.

14. EQUITY

a) Share capital

Share capital at 31 December 2017 comprised 435,317,356 fully subscribed and paid up shares with a par value of 2.5 euros each.

During the year 2018 the following capital increases took place:

> On 4 July 2018, the merger deed executed on 2 July 2018 between Inmobiliaria Colonial, SOCIMI, S.A. and Axiare Patrimonio SOCIMI, S.A. was registered with the Madrid Mercantile Registry. In this respect, to cover the exchange of the merger, the Parent issued 19,273,622 new ordinary shares with a par value of 2.5 euros each of the same class and series as those currently in circulation, representing 4.43% of the share capital of Colonial prior to the merger, to be delivered to Axiare's shareholders in accordance with the exchange rules and procedures established for this purpose. The total amount of the increase amounted to 157,909 thousand euros, of which 48,184 thousand euros are related to share capital and 109,725 thousand euros to share premium. The new shares were admitted to trading on 9 July 2018.

> On 16 November 2018, the issue of 53,523,803 new shares of 2.5 euros par value each, totalling 487,602 thousand euros, was registered at the mercantile registry, resulting in a share capital increase of 133,810 thousand euros plus a share premium of 353,792 thousand euros. This capital increase is linked to the acquisition of shares in the subsidiary from Qatar Holding, LLC and DIC Holding, LLC as described in Note 1.

Therefore, share capital at 31 December 2018 comprised 508,114,781 fully subscribed and paid up shares with a par value of 2.5 euros each.

The Parent's share capital underwent no changes in 2019.

Based on the reports on the number of corporate investments to the Spanish National Securities Markets Commission, CNMV, the Parent's indirect and direct significant shareholders at 31 December 2019 and 2018 are as follows:

	31 December 2019		31 December 2018	
	Number of shares (*)	% ownership	Number of shares (*)	% ownership
Name or corporate name of the shareholder:				
Qatar Investment Authority (**)	102,675,757	20.21%	102,675,757	20.21%
Finaccess Group	80,028,647	15.75%	80,028,647	15.75%
Inmo S.L.	29,002,980	5.71%	20,011,190	3.94%
Aguila Ltd.	28,880,815	5.68%	28,800,183	5.67%
PGGM Vermongensbeheer B.V.	25,438,346	5.01%	–	–
BlackRock Inc	15,343,358	3.02%	15,256,886	3.00%

(*) Does not include certain financial instruments linked to shares of the Parent.
(**) Qatar Investment Authority is responsible for managing 21,782,588 shares of the Parent owned by DIC Holding, LLC.

At 31 December 2019, Aguila Ltd. and BlackRock Inc. had formally obtained financial instruments associated with the Parent's shares that, in the event the instruments are exercised, could give rise to an additional interest in the share capital of Colonial. At 31 December 2018 BlackRock Inc. held financial instruments associated with the Parent's shares that, in the event the instruments are exercised, could give rise to an additional interest in the share capital of Colonial. These financial instruments do not and cannot involve the issue of new shares of the Parent.

The Parent is not aware of any other significant shareholdings.

The shareholders at the Annual General Meeting held on 24 May 2018 resolved to authorise the Board of Directors to issue, on behalf of the Parent and on one or more occasions and for a maximum period of 5 years, bonds convertible into new shares of the Parent or other similar securities that may give the right, directly or indirectly, to subscribe the Parent's shares, with the express power to exclude the pre-emption right of the shareholders up to a maximum of 20% of the share capital, and to increase share capital by the amount necessary to meet the conversion. The total maximum amount of the issue or issues of the securities that may be performed under this authorisation may not exceed a combined amount of 500,000 thousand euros or its equivalent in another currency.

Additionally, on 14 June 2019, the shareholders at the Parent's Annual General Meeting resolved to authorise the Board of Directors, in accordance with Article 297.1 b) of the Spanish Companies Law, to increase the share capital through monetary contributions by up to half the amount of the share capital, within a maximum period of five years, on one or more occasions and at the time and by the amount it deems appropriate. Within the maximum amount indicated, the Board of Directors is empowered to exclude the pre-emption right up to a maximum of 20% of the share capital.

b) Share premium

In 2018, as a result of the two aforementioned capital increases, the share premium increased by 463,517 thousand euros.

In 2018, the amount of the share premium was reduced by 11,326 thousand euros as a result of the dividend distribution resolution passed by the shareholders at the Annual General Meeting on 24 May 2018.

On 14 June 2019, at the Annual General Meeting the shareholders resolved to pay out dividends charged to the share premium in the amount of 64,690 thousand euros.

c) Legal reserve

Under the Consolidated Spanish Companies Law, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital.

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase. Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, this reserve may only be used to set off losses and provided no other sufficient reserves are available for this purpose.

At 31 December 2017, the legal reserve amounted to 39,099 thousand euros. Taking into account the allocation to the legal reserve included in the distribution of the Parent's profit for 2017 approved at the Annual General Meeting on 29 June 2018, the legal reserve at 31 December 2018 amounted to 42,349 thousand euros.

At 31 December 2019, taking into account the allocation to the legal reserve included in the distribution of the Parent's profit for 2018 approved by the shareholders at the Annual General Meeting held on 14 June 2019, the legal reserve amounted to 45,980 thousand euros, although at the date of authorisation for issue of these consolidated financial statements it had not yet been fully funded.

d) Other reserves of the Parent

The shareholders at the Annual General Meeting held on 29 June 2018 approved, among other resolutions, the distribution of a dividend of 37,048 thousand euros with a charge to reserves as part of the distribution of profit for 2017.

The shareholders at the Annual General Meeting held on 14 June 2019 approved, among other resolutions, the distribution of a dividend of 4,200 thousand euros with a charge to reserves as part of the distribution of profit for 2018.

As a result of the capital increases described in Note 14-a, costs of 1,149 thousand euros were reported in 2018 under "Reserves of the Parent" in consolidated equity.

In 2018, the Parent carried out transactions involving treasury shares, which gave rise to a gain of 7,332 thousand euros, and which were registered directly in the Parent's equity.

The income generated from the delivery of treasury shares to the beneficiaries of the long-term incentives plan (Note 21-a), calculated as the difference between the carrying amount of the shares delivered and the amount of the obligation assumed by the Parent (Note 4-j), which amounted to a loss of 1,131 thousand euros in 2019 (1,513 thousand euros in 2018) was also recognised in the Parent's reserves.

At 31 December 2019, the Parent had 169,439 thousand euros of restricted reserves.

e) Valuation adjustments recognised in other consolidated comprehensive income – financial instruments

This heading in the consolidated statement of financial position includes the net amount of the changes in fair value of the efficient financial derivatives designated as hedging instruments in cash flow hedges (see Note 16).

The changes in this heading are as follows:

- **Thousands of euros**

	31 December 2019	31 December 2018
Beginning balance	**(2,078)**	**(559)**
Changes in the fair value of hedges in the year	22,335	(3,890)
Transfers to consolidated net profit	2,146	2,371
Ending balance	**22,403**	**(2,078)**

In 2018 the Group transferred 2,371 thousand euros to consolidated net profit due to the cancellation of derivatives arising mainly from the business combination with Axiare Patrimonio SOCIMI, S.A. (Note 2-f).

f) Treasury shares of the Parent

The number of the Parent's treasury shares and their acquisition cost were as follows:

	31 December 2019		31 December 2018	
	No. of shares	Thousands of euros	No. of shares	Thousands of euros
Beginning balance	**543,260**	**3,748**	**4,279,940**	**29,421**
Buyback plan 16 October 2017	–	–	–	41
Buyback plan 2019	300,000	3,375	–	–
Delivery of incentives plan shares (Note 21)	(493,894)	(2,822)	(421,813)	(2,902)
Other acquisitions	–	–	133	–
Other disposals	–	–	(3,315,000)	(22,812)
Ending balance	**349,366**	**4,301**	**543,260**	**3,748**

Share buyback plan of the Parent

On 10 December 2019, the Parent decided to carry out a share buyback programme. A maximum of 300,000 shares could be acquired, equivalent to 0.659% of the Parent's share capital as of that date. On 18 December 2019 the Parent terminated the share buyback programme early.

Deliveries of Parent company shares deriving from the long-term incentives plan (Note 21)

Every year, the Parent settles the obligations to comply with the previous year's plan through the delivery of shares to the beneficiaries of the Remuneration Plan, once it has assessed the degree of attainment of the indicators included therein.

Other disposals

On 16 November 2018, the Parent exchanged 3,000,000 treasury shares for 400,000 shares of the subsidiary SFL (Note 2-f). In December 2018 a total of 315,000 shares of the Parent were exchanged for 42,000 additional shares of the subsidiary SFL.

g) Liquidity contracts

The Parent enters into liquidity contracts to enhance the liquidity of its transactions and the regularity of its listed share price.

The number of the Parent's treasury shares under liquidity contracts and their acquisition cost were as follows:

	31 December 2019		31 December 2018	
	No. of shares	Thousands of euros	No. of shares	Thousands of euros
Beginning balance	**229,500**	**1,858**	**229,500**	**1,841**
Liquidity contract dated 11 July 2017	–	20	–	17
Ending balance	**229,500**	**1,878**	**229,500**	**1,858**

Liquidity contract dated 11 July 2017

On 11 July 2017, the Parent entered into a new liquidity contract to enhance the liquidity of its transactions and the regularity of its listed share price as provided for under CNMV Circular 1/2017, of 26 April. The contract is valid for 12 months. The contract has been suspended.

i) Non-controlling interests

The changes in this caption of the consolidated statement of financial position have been the following:

Thousands of euros

	Torre Marenostrum, S.L.	Inmocol Torre Europa, S.A.	Utopicus subgroup	SFL subgroup	Axiare subgroup (*)	Total
Balance at 31 December 2017	**24,351**	**11,037**	**26**	**2,052,456**	**–**	**2,087,870**
Profit/(loss) for the year	2,831	563	(478)	147,971	2,459	**153,346**
Dividends and other	(619)	–	12	(50,711)	–	**(51,318)**
Changes to scope (Note 2-f)	–	–	645	(897,611)	(2,459)	**(899,425)**
Financial instruments	13	–	–	–	–	**13**
Balance at 31 December 2018	**26,576**	**11,600**	**205**	**1,252,105**	**–**	**1,290,486**
Change of accounting policy (Note 2-g)	–	–	(104)	–	–	**(104)**
Balance at 1 January 2019	**26,576**	**11,600**	**101**	**1,252,105**	**–**	**1,290,382**
Profit/(loss) for the year	314	10	(435)	165,835	–	**165,724**
Dividends and other	–	1,000	365	(30,268)	–	**(28,903)**
Changes to scope (Note 2-f)	(26,726)	–	544	–	–	**(26,182)**
Financial instruments	(164)	–	–	1,042	–	**878**
Balance at 31 December 2019	**–**	**12,610**	**575**	**1,388,714**	**–**	**1,401,899**

(*) Non-controlling interests in the Axiare subgroup from the date on which control was obtained until the date of the merger (see Note 2-f).

The breakdown of the items included in “Dividends and other” is as follows:

Thousands of euros

	31 December 2019	31 December 2018
Dividend paid by the SFL subgroup to non-controlling interests	(22,445)	(44,089)
Dividend paid by Washington Plaza to non-controlling interests	(8,299)	(6,921)
Dividend paid by Torre Marenostrum to non-controlling interests	–	(618)
Other	1,841	310
Total	**(28,903)**	**(51,318)**

The SFL subgroup has the following shareholders agreements with Prédica:

> Agreement at SCI Washington, in which SFL holds 66%. In the event of a change of control of SFL, Prédica may consent to the change of control, or acquire or sell all of the shares and current accounts held by SFL in the common subsidiary, at a price agreed between the parties or at market value.

> Agreement at Parholding, in which SFL holds 50%. In the event of a change of control of SFL, Prédica may consent to the change of control, or acquire or sell all of the shares and current accounts held by SFL in the common subsidiary, at a price agreed between the parties or at market value.

15. BANK BORROWINGS, OTHER FINANCIAL LIABILITIES AND BONDS AND SIMILAR SECURITIES ISSUED

The detail, by type of debt and maturity, of these headings in the consolidated statement of financial position is as follows:

31 December 2019 – Thousands of euros

	Current	Non-current						
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Older than 5 years	Total non-current	Total
Debts with credit institutions:								
Loans	2,080	2,080	195,000	75,700	125,000	–	397,780	**399,860**
Interest	895	–	–	–	–	–	–	**895**
Debt arrangement costs	(2,242)	(2,179)	(1,618)	(1,227)	(264)	–	(5,288)	**(7,530)**
Total debts with credit institutions	**733**	**(99)**	**193,382**	**74,473**	**124,736**	**–**	**392,492**	**393,225**
Other financial liabilities:								
Current accounts	–	49,866	–	–	–	–	49,866	**49,866**
Current account interest	23	–	–	–	–	–	–	**23**
Other financial liabilities	2,491	–	–	–	–	–	–	**2,491**
Total other financial liabilities	**2,514**	**49,866**	**–**	**–**	**–**	**–**	**49,866**	**52,380**
Total debts with credit institutions and other financial liabilities	**3,247**	**49,767**	**193,382**	**74,473**	**124,736**	**–**	**442,358**	**445,605**
Issue of debentures and similar securities:								
Issue of bonds and promissory notes	626,000	350,000	350,000	500,000	600,000	2,000,000	3,800,000	**4,426,000**
Interest	26,302	–	–	–	–	–	–	**26,302**
Debt arrangement costs	(4,576)	(4,542)	(4,220)	(3,672)	(3,303)	(2,821)	(18,558)	**(23,134)**
Total issue of debentures and similar securities	**647,726**	**345,458**	**345,780**	**496,328**	**596,697**	**1,997,179**	**3,781,442**	**4,429,168**
Total	**650,973**	**395,225**	**539,162**	**570,801**	**721,433**	**1,997,179**	**4,223,800**	**4,874,773**

■ **31 December 2018 – Thousands of euros**

	Current	Non-current						
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Older than 5 years	Total non-current	Total
Debts with credit institutions:								
Loans	7,494	10,721	62,186	268,265	90,282	176,955	608,409	**615,903**
Syndicated loans	–	–	–	20,000	50,000	–	70,000	**70,000**
Interest	1,313	–	–	–	–	–	–	**1,313**
Debt arrangement expense	(2,711)	(2,645)	(2,472)	(1,761)	(1,237)	(1,830)	(9,945)	**(12,656)**
Total debts with credit institutions	**6,096**	**8,076**	**59,714**	**286,504**	**139,045**	**175,125**	**668,464**	**674,560**
Other financial liabilities:								
Current accounts	–	52,246	–	–	–	–	52,246	**52,246**
Current account interest	40	–	–	–	–	–	–	**40**
Other financial liabilities	2,491	–	–	–	–	–	–	**2,491**
Total other financial liabilities	**2,531**	**52,246**	**–**	**–**	**–**	**–**	**52,246**	**54,777**
Total debts with credit institutions and other financial liabilities	**8,627**	**60,322**	**59,714**	**286,504**	**139,045**	**175,125**	**720,710**	**729,337**
Issue of debentures and similar securities:								
Issuing bonds	262,500	–	350,000	350,000	500,000	2,600,000	3,800,000	**4,062,500**
Interest	26,310	–	–	–	–	–	–	**26,310**
Arrangement costs	(4,568)	(4,576)	(4,542)	(4,220)	(3,672)	(6,124)	(23,134)	**(27,702)**
Total issue of debentures and similar securities	**284,242**	**(4,576)**	**345,458**	**345,780**	**496,328**	**2,593,876**	**3,776,866**	**4,061,108**
Total	**292,869**	**55,746**	**405,172**	**632,284**	**635,373**	**2,769,001**	**4,497,576**	**4,790,445**

The changes in net financial debt during 2019, arising from cash flows and others, are presented in the following table:

Thousands of euros

	31 December 2018	Cash flows	31 December 2019
Loans	615,903	(216,043)	399,860
Syndicated loans	70,000	(70,000)	–
Issuing promissory notes	262,500	363,500	626,000
Issuing bonds	3,800,000	–	3,800,000
Gross financial debt (nominal gross debt)	**4,748,403**	**77,457**	**4,825,860**
Cash and cash equivalents	(68,293)	(148,488)	(216,781)
Net financial debt	**4,680,110**	**(71,031)**	**4,609,079**

a) Issues of standard debentures by the parent company

The detail of the issues of standard debentures made by the parent company is as follows:

Thousands of euros

Issue	Duration	Maturity	Fixed coupon payable annually	Issue amount	31 December 2019	31 December 2018
05/06/2015	8 years	05/06/2023	2.728%	500,000	500,000	500,000
28/10/2016	8 years	28/10/2024	1.450%	600,000	600,000	600,000
10/11/2016	10 years	10/11/2026	1.875%	50,000	50,000	50,000
28/11/2017	8 years	28/11/2025	1.625%	500,000	500,000	500,000
28/11/2017	12 years	28/11/2029	2.500%	300,000	300,000	300,000
17/04/2018	8 years	17/04/2026	2.000%	650,000	650,000	650,000
Total issues					**2,600,000**	**2,600,000**

Debentures have been admitted for trading in the Main Securities Market of the Irish Stock Exchange.

At 31 December 2019 and 2018, the fair value of the bonds issued by the parent company is 2,784,774 and 2,557,454 thousand euros, respectively.

European Medium Term Note Programme

On 5 October 2016, the parent company registered an EMTN (European Medium Term Note) programme on the Irish Stock Exchange amounting to 3,000,000 thousand euros, extendable to 5,000,000 thousand euros, with a validity of 12 months. On 19 December 2019, the CNMV approved the registration of the renewal and extension to 5,000,000 thousand euros in the official records of the Fixed Income Base Prospectus (Euro Medium Term Note Programme) of the parent company.

Compliance with financial ratios

The standard debentures currently in force establish the need for compliance, at 30 June and 31 December of each year, of a financial ratio by virtue of which the value of the Colonial Group's unsecured assets in the consolidated statement of financial position on each of the dates will have to be at least equal to the unsecured financial debt. At 31 December 2019 and 2018, the aforementioned ratio has been met.

b) Issuance of standard debentures by SFL

The detail of the issues of non-convertible debentures made by SFL is as follows:

Thousands of euros

Issue	Duration	Maturity	Fixed coupon payable annually	Issue amount	31 December 2019	31 December 2018
20/11/2014	7 years	26/11/2021	1.875%	500,000	350,000	350,000
16/11/2015	7 years	16/11/2022	2.250%	500,000	350,000	350,000
29/05/2018	7 years	29/05/2025	1.500%	500,000	500,000	500,000
Total issues					**1,200,000**	**1,200,000**

These bonds constitute non-subordinated debentures and without any preference among them, and have been admitted to trading on the Euronext Paris regulated market.

At 31 December 2019 and 2018, the fair value of the bonds issued by SFL is 1,254,542 and 1,222,330 thousand euros, respectively.

c) Issue of promissory notes by the parent company

The parent company registered a European Commercial Paper programme on the Irish Stock Exchange in December 2018 for a maximum limit of 300,000 thousand euros with a short-term maturity, subsequently extended to 500,000 thousand euros. At 31 December 2019, the current issues amount to 239,500 thousand euros, while at 31 December 2018 there were no outstanding issues under the programme.

d) Issuing promissory notes by SFL

In September 2018, the subsidiary company SFL, registered a short-term promissory note issuance program (NEU CP) for a maximum amount of 500,000 thousand euros, with the issues in effect at 31 December 2019 and 2018 of 386,500 and 262,500 thousand euros, respectively.

e) Syndicated financing of the parent company

The detail of the parent company's syndicated financing is detailed in the following table:

Thousands of euros

		31 December 2019		31 December 2018	
	Maturity	Limit	Nominal Drawn	Limit	Nominal Drawn
Credit policy	December 2023	500,000	–	500,000	50,000
Credit policy	March 2022	375,000	–	375,000	20,000
Total parent company syndicated financing		**875,000**	**–**	**875,000**	**70,000**

The fixed interest rate is variable with a margin referenced to the EURIBOR.

Compliance with financial ratios

At 31 December 2019 and 2018, the parent company complies with all financial ratios.

f) SFL syndicated financing

The detail of SFL's syndicated financing is detailed in the following table:

Thousands of euros

		31 December 2019		31 December 2018	
	Maturity	Limit	Nominal Drawn	Limit	Nominal Drawn
Credit policy	June 2024	390,000	–	250,000	–
Total SFL syndicated financing		**390,000**	**–**	**250,000**	**–**

During June 2019, SFL has renewed the credit policy, increasing the limit and improving the margin and its maturity.

The fixed interest rate is variable with a margin referenced to the EURIBOR.

Compliance with financial ratios

At 31 December 2019 and 2018, SFL complies with financial ratios provided in its respective financing contracts.

g) Secured mortgage loans

The details of secured mortgage loans that the Group holds on certain real estate investments is presented in the following table:

Thousands of euros

	31 December 2019		31 December 2018	
	Mortgage debt	Asset market value	Mortgage debt	Asset market value
Investment property (Note 10)	274,860	1,194,435	515,642	1,828,786
Total secured mortgage loans	**274,860**	**1,194,435**	**515,642**	**1,828,786**

During the first half of 2019, the parent company cancelled 205,782 thousand euros of mortgage debt from the business combination with Axiare and 31,722 thousand euros from the subsidiary Torre Marenostrum.

One of these mortgage loans, for an amount of 75,700 thousand euros, is considered a “sustainable loan” since its margin will vary according to the rating that the parent company obtains in ESG (environment, social and corporate governance) by the GRESB sustainability agency. Additionally, there is a derivative financial instrument that covers 75% of the nominal amount of said loan.

Additionally, the SFL subgroup holds fixed-rate mortgage debt at 31 December 2019 and 2018 for 199,160 and 201,240 thousand euros, respectively.

Compliance with financial ratios

The Group's secured mortgage loans are subject to compliance with various financial ratios. At 31 December 2019 and 2018, the Group complies with the financial ratios demanded in their mortgage contracts.

h) Other loans

At 31 December 2019, the Group holds bilateral loans that are not secured by a mortgage that must comply with various ratios. The total limits and balances provided are detailed below:

Thousands of euros

			31 December 2019		31 December 2018	
	Company	Maturity	Limit	Nominal Drawn	Limit	Nominal Drawn
Other loans						
BECM	SFL	July 2023	150,000	–	150,000	–
Banco Sabadell	SFL	June 2020	–	–	70,000	–
BNP Paribas	SFL	May 2021	100,000	–	150,000	50,000
CADIF	SFL	June 2023	175,000	–	175,000	–
Banque Postale	SFL	June 2024	75,000	–	75,000	–
Société Générale	SFL	October 2024	100,000	–	100,000	–
Bankinter	Colonial	July 2024	50,000	50,000	50,000	50,000
CaixaBank	Colonial	July 2024	75,000	75,000	–	–
Total other loans			**725,000**	**125,000**	**770,000**	**100,000**

During the first half of 2019, the parent company formalised a bilateral loan with CaixaBank amounting to 75,000 thousand euros with a five-year maturity that has the status of "sustainable loan" since its margin will vary according to the rating that the parent company obtains in ESG (environmental, social and corporate governance) from the GRESB sustainability agency.

Likewise, in 2019 the subsidiary company SFL, repaid its loan with Banco Sabadell early, which was due in June 2020.

Finally, the companies of the Utopicus subgroup have repaid the loans they had drawn at 31 December 2018 for a total amount of 261 thousand euros.

Compliance with financial ratios

All loans are subject to compliance with certain financial ratios, on a quarterly basis for the parent company and semi-annually for the subsidiary SFL.

At 31 December 2019 and 2018, the parent company and the subsidiary SFL comply with the financial ratios provided in their respective financing contracts.

i) Other financial liabilities - Current accounts

At 31 December 2019, the subsidiary company SCI Washington holds a current account of 49,866 thousand euros (52,246 thousand euros at 31 December 2018). This current account accrues an additional margin over the three-month Euribor.

j) Guarantees delivered

The parent company has guarantees granted to official bodies, customers and suppliers at 31 December 2019 for 55,271 thousand euros (24,155 thousand euros at 31 December 2018). Of these, there is a guarantee amounting to 30,300 thousand euros delivered in deferred payment guarantee derived from a real estate investment purchase operation during 2019 (Note 17-b).

Additionally, various guarantees have been set up for 18,259 thousand euros in guarantee of various commitments acquired by the parent company for the amounts received in relation to an operation to sell several real estate investments (Note 24).

Of the remaining amount, the main guarantee granted is 4,946 thousand euros, corresponding to commitments acquired by the company Asentia. In this regard, the parent company and the aforementioned company have signed an agreement whereby, if any of the guarantees are executed, Asentia must compensate the parent company for any loss incurred within a maximum period of 15 days.

During 2019, two bank guarantees have been cancelled for a total amount of 14,250 thousand euros, corresponding to customers for sales and services.

k) Cash and cash equivalents

At 31 December 2019 and 2018, said heading includes cash and cash equivalents amounting to 216,781 and 68,293 thousand euros, respectively, 1,777 thousand euros of which, at 31 December 2019 and 2018, are restricted or were pledged.

l) Debt arrangement costs

During 2019 and 2018, the Group recorded 5,569 and 6,384 thousand euros in the consolidated income statement, respectively, corresponding to the amortised costs during the year.

m) Financing interest

The average interest rate of the Group in 2019 was 1.75% (2.00% in 2018) or 2.02% incorporating the accrual of commissions (2.28% in 2018). The average interest rate of the Group's debt in effect at 31 December 2019 (spot) is 1.63% (1.77% at 31 December 2018).

The amount of accrued interest pending payment recorded in the consolidated statement of financial position amounts to:

Thousands of euros

	31 December 2019	31 December 2018
Obligations	26,302	26,310
Debts with credit institutions	895	1,313
Other financial liabilities - Current accounts	23	40
Total	**27,220**	**27,663**

n) Capital management and risk management policy

Companies that operate in the real estate sector require a significant level of investment to guarantee the development of their projects and the growth of their business through the acquisition of real estate in equity and/or land.

The Group's financial structure requires its sources of financing to be diversified in entities as well as products and maturity, with the objective of ensuring its companies continue to be profitable businesses and being able to maximise shareholder return.

o) Financial risk management policy

The Group efficiently manages financial risks with the objective of having an adequate financial structure that allows high levels of liquidity to be maintained as well as minimising financing costs, reducing volatility due to capital changes and ensuring compliance with its business plans.

> Interest-rate risk: The risk management policy has the objective of limiting and controlling the impact of variations in interest rates on the result and cash flows, maintaining the level of indebtedness and the overall cost of debt in line with the Group's credit rating.

To achieve this objective, interest rate hedging instruments are contracted, if necessary, to cover possible financial cost fluctuations. The Group's policy is to contract instruments that comply with the provisions of the accounting regulations to be considered as efficient accounting coverage, and thus record its market value variations directly in the Group's other consolidated result. At 31 December 2019, the percentage of debt covered or at a fixed rate over total debt, stands at 87% in Spain and 90% in France (90% and 93%, respectively, at 31 December 2018).

> Liquidity risk: In order to manage liquidity risk and meet the diverse needs for funds, based on the annual treasury budget, the Group monitors the treasury forecasts monthly.

The Group considers the following mitigating factors for liquidity risk management: (i) the generation of recurring cash in the businesses on which the Group bases its activity; (ii) the ability to renegotiate and obtain new financing facilities based on long-term business plans and (iii) the quality of the Group's assets.

Occasionally there may be excess cash making it possible to have undrawn credit facilities or highly-liquid deposits with no risk. At 31 December 2019, the Group has sufficient financing facilities to meet its short-term maturities. The Group does not arrange high-risk financial products as a method of investing cash surpluses.

> Counterparty risks: The Group mitigates this risk by carrying out financial operations with leading institutions, as well as accessing the debt market through bond issues.

> Credit risk: The parent company periodically analyses the exposure of its accounts receivable to the risk of default, carrying out a follow-up of the credit settlement and, where appropriate, of the record of credit impairments for which it is estimated that there is a risk of default.

16. DERIVATIVE FINANCIAL INSTRUMENTS

The following table details the financial instruments and the fair value of each of them:

	Company	Counterparty	Interest rate	Maturity	Nominal (Thousands of euros)	Fair value – Assets / (Liabilities)
Swap	SFL	CA-CIB	0.23%	2022	100,000	(1,665)
Cash flow hedges						
Collar	SFL	Société Générale	–0.7525% / 0%	2026	100,000	1,404
Swap	Colonial (*)	Deutsche Bank	0.43%	2023	57,000	(1,792)
Cash flow hedges of planned future transactions						
Swap	SFL	CA-CIB	–0.3475%	2026	100,000	1,877
Swap	SFL	CIC	–0.4525%	2026	100,000	2,416
Swap	Colonial	Natwest	0.0835%	2032	350,000	13,818
Swap	Colonial	Natwest	0.0935%	2032	110,000	4,242
Swap	Colonial	CA-CIB	0.098%	2032	40,000	1,622
Total 31 December 2019					**957,000**	**21,922**

(*) From the business combination with Axiare Patrimonio SOCIMI, S.A. described in Note 2-f.

	Company	Counterparty	Interest rate	Maturity	Nominal (Thousands of euros)	Fair value – Assets / (Liabilities)
Swap	SFL	CA-CIB	0.23%	2022	100,000	(1,041)
CAP	SFL	CADIF	0.25%	2022	100,000	591
Cash flow hedges						
Swap	Colonial (*)	Santander	0.25%	2022	18,000	(205)
Swap	Colonial (*)	ING	0.95%	2022	18,650	(823)
Swap	Colonial (*)	DB	0.27%	2022	18,650	(230)
Swap	Venusaur (*)	DB	0.43%	2023	57,000	(899)
Vanilla swap	Torre Marenostrum	CaixaBank	0.94%	2032	26,197	(493)
Total 31 December 2018					**338,497**	**(3,100)**

(*) From the business combination with Axiare Patrimonio SOCIMI, S.A. described in Note 2-f.

During the second half of 2019, the Group formalised various instruments to cover cash flows from planned operations in order to cover interest rates on future debt issues amounting to 700,000 thousand euros. They all comply with the provisions of hedge accounting standards, whose market valuation is recorded directly in equity.

In September 2019, the subsidiary SFL made an early cancellation of the CAP that it had arranged with CADIF with a nominal amount of 100,000 thousand euros and maturity in 2022. The impact has been recorded under the “Financial expenses” heading of the consolidated income statement.

With the business combination between the parent company and Axiare Patrimonio SOCIMI, S.A., the parent company integrated the subsidiary’s derivative financial instrument contracts, for a nominal amount of 394,249 thousand euros. Subsequent to the date of the business combination, several financial instruments were cancelled, generating a financial expense of 3,267 thousand euros. This was recorded under the “Financial expenses” heading of the consolidated income statement for 2018.

The impact on the consolidated income statement for posting derivative financial instruments has amounted, for 2019 and 2018, to 2,807 and 6,345 thousand euros of net financial expense, respectively (Note 20-h).

a) Hedge accounting

At 31 December 2019, the parent company and the subsidiary SFL apply hedge accounting to various derivative financial instruments. At 31 December 2018, only the parent company and Marenostrum Tower applied hedge accounting.

At 31 December 2019, the cumulative impact recognised in the consolidated statement of financial position for hedge accounting amounted to a credit balance of 22,403 thousand euros, once the tax impact and consolidation adjustments were recognised. At 31 December, 2018, the impact recorded in the consolidated statement of financial position amounted to 2,078 thousand euros of debit balance (Note 14).

b) Fair value of derivative financial instruments

The fair value of derivative financial instruments has been calculated from an update of estimated future cash flows based on an interest rate curve and volatility assigned at 31 December 2019, using the appropriate discount rates established by an independent third-party expert.

Variations of +/- 25 basis points in the interest rate curve have an effect on the fair value of derivative financial instruments of 16,913 and –16,922 thousand euros, respectively.

17. TRADE CREDITORS AND OTHER NON-CURRENT LIABILITIES

The breakdown of these headings by nature and due dates of the consolidated financial statements is as follows:

Thousands of euros

	31 December 2019		31 December 2018	
	Current	Non-Current	Current	Non-Current
Trade and other payables	38,202	–	45,219	–
Creditors for real estate purchases	50,170	–	32,676	–
Advances	41,471	21,215	22,748	14,142
Guarantees and deposits received	14,425	58,547	2,207	51,710
Debts with Social Security	1,863	–	1,782	–
Advanced income	458	–	564	–
Other creditors and liabilities	11,989	178	9,583	481
Total	**158,578**	**79,940**	**114,779**	**66,333**

a) Trade and other payables

This mainly collects the outstanding amounts for trade purchases made by the Group, and their related costs.

b) Creditors for real estate purchases

Collects debts derived from acquisitions of shares and/or real estate. At 31 December 2019, the amount included in this item corresponds, basically, to deferred payments of purchases of real estate made by the parent company during 2019, amounting to 30,300 thousand euros, and refurbishment or reform works of various properties undertaken by SFL, for 19,870 thousand euros (19,996 thousand euros at 31 December 2018). The effect of updating deferred payments is not significant.

c) Advances

Current advances mainly correspond to amounts paid in advance by lessees for bimonthly or quarterly leases, except for the 18,259 thousand euros registered by the parent company in the context of purchase options sold on seven logistic assets (Note 24).

Non-current advances include the amount of 21,215 thousand euros (14,142 thousand euros at December 31, 2018) on account of the price of the asset that the group is promoting under the purchase agreement subject to suspensive conditions signed by the parent company and a third party (Note 12).

d) Guarantees and deposits received

This essentially collects the amounts delivered by the tenants as collateral.

e) Advanced income

This collects the amounts received by SFL as entry fees, which correspond to amounts billed by tenants to reserve a unique space, and which are recognised as income in a linear manner during the minimum duration of the corresponding lease.

f) Average payment period to suppliers and trade creditors

The information required by the second final provision of Law 31/2014, of 3 December, which modifies the Corporate Enterprises Act for the improvement of corporate governance, and modifying the third additional provision of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, which establishes measures to combat late payments in commercial operations, all in accordance with the provisions of the resolution of 29 January 2016 of the Institute of Accounting and Audit of Accounts (ICAC) on the information to be incorporated in the report of the consolidated annual accounts in relation to the average period of payment to suppliers in trade operations, of the various Spanish companies making up the Group.

	2019	2018
	Days	Days
Average period of payment to suppliers	23	32
Ratio of transactions paid	22	32
Ratio of outstanding transactions	41	48
	Amount (Thousands of euros)	Amount (Thousands of euros)
Total payments made	183,911	221,716
Total outstanding payments	22,531	8,205

The data included in the previous table on payments to suppliers refer to those that by their nature are accounts payable for debts with suppliers of goods and services, so that data related to certain items of the “Trade creditors and other accounts payable” are included from the consolidated statement of financial position.

On 26 July 2013, Law 11/2013 on measures to support entrepreneurs, stimulate growth and job creation, which modifies the Late Payment Law (Law 3/2004, of 29 December) entered into force. This modification establishes that the maximum period of payment to suppliers, from 29 July 2013, will be 30 days, unless there is a contract between the parties that raises this to a maximum of 60 days.

In relation to payments made outside the maximum legal term set, these correspond mainly to payments related to contracting works and real estate renovation, which are paid within the term established in the corresponding contracts signed with the contractors.

18. PROVISIONS AND CONTINGENT ASSETS AND LIABILITIES

The movement for 2019 of the headings of the consolidated statement of financial position "Current provisions" and "Non-current provisions" and their corresponding detail is as follows:

Thousands of euros

	Non-current provisions		Current provisions
	Staff provisions	Provisions for risks and other provisions	Provisions for risks and other provisions
Balance at 31 December 2018	**1,291**	**89**	**17,660**
Provisions	819	11	–
Provisions against equity	57	–	–
Disposals (Note 20-e)	–	–	(7,552)
Other disposals	(35)	–	(874)
To be applied	(12)	(73)	(2,294)
Transfers	(648)	–	648
Balance at 31 December 2019	**1,472**	**27**	**7,588**

a) Non-current provisions

Personal provision

Includes amounts corresponding to retirement compensation and seniority bonuses for SFL employees (Note 4-j).

b) Current provisions

Current provisions include an estimate of various future risks of the parent company.

19. TAX SITUATION

a) Option for the SOCIMI Fiscal Regime and break up of the tax Group, both effective 1 January 2017

Until 31 December 2016, the parent company had been the head of a group of companies under the tax consolidation regime since 1 January 2008. This regime included only companies in Spain, directly or indirectly, in at least 75% of its capital, or 70% in the case of listed companies and those with the majority of voting rights.

The composition of the tax consolidation group for 2016 included, in addition to the parent company, Danieltown Spain, S.L.U., Colonial Invest, S.L.U. and Colonial Tramit, S.L.U.

On 30 June 2017, the parent company opted for the SOCIMI tax regime (Note 1). The adoption of said tax regime meant the break up of the tax group in force at 31 December 2016 with effect 1 January 2017, and the recovery of the tax group's adjustments pending recovery.

b) Balances held with public administrations

The details of the "Tax assets" heading of the consolidated statement of financial position is as follows:

Thousands of euros

	Current		Non-current	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Public Treasury, debtor for tax concepts	5	19	–	–
Public Treasury, debtor for corporate taxes	1,044	1,555	–	–
Public Treasury, VAT debtor	8,517	18,183	–	–
Deferred tax assets	–	–	448	411
Total	**9,566**	**19,757**	**448**	**411**

The detail of the "Tax liabilities" heading of the consolidated statement of financial position is as follows:

Thousands of euros

	Current		Non-current	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Public Treasury, company tax credit	540	422	–	–
Public Treasury, creditor for tax concepts	6,261	3,428	–	–
Public Treasury, creditor for exit tax (SFL Group)	8,450	9,242	5,141	13,368
Public Treasury, VAT creditor	3,834	3,257	–	–
Deferred tax liabilities	–	–	376,560	361,514
Total	**19,085**	**16,349**	**381,701**	**374,882**

c) Reconciliation of income tax results

Corporation tax

Law 27/2014, of 27 November, on corporate tax, effective 1 January 2015, established in its article 29 that the general tax rate for taxpayers was 25 percent.

The aforementioned Royal Decree-Law also established the limitation to the compensation of negative tax bases at 25% of the tax base, prior to said compensation, for companies with a turnover equal to or greater than 60 million euros.

On 30 June 2017, the parent company opted for the SOCIMI tax regime, which was applicable with effect 1 January 2017 (Note 1). After the option for the SOCIMI regime, the results derived from the SOCIMI activity are taxed at a rate of 0% as long as the requirements for this are met (Note 4-m).

The detail of the "Income tax" heading of the statement of comprehensive income is as follows:

Thousands of euros

	2019	2018
Income tax expense	(7,239)	(7,397)
Deferred tax revaluation assets at fair value (IAS 40)	(11,657)	(10,488)
Other non-main components	(3,363)	(8,345)
Income tax	**(22,259)**	**(26,230)**

d) Reconciliation between income tax expense and prima facie tax

Thousands of euros

	2019	2018
Profit from continuing activities before tax	1,014,782	704,339
Profit from interrupted activities before tax	–	–
	1,014,782	**704,339**
Tax at the Spanish 25% tax rate (2018: 25%)	253,695	176,085
Tax effect of amounts that are not deductible (taxable) in the calculation of the tax benefit:		
IAS 40 application (revaluations and redemptions of depreciation)	(228,601)	(169,789)
Impairment of goodwill	15,556	27,655
Other adjustments	589	7,010
Subtotal	**41,239**	**40,961**
Difference in tax rates by SOCIMI and SIIC regime	(25,842)	(22,003)
Difference in foreign tax rates	5,950	3,622
Adjustments to current tax for previous years	–	–
Unrecognised tax losses previously used to reduce deferred tax expense	808	3,510
Unrecognised tax losses previously recovered now to reduce current tax expense	–	(213)
Tax losses for the year not recognised in accounting	104	353
Income tax expense	**22,259**	**26,230**

e) Deferred tax assets

The detail of deferred tax assets registered by the Group is as follows:

Thousands of euros

		Recognised in accounting			
Deferred tax assets	31 December 2018	Change of accounting policy (Note 2-g)	Inclusions	Write-offs	31 December 2019
Valuation of financial instruments	329	–	–	(329)	–
For leases (Note 8)	–	330	39	–	369
Other	82	–	–	(3)	79
Total	**411**	**330**	**39**	**(332)**	**448**

Negative tax bases of previous years to be offset

The Corporation Tax effective as of 1 January 2016 establishes that the negative tax bases of previous years can be offset in future years without any time restriction, although it generally establishes a limitation to the offsetting of 70% of the positive tax base, with a minimum of 1 million euros. Additionally, in the event that the net amount of the turnover of the company, or the tax group, is between 20 and 60 million euros, such offsetting is limited to 50% of the positive tax base, while if the net amount of the turnover is equal to or greater than 60 million euros, the offsetting limit is reduced to 25% of the positive tax base.

As indicated above, certain companies in the group were part of the 6/08 tax consolidation group; therefore, certain transactions between companies included in the tax consolidation group were eliminated from the aggregate of individual tax bases, with their inclusion in the consolidated tax base being deferred until the result materialises vis-à-vis third parties. Likewise, the tax consolidation regime allowed companies with positive tax bases to benefit from the negative tax bases of other companies in the group's tax consolidation.

After the tax group broke up on 31 December 2016, with effect 1 January 2017, the pending adjustments for operations between companies of the former tax consolidation group were recovered, and the resulting negative tax bases were assigned to each of the group's companies depending on how they had contributed to them being generated.

The accumulated negative tax bases to be offset by Spanish companies at 31 December 2019 amount to 5,414,083 thousand euros.

Deferred assets for tax credits through deductions

The Group has various deductions pending application at 31 December 2019 due to a shortfall for a total amount of 19,054 thousand euros.

f) Deferred and non-current tax liabilities

The details of the "Deferred and non-current tax liabilities" heading of the non-current liability of the consolidated statement of financial position is presented in the following table:

- **Thousands of euros**

	31 December 2019	31 December 2018
Deferred tax liabilities	376,560	361,514
Non-current tax liabilities	5,141	13,368
	381,701	**374,882**

Non-current tax liabilities correspond to the SFL exit tax accrued by the option under the SIIC regime (Note 4-m) of various properties. During 2017, the subsidiary SFL acquired the property Emile Zola, which entered into the SIIC regime in December 2017, generating an exit tax amounting to 21,138 thousand euros, and which must be paid in four instalments between 2018 and 2021. In addition, during 2016, SFL executed the option to purchase the financial lease contract for the property Wagram, 131. This asset is subject to the SIIC regime and generates the corresponding obligation to pay the exit tax, amounting to 13,012 thousand euros, which must be paid to the French tax administration in four instalments between 2017 and 2020.

The details of deferred tax liabilities along with their movements is detailed in the following table:

Thousands of euros

Deferred tax liabilities	31 December 2018	Inclusions	Write-offs	31 December 2019
Asset revaluation	356,069	15,234	–	371,303
Asset revaluation - Spain	151,007	(1,275)	–	149,732
Asset revaluation - France	205,062	16,509	–	221,571
Deferral for reinvestment	4,970	–	(188)	4,782
Other	475	–	–	475
	361,514	**15,234**	**(188)**	**376,560**

Deferred liability for asset revaluation

This corresponds, essentially, to the difference between the accounting cost of market-valued real estate investments (IFRS base) and their tax cost (valued at acquisition cost, net of amortisation and impairment of the value that would have been deductible).

Asset revaluation – Spain

This includes the amount of deferred taxes associated with the Group's real estate investments located in Spain, which would be accrued if said assets are transmitted at the fair value to which they are registered, using the effective rate that would apply to each of companies taking into account the applicable regulations and the existence of unregistered tax credits.

After the adoption of the SOCIMI tax regime, the movements in deferred taxes recorded during 2017 correspond, essentially, to the properties owned by the companies that have not opted for said regime, i.e. Torre Marenostrum, S.L. and Inmocol Torre Europa, S.A., and to certain adjustments derived from corporate operations. In this respect, the deferred taxes associated with the real estate investments of the entities of Grupo Colonial, fully owned by the parent company, were recorded at an effective rate of 18.75% (25% tax rate with a limit to the compensation of 25% negative tax bases). Consequently, in calculating deferred tax liabilities, the Group considers the application of 49,712 thousand euros of deferred tax assets derived from negative tax bases (difference between the 25% tax rate and the effective settlement rate applied to 18.75%).

Asset revaluation – France

The item "Asset revaluation-France-" includes the amount of deferred taxes associated with the Group's real estate investments located in France, which would accrue if said assets were transferred. It should be recalled that almost all assets in France are subject to the SIIC regime (Note 4-m), so they will not generate additional tax at the time of transmission. At 31 December 2019 and 2018, only the assets of the member companies of the Parholding subgroup were left out of said tax regime.

g) Tax years pending verification and inspection actions

The Group has the last four tax years open for inspection for all taxes applicable to it in Spain and France, except for corporate income tax of Spanish companies with negative tax bases to be offset or deductions pending application, in which case the verification period extends to 10 tax years. In 2016, the parent company made complementary settlements of the Corporation Tax for 2011 to 2014, which were outside the statute of limitations for these years.

It is not expected that additional liabilities will be accrued for the Group as a result of a possible inspection.

h) Information requirements arising from the status of SOCIMI, Law 11/2009, as amended by Law 16/2012

The information requirements derived from the condition of SOCIMI of the parent company and its subsidiaries (Note 19-a) are included in the corresponding reports of the individual annual financial statements.

i) Adherence to the code of good tax practices

On 10 December 2015, the Board of Directors of the parent company agreed to adhere to the code of good tax practices. Said agreement was communicated to the administration on 8 January 2016.

20. INCOME AND EXPENSE

a) Net amount of turnover

The net amount of turnover corresponds to the ordinary income from contracts with clients for rents derived from the Group's equity activity, which basically focuses on the markets of Barcelona, Madrid and Paris. The net amount of turnover and its distribution by geographic segments is included in the following table:

Thousands of euros

Equity segment	2019	2018
Barcelona	48,248	41,629
Madrid	101,290	106,144
Rest of Spain	6,266	6,991
Paris	198,710	193,509
Total	**354,514**	**348,273**

The income for 2019 and 2018 includes the effect of rental incentives throughout the minimum duration of the contract (Note 4-n). It also includes the accrual of amounts received as entry fees (Note 17-e). At 31 December 2019, the impact of previous accruals has entailed a decrease in turnover of 228 thousand euros (for 2018 it represented an increase of 536 thousand euros).

The total amount of the minimum future lease charges corresponding to the Group's non-cancellable operating leases, in accordance with the contracts in force on each date, and without taking into account the impact of common expenses, future increases by CPI or future income updates based on contractually agreed market parameters is the following:

Thousands of euros

	Nominal Value	
	31 December 2019	31 December 2018
Less than one year	323,839	313,327
Spain	140,254	131,841
France	183,585	181,486
Between one and five years	737,988	639,112
Spain	264,306	206,842
France	473,682	432,270
More than five years	470,139	151,105
Spain	45,478	68,163
France	424,661	82,942
Total	**1,531,966**	**1,103,544**
Spain	**450,038**	**406,846**
France	**1,081,928**	**696,698**

b) Other operating income

They correspond, fundamentally, to the provision of real estate services. At 31 December 2019 and 2018, the amount is 9,617 and 5,677 thousand euros, respectively.

c) Employee costs

The “Personnel expenses” heading of the accompanying comprehensive consolidated income statement is as follows:

Thousands of euros

	2019	2018
Wages and salaries	18,126	19,688
Social Security expenses borne by the Company	5,750	6,935
Other welfare expenses	6,839	3,013
Contributions to defined benefit plans	244	242
Internal reallocation	(1,043)	(740)
Total Employee costs	**29,916**	**29,138**
Spain	**16,234**	**16,350**
France	**13,682**	**12,788**

The “Other welfare expenses” heading includes the amounts corresponding to the accrual during 2019 derived from the cost of the parent company’s long-term compensation plan (Note 21-a) and the SFL options plan described in the Note 21-c, amounting to 5,309 thousand euros (3,406 thousand euros in 2018).

The contributions to defined benefit plans made by the parent company in 2019 and 2018 amount to 244 and 242 thousand euros, respectively, and are recognised under the “Personnel Expenses” heading of the consolidated income statement. At the end of both years, there are no outstanding amounts to contribute to the mentioned pension plan.

The number of people employed by the Group, as well as the average number of employees during the year distributed by categories and gender, was as follows:

No. employees

	2019		2018		Average 2019		Average 2018	
	Men	Women	Men	Women	Men	Women	Men	Women
General and Area Management	13	7	14	7	14	7	16	7
Qualified technicians and middle managers	44	49	34	40	42	46	36	41
Office clerks	29	85	26	73	26	77	21	64
Other	6	1	5	1	6	1	5	2
Total people employed	**92**	**142**	**79**	**121**	**88**	**131**	**78**	**114**

d) Other operating expenses

The “Other operating expenses” heading of the consolidated statement of income is as follows:

Thousands of euros

	2019	2018
External services and other expenses	30,816	30,726
Taxes	24,278	29,368
Total Other operating expenses	**55,094**	**60,094**

e) Net variation of provisions

The movement of the “Net change in provisions” heading of the consolidated income statement during the year is as follows:

Thousands of euros

	2019	2018
Net application of operating provisions (Note 18)	7,552	3,389
Net provision for insolvencies and other provisions	(314)	(953)
Other provision allowances	(278)	–
Total Net variation of provisions	**6,960**	**2,436**

f) Variations in value of real estate investments and Result due to variation in value of assets and impairment

The breakdown of the result of the “Variations in value in real estate investments” heading of the consolidated income statement broken down by type is as follows:

Thousands of euros

	2019	2018
Investment property (Note 10)	842,657	701,952
Assets classified as held for sale - Real estate investments (Note 24)	31,042	–
Variations in property investment value	**873,699**	**701,952**
Spain	**346,810**	**412,938**
France	**526,889**	**289,014**

The detail of the nature of the impairments recorded in the “Result due to changes in asset value and impairment” heading of the consolidated income statement is presented in the following table:

Thousands of euros

	2019	2018
Impairment of goodwill (Note 7)	(62,225)	(114,304)
Impairment / (Reversal) of real estate for own use (Note 9)	1,208	1,630
Other impairments	(339)	(447)
Substitute write-offs	(538)	(18,269)
Result due to variation in asset value and impairment	**(61,894)**	**(131,390)**

g) Net results from asset sales

The composition of the Group's net results from asset sales (Notes 10 and 24), as well as their geographical distribution, are detailed below:

Thousands of euros

	Spain		France		Total	
	2019	2018	2019	2018	2019	2018
Sale price	294,860	388,930	–	260	294,860	389,190
Asset write-offs	(263,208)	(366,986)	–	(230)	(263,208)	(367,216)
Write-off of waiting periods	(683)	–	–	–	(683)	–
Indirect and other costs	(11,045)	(10,244)	–	(9)	(11,045)	(10,253)
Net result from asset sales	**19,924**	**11,700**	**–**	**21**	**19,924**	**11,721**

h) Income and financial expenses

The breakdown of the financial result broken down by type is as follows:

Thousands of euros

	2019	2018
Financial income:		
Income from shareholdings	–	71
Other interests and similar income	2,232	2,389
Income from derivative financial instruments (Note 16)	–	64
Capitalised financial costs (Notes 10 and 12)	5,066	5,307
Total Financial Income	**7,298**	**7,831**
Financial expenses:		
Financial expenses and similar expenses	(89,129)	(104,687)
Financial expenses per update (Notes 8 and 19)	(1,138)	(548)
Financial expenses associated with loan cancellation	(4,743)	(6,946)
Financial expenses associated with repurchase of debentures	–	(24,459)
Financial expenses associated with arrangement expenses (Note 15-I)	(5,569)	(6,384)
Expenses from derivative financial instruments (Note 16)	(2,807)	(6,409)
Total Financial Expenses	**(103,386)**	**(149,433)**
Result for impairment of the value of financial assets	**–**	**(143)**
Total Financial Result (Loss)	**(96,088)**	**(141,745)**

i) Transactions with related parties

The main transactions with related parties were the following:

Thousands of euros

	2019	2018
	Building leases	Building leases
Gas Natural, SDG, S.A. (*)	1,508	5,300
Total	**1,508**	**5,300**

(*) Gas Natural, SDG, S.A. was the partner of the parent company in the subsidiary Torre Marenostrum, S.L. On 30 April 2019, the parent company acquired the non-controlling interest held by Gas Natural, S.D.G., S.A. in the parent company (Note 2-f).

On 16 November 2018, the parent company purchased 10,323,982 shares in the subsidiary SFL from Qatar Holding, LLC and DIC Holding, LLC through (i) the parent company's contribution of 7,136,507 shares in the subsidiary in consideration for the subscription of 53,523,803 new shares in the parent company (Note 14-a), (ii) the exchange of 400,000 shares in the subsidiary SFL for 3,000,000 shares in the parent company that it held in treasury stock (Note 14-f), and (iii) the sale to the parent company of 2,787,475 shares in SFL for 203,486 thousand euros.

j) Result by company

The contribution of each company included in the scope of consolidation to the consolidated results for the year was as follows:

Thousands of euros

	Net consolidated income		Net result attributed to non-controlling interests		Net income for the year attributed to the parent company	
Company	2019	2018	2019	2018	2019	2018
Inmobiliaria Colonial, SOCIMI, S.A.	348,110	120,534	(314)	(2,699)	347,796	117,835
SFL subgroup	647,720	384,646	(165,835)	(147,971)	481,885	236,675
Inmocol Torre Europa, S.A.	20	1,125	(10)	(563)	10	562
Peñalvento, S.L.U.	(332)	10,243	–	–	(332)	10,243
Colonial Tramit, S.LU	(3)	(2)	–	–	(3)	(2)
Utopicus Innovación Cultural, S.L. (*)	(2,992)	(2,766)	435	476	(2,557)	(2,290)
Zincshower, S.L.U. (*)	–	(13)	–	2	–	(11)
Colaboración e Innovación Virtual, S.L.U. (*)	–	(1)	–	–	–	(1)
Torre Marenostrum, S.L. (**)	–	6,291	–	(2,831)	–	3,460
Danieltown Spain, S.LU. (**)	–	15,424	–	–	–	15,424
Moorage Inversiones 2014, S.L.U (**)	–	70,351	–	–	–	70,351
Hofinac Real Estate, S.L.U. (**)	–	31,152	–	–	–	31,152
Fincas y representaciones, S.A.U. (**)	–	10,879	–	–	–	10,879
Colonial Arturo Soria, S.L.U. (**)	–	2,589	–	–	–	2,589
LE Offices Egeo, S.A.U. (**)	–	6,071	–	–	–	6,071
Agisa, S.A.U. (**)	–	6,731	–	–	–	6,731
Soller, S.A.U. (**)	–	5,628	–	–	–	5,628
Axiare Investments, S.L.U. (**)	–	(3,197)	–	206	–	(2,991)

Thousands of euros

Company	Net consolidated income		Net result attributed to non-controlling interests		Net income for the year attributed to the parent company	
	2019	2018	2019	2018	2019	2018
Axiare Properties, S.L.U. (**)	–	(4)	–	–	–	(4)
Axiare I+D+i, S.L.U. (**)	–	(835)	–	10	–	(825)
Venusaur, S.L.U. (**)	–	10,370	–	94	–	10,464
Chameleon (Cedro), S.L.U. (**)	–	2,895	–	(70)	–	2,825
Colonial Invest, S.L.U. (**)	–	(2)	–	–	–	(2)
Total	**992,523**	**678,109**	**(165,724)**	**(153,346)**	**826,799**	**524,763**

(*) During 2018, the Utopicus subgroup was made up of the companies Utopicus Innovación Cultural, S.L., Zincshower, S.L.U. and Colaboración e Innovación Virtual, S.L.U.
In December 2019, the merger by absorption of the subsidiary Utopicus Innovación Cultural, S.L. was carried out (absorbing company and owner of the entire share capital) with the subsidiaries Zincshower S.L.U. and Colaboración e Innovación Virtual, S.L.U. (absorbed companies). This merger is registered in the Mercantile Registry of Madrid.
(**) During 2019, the parent company absorbed various subsidiaries through mergers by absorption. All mergers are registered in the corresponding mercantile registry.

21. STOCK OPTION PLANS

a) Long-term compensation plan linked to compliance with various management indicators

On 21 January 2014, the Annual General Meeting of the parent company established, for the Chairman and CEO of the parent company, as well as for the members of the Group's steering committee, a long-term compensation plan to be applicable from 2014 to 2018.

Between 1 and 15 April of each of the following tax years, the Board of Directors, at the proposal of the appointments and remuneration committee, will determine the number of shares that, depending on how the previous year indicators had been fulfilled, it has corresponding to each of the beneficiaries of the plan. The corresponding shares will be delivered to the beneficiaries between 15 and 30 April each year.

Shares received in execution of this plan may not be disposed of or transmitted by the beneficiaries thereof until three years have elapsed from the date of delivery, except those required to pay the taxes derived from their accrual.

The delivery of the resulting shares will include a final adjustment so that the equivalent of the monetary value of the delivered share is in no case higher than 150% of the average price of the Colonial share in November 2013.

The plan includes the usual clauses to adapt the number of shares to be received by the beneficiaries in cases of dilution.

During 2019 and 2018, the "Personal expenditure - Other welfare expenses" heading of the consolidated statement of income 2,978 and 1,454 thousand euros, respectively, has been recorded to cover said incentive plan (Note 20-c).

On 30 April 2019, the parent company settled the outstanding obligations corresponding to the fulfilment of the plan, once the Board of Directors determined the number of shares to be delivered to the plan beneficiaries according to the degree of compliance with the indicators for 2018, which stood at 493,894 shares (Note 14-f). On that date, the shares were delivered to their beneficiaries. Of these, 219,767 shares were delivered to the members of the Board of Directors and 172,675 to members of senior management, at a market value at the time of delivery of 2,109 and 1,657 thousand euros, respectively.

On 25 April 2018, the parent company settled the outstanding obligations corresponding to the fulfilment of the plan, once the Board of Directors determined the number of shares to be delivered to the plan beneficiaries according to the degree of compliance with the indicators for 2017, which stood at 421,813 shares (Note 14-f). On that date, the shares were delivered to their beneficiaries. Of these, 195,100 shares were delivered to the members of the Board of Directors and 153,294 to members of senior management, at a market value at the time of delivery of 1,828 and 1,436 thousand euros, respectively.

b) Extension of the duration of the long-term compensation plan linked to compliance with various management indicators

On 29 June 2017, the Annual General Meeting approved extending the duration of the application of the share delivery plan approved by the annual general meeting dated 21 January 2014 for a period of two additional years under the same terms and conditions.

c) SFL stock option plans

The subsidiary company SFL maintains two free share allocation plans at 31 December 2019, the details of which are as follows:

	Plan 4	Plan 5	Plan 5
Meeting date	13/11/2015	20/04/2018	20/04/2018
Board of Directors Date	03/03/2017	20/04/2018	15/02/2019
Initial target number	33,376	33,592	32,948
% initially expected	70.83%	100%	100%
Number initially expected	23,640	33,592	32,948
Value per share (euros)	42.61	48.64	54.00
Options cancelled / outflows	(2,380)	(1,640)	(212)
% expected at closing	150%	100%	100%
Estimated number at closing	46,494	31,952	32,736

Each share allocation plan has been calculated based on the expected number of shares multiplied by the unit fair value of those shares. This expected number of shares corresponds to the total number of shares multiplied by the expected purchase attribution percentage. The resulting amount is allocated linearly during the allocation period.

The fair value of the attributed shares is determined by the price at the date of attribution, corrected by the updated value of future dividends paid during the acquisition period, applying the Capital Asset Pricing Model (CAPM) method.

During the first half of 2019, 46,302 free shares from Plan 4 from 2016 were delivered.

At 31 December 2019 and 2018, the amount recorded in the consolidated statement of income corresponding to said plans for the free allocation of shares amounts to 2,331 and 1,952 thousand euros (Note 20-c).

22. BALANCES WITH RELATED PARTIES AND ASSOCIATED COMPANIES

At 31 December 2019 and 2018, the Group does not hold any balances with related parties and associated companies.

23. REMUNERATION AND OTHER BENEFITS TO THE BOARD OF DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT

a) Composition of the Board of Directors of the Parent Company

At 31 December 2019, the Board of Directors of the parent company consists of 10 males and 3 females, while at December 31 2018, it was made up of 10 males and 1 female.

At 31 December 2019 the composition of the board of directors of the parent company is as follows:

Director	Position	Director Type
Mr. Juan José Brugera Clavero	Chairman	Executive
Mr. Pedro Viñolas Serra	Vice-chairman	Executive
Mr. Sheikh Ali Jassim M. J. Al-Thani	Director	Proprietary
Mr. Adnane Mousannif	Director	Proprietary
Mr. Carlos Fernández González	Director	Proprietary
Mr. Javier López Casado	Director	Proprietary
Mr. Juan Carlos García Cañizares	Director	Proprietary
Mr. Carlos Fernández-Lerga Garralda	Lead Director	Independent
Ms. Silvia Alonso-Castrillo Allain	Director	Independent
Mr. Javier Iglesias de Ussel Ordís	Director	Independent
Mr. Luis Maluquer Trepat	Director	Independent
Ms. Ana Lucrecia Bolado Valle	Director	Independent
Ms. Ana Cristina Peralta Moreno	Director	Independent

On 14 May 2019, the Annual General Meeting appointed new independent directors Ms. Ana Lucrecia Bolado Valle and Ms. Ana Cristina Peralta Moreno.

On 24 January 2019, Ms. Ana Sainz de Vicuña left. On the same date, new Independent Director Ms. Silvia Mónica Alonso-Castrillo Allain was appointed.

On 24 May 2018, the Annual General Meeting appointed Mr. Javier López Casado as a new proprietary director.

In accordance with the provisions of article 229 of the Corporate Enterprises Act, the administrators have communicated that there is no direct or indirect conflict situation that they or persons linked to them may have in the interest of the parent company.

b) Remuneration of the Board of Directors

The remuneration accrued during 2019 and 2018 by the members of the Board of Directors of the parent company classified by concept have been the following:

31 December 2019 – Thousands of euros

	Parent company	Other Group companies	Total
Remuneration accrued by executive directors (*):	**2,520**	**150**	**2,670**
Non-executive directors per diems:	**619**	**60**	**679**
Executive directors per diems:	**–**	**48**	**48**
Fixed remuneration for non-executive directors:	**864**	**80**	**944**
Directors compensation	580	40	620
Additional compensation audit and control committee	123	40	163
Additional remuneration appointments and remuneration committee	161	–	161
Remuneration of executive directors	**–**	**70**	**70**
Total 2019	**4,003**	**408**	**4,411**
Amount of the remuneration obtained by the executive directors (*):	2,520	268	2,788

(*) The amount corresponding to the accrued expense associated with the long-term incentive plan described in Note 21 is not included.

31 December 2018 – Thousands of euros

	Parent company	Other Group companies	Total
Remuneration accrued by executive directors (*):	**3,347**	**150**	**3,497**
Non-executive directors per diems:	**561**	**80**	**641**
Executive directors per diems:	**–**	**45**	**45**
Fixed remuneration for non-executive directors:	**780**	**100**	**880**
Directors compensation	505	60	565
Additional compensation audit and control committee	125	40	165
Additional remuneration appointments and remuneration committee	150	–	150
Remuneration of executive directors	**–**	**70**	**70**
Total 2018	**4,688**	**445**	**5,133**
Amount of the remuneration obtained by the executive directors (*):	3,347	265	3,612

(*) The amount corresponding to the accrued expense associated with the long-term incentive plan described in Note 21 is not included.

At 31 December 2019 and 2018, the parent company has taken out civil liability insurance that covers all the directors, members of senior management and employees of the parent company, with a premium amounting to 270 and 369 thousand euros, respectively. The aforementioned amount includes, for both years, the civil liability insurance premium paid for damages caused by acts or omissions.

The Annual General Meeting held on 28 June 2016 approved granting the executive directors a defined contribution scheme that covers retirement contingencies and, where appropriate, disability and death. At 31 December 2019 and 2018, the parent company registered 182 and 180 thousand euros, respectively, for said item in the "Personnel expense" section of the consolidated income statement.

In addition to that stated in the previous paragraph, the Group has not been awarded loans or taken out pension plans or life insurance for the previous and current members of the Board of Directors of the parent company.

At 31 December 2019 and 2018, two members of the Board of Directors have signed guarantee or shield clauses for certain cases of dismissal or change of control, which have all been approved at the Annual General Meeting.

In addition, during 2019 and 2018, there have been no terminations, modifications or early terminations of contracts outside ordinary business activities between the parent company and the members of the Board of Directors or any person acting on their behalf.

c) Compensation to senior management

The parent company's senior management is made up of all those senior executives and other persons who, reporting directly to the CEO, manage the parent company. At 31 December 2019 and 2018, senior management consists of two males and two females.

The monetary remuneration received by senior management during 2019 amounts to 1,275 thousand euros. Additionally, they received 1,657 thousand euros corresponding to the long-term incentive plan (1,505 and 1,436 thousand euros, respectively, during 2018).

The Board of Directors held on 27 July 2016 approved awarding a member of senior management a defined contribution scheme that covers retirement contingencies and, where appropriate, disability and death. At 31 December 2019 and 2018, the parent company registered 62 and 62 thousand euros, respectively, for this item in the "Personnel expense" heading of the comprehensive consolidated income statement.

At 31 December 2019 and 2018, a member of senior management had signed a guarantee or shield clause for certain cases of dismissal or change of control.

24. ASSETS CLASSIFIED AS HELD FOR SALE

The movements in this section of the statement of financial position have been the following:

- **Thousands of euros**

	Investment property
Balance at 31 December 2017	**–**
Transfers (Note 10)	26,091
Balance at 31 December 2018	**26,091**
Transfers (Note 10)	364,609
Disposals (Note 20-g)	(245,308)
Value variation (Note 20-f)	31,042
Balance at 31 December 2019	**176,434**

Movements in 2019

During 2019, the parent company has transferred 19 properties from the heading of the consolidated statement of financial position "Real estate investments", amounting to 364,609 thousand euros.

Of the total transferred property, the parent company has disposed of a hotel in Madrid and 11 logistics assets for a total sale amount of 271,910 thousand euros, including indirect costs of the sale.

Of the remaining transferred properties, two purchase options were signed on 7 August 2019, for seven logistic assets, amounting to 18,259 thousand euros, which are registered under the customer advances heading of the consolidated statement of financial position and for the amount of which guarantees have been established in favour of the applicant (Note 17-c). The execution date of these options will be on 31 March and 31 December 2020 at the latest.

The "Variations in value in real estate investments" heading of the consolidated statement of income includes the results for revaluating the assets classified as held for sale for 2019, for an amount of 31,042 thousand euros of loss (Note 20-f), according to independent expert assessments at 31 December 2019 (Note 4-c).

Movements in 2018

During 2018, the parent company transferred a property from the “Real estate investments” heading of the consolidated statement of financial position, amounting to 26,091 thousand euros (Note 10).

25. REMUNERATION TO AUDITORS

The fees accrued for account auditing services corresponding to 2019 and 2018 of the different companies making up the Colonial Group, provided by the main auditor and other auditors, have amounted to the following:

Thousands of euros

	2019		2018	
	Main auditor	Other auditors	Main auditor	Other auditors
Audit services	667	241	756	237
Other verification services	143	19	176	25
Total audit and related services	**810**	**260**	**932**	**262**
Tax advice services	–	29	–	18
Other services	53	282	47	717
Total professional services	**53**	**311**	**47**	**735**

The main auditor of Grupo Colonial for 2019 and 2018 is PricewaterhouseCoopers Auditores, S.L.

The fees for other verification services include 141 thousand euros corresponding to services provided to the Company for limited revisions, issuance of comfort letters and reports of agreed procedures on ratios linked to financing contracts and a report of agreed procedures on the net asset value (149 thousand euros in 2018). Additionally, the Company’s auditor has performed services to subsidiaries on agreed procedures on ratios linked to financing contracts amounting to 2 thousand euros (2 thousand euros in 2018). The main auditor’s fees represent less than 1% of its turnover in Spain.

26. SUBSEQUENT EVENTS

Since 31 December 2019 and up to the date these consolidated annual financial statements were prepared, no significant events have occurred.

APPENDIX

Companies included in the scope of consolidation

At 31 December 2019 and 2018, the subsidiaries consolidated by global integration and the information related to them is as follows:

	% shareholding					
	Direct		Indirect			
	2019	2018	2019	2018	Shareholder	Activity
Torre Marenostrum, S.L. (*) Avda. Diagonal 532 08006 Barcelona (Spain)	merged	55%	–	–		Real estate
Colonial Invest, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	merged	100%	–	–		Real estate
Colonial Tramit, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	100%	100%	–	–		Real estate
Danieltown Spain, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	merged	100%	–	–		Real estate
Moorage Inversiones 2014, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	merged	100%	–	–		Real estate
Hofinac Real Estate, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	merged	100%	–	–		Real estate
Fincas y representaciones, S.A.U. Avda. Diagonal 532 08006 Barcelona (Spain)	merged	100%	–	–		Real estate
Inmocol Torre Europa, S.A. (*) Avda. Diagonal 532 08006 Barcelona (Spain)	50%	50%	–	–		Real estate
Colonial Arturo Soria, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	merged	100%	–	–		Real estate
LE Offices Egeo, S.A.U. Pº de la Castellana, 52 28046 Madrid (Spain)	merged	100%	–	–		Real estate
Chameleon (Cedro), S.L.U. Avda. Diagonal, 532 08006 Barcelona (Spain)	merged	100%	–	–		Real estate
Venusaur, S.L.U. Avda. Diagonal, 532 08006 Barcelona (Spain)	merged	100%	–	–		Real estate
Axiare Invesments, S.L.U. Pº de la Castellana, 52 28046 Madrid (Spain)	merged	100%	–	–		Real estate
Axiare Properties, S.L.U. Pº de la Castellana, 52 28046 Madrid (Spain)	merged	100%	–	–		Real estate
Axiare Investigación, Desarrollo e Innovación, S.L.U. Pº de la Castellana, 52 28046 Madrid (Spain)	merged	100%	–	–		Real estate

	% shareholding					
	Direct		Indirect			
	2019	2018	2019	2018	Shareholder	Activity
Almacenes Generales Internacionales, S.A.U. Pº de la Castellana, 52 28046 Madrid (Spain)	merged	100%	–	–		Real estate
Soller, S.A.U. Pº de la Castellana, 52 28046 Madrid (Spain)	merged	100%	–	–		Real estate
Peñalvento, S.L.U. Pº de la Castellana, 52 28046 Madrid (Spain)	100%	100%	–	–		Real estate
Utopicus Innovación Cultural, S.L. Príncipe de Vergara, 112 28002 Madrid (Spain)	96,81%	83.47%	–	–		Coworking
Zincshower, S.L.U. Colegiata, 9 28012 Madrid (Spain)	merged	–	–	100%	Utopicus Innovación Cultural, S.L.	Coworking
Colaboración e Innovación Virtual, S.L.U. Duque de Rivas, 5 28012 Madrid (Spain)	merged	–	–	100%	Utopicus Innovación Cultural, S.L.	Coworking
SA Société Foncière Lyonnaise (SFL) 42, rue Washington 75008 Paris (France)	81,71%	81.71%	–	–		Real estate
SNC Condorcet Holding (**) 42, rue Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SNC Condorcet PROPCO (**) 42, rue Washington 75008 Paris (France)	–	–	100%	100%	SNC Condorcet Holding	Real estate
SCI Washington (*) 42, rue Washington 75008 Paris (France)	–	–	66%	66%	SFL	Real estate
SCI 103 Grenelle (*) 42, rue Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SCI Paul Cézanne (*) 42, rue Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SA Segpim (*) 42, rue Washington 75008 Paris (France)	–	–	100%	100%	SFL	Marketing real estate and service provision
SAS Locaparis (*) 42, rue Washington 75008 Paris (France)	–	–	100%	100%	Segpim	Marketing real estate and service provision
SAS Maud (*) 42, rue Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SAS Société Immobilière Victoria (*) 42, rue Washington 75008 Paris (France)	–	–	merged	100%	SFL	Real estate

	% shareholding					
	Direct		Indirect			
	2019	2018	2019	2018	Shareholder	Activity
SAS SB2 (*) 42, rue Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SAS SB3 (*) 42, rue Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SCI SB3 42, rue Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SAS Parholding (*) 42, rue Washington 75008 Paris (France)	–	–	50%	50%	SFL	Real estate
SC Parchamps (*) 42, rue Washington 75008 Paris (France)	–	–	100%	100%	SAS Parholding	Real estate
SC Pargal (*) 42, rue Washington 75008 Paris (France)	–	–	100%	100%	SAS Parholding	Real estate
SC Parhaus (*) 42, rue Washington 75008 Paris (France)	–	–	100%	100%	SAS Parholding	Real estate

(*) Company audited in 2019 by PricewaterhouseCoopers.
(**) Company audited in 2019 by Deloitte & Associés.

At 31 December 2019 and 2018, the Group companies were audited by PricewaterhouseCoopers Auditores, SL, except for the SFL Group, which was jointly audited by Deloitte and PricewaterhouseCoopers.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Consolidated management report corresponding to the year ended on 31 December 2019

1. GROUP STATUS

Rental Market Situation

Barcelona

The office market in Barcelona closed 2019 with a record cumulative take-up in the historical series of 410,000 sqm, +12% higher than the figure in 2018. The vacancy rate continued on a downward trend to stand at 5% for the entire market, at its lowest in the last decade. In the CBD, the vacancy rate continued to reduce to 1.7%. A lack of future supply together with the strong demand is driving up prime rents to €27.5/sqm/month, which represents an annual increase of +9%. Long-term forecasts continue with growth perspectives, based on the fact that currently 35% of the demand is for new occupancy and 30% of the future supply is already taken up.

Madrid

During 2019, more than 600,000 sqm were signed in the office market in Madrid. This figure is above the average over the last five years. This high demand positioned the vacancy rate at 8.5%, a 17% decrease compared to the previous year. In turn, the CBD in Madrid had the highest demand, with 35% of the total, resulting in a low vacancy rate of 6.5% in the CBD. A lack of quality product in the City Center continued to put upward pressure on rental prices, resulting in prime rents continuing to rise to a value of €36.50/sqm/month. Likewise, it is worth mentioning that Madrid remains a robust market with a stable net absorption, enabling it to be one of the cities with the greatest rent growth in Europe.

Paris

In the office market in Paris, take-up in 2019 reached a total of 2,317,000 sqm, a figure higher than the average over the last 10 years. Likewise, it is worth mentioning that 50% of the take up was in spaces in Paris City Centre. Vacancy in the entire market reached an all-time low over the last 10 years to stand at 5%. In the CBD, a lack of supply continued to decrease to reach 2,718,000 sqm, positioning the vacancy rate at 1.0%. As a consequence, prime rents continued to increase, reaching levels above €800/sqm/year.

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

Organisational structure and operation

Colonial is the benchmark SOCIMI in the quality office market in Europe and since the end of June 2017 it has been a member of the IBEX 35, which is the reference index of the Spanish stock market.

The company has a market capitalisation of approximately 5,800 million euros with a free float of around 60% and manages an asset volume of more than 12,000 million euros.

The company's strategy focuses on building industrial value through creating the highest quality prime product through real estate transformation and repositioning of the assets.

In particular, the strategy is based on the following pillars:

> A business model focused on transformation and creation of top quality offices in prime locations, mainly the CBD (Central Business District).

> Maximum commitment in creating offices that respond to the best demands in the market, with special emphasis on efficiency and sustainability.

> A diversified pan-European strategy in the Barcelona, Madrid and Paris office markets.

> An investment strategy that combines core acquisitions with prime factory acquisitions and value-added components.

> A clearly industrial real estate approach to capture above-market-average value creation.

Today Colonial is the European company with the greatest focus on city centre areas and leads the Spanish real estate market in terms of quality, sustainability and efficiency of its office portfolio.

Likewise, it has adopted a comprehensive approach to all areas of Corporate Social Responsibility, aiming at the highest standards of (1) sustainability and energy efficiency, (2) corporate governance and transparency, as well as (3) excellence in HR and social actions and making them an integral part of the Group's strategy.

In recent years Colonial has successfully implemented the objective of organic investment announced to the capital market: asset acquisitions prioritising off-market operations, identifying properties with added value potential in market segments with sound fundamentals. For this reason, there have been significant investments and divestitures in the Colonial Group since 2015.

At the end of 2019, the Colonial Group has a robust capital structure with a solid "Investment Grade" rating. The Group's LTV stands at 36% in December 2019.

The parent company's strategy is to consolidate itself as the leader of prime offices in Europe with special emphasis on the Barcelona, Madrid and Paris markets:

> A solid capital structure with a clear vocation to maintain the highest credit rating standards - investment grade

> An attractive return for the shareholder based on a recurring return combined with creating real estate value from value-added initiatives.

2. DEVELOPMENT AND RESULT OF BUSINESS

Introduction

At 31 December 2019, the Group's turnover was 355 million euros.

The operating profit was 299 million euros.

The revaluation of real estate investments, in accordance with the independent appraisal carried out by Jones Lang Lasalle and CB Richard Ellis, in Spain, and Cushman & Wakefield and CB Richard Ellis, in France at year end, was 874 million euros. This adjustment, registered in both France and Spain, is the result of an increase in value in homogeneous terms of 9% compared to December 2018 (16% in Barcelona, 6% in Madrid and 9% in France).

The net financial cost amounted to 96 million euros.

Finally, after deducting the minority interest of 166 million euros, the profit attributable to the Group amounted to 827 million euros in profit.

Annual Results

Double-digit value creation for shareholders

Colonial closed 2019 with an EPRA Net Asset Value of €11.5/share, in a year-on-year increase of +14%, which, together with the dividend paid of €0.20 per share, led to a total shareholder return of +16%.

In absolute terms, the EPRA NAV amounts to 5,825 million euros.

The outstanding value creation for the shareholders relies on an industrial real estate strategy with a high Alpha returns component. The main aspects are the following:

> Successful management of the project portfolio: Projects completed as well as the signing of important pre-lettings in the project pipeline and in the renovation program.

> Capturing of important rental growth thanks to excellent fundamentals in the CBD, where Colonial has a unique exposure of 76%.

> A compression of prime office yields, due to an increased demand of the investment market on a framework of decreasing interest rates and scarce supply in CBD.

Significant increase in value of the real estate portfolio

The gross asset value of the Colonial Group at the close of 2019 amounted to 12,196 million euros (12,807 million euros including transfer costs), with a like-for-like increase of +9% compared to the previous year (+5% like-for-like in the second half).

The offices portfolio in Barcelona, with an excellent positioning in the CBD and 22@, reached a like-for-like growth of +16% in 2019 (+7% in the second half) with important growth in all the assets due to a combination of increases in rental prices, the successful delivery of the Pedralbes Centre and Gala Placidia, as well as yield compression.

Madrid increased +6% like-for-like in 2019 (+3% in the second half), due to its strong positioning in the City Centre and the CBD in combination with the successful delivery and management of the Discovery, The Window and Avenida Bruselas projects in recent months, which have enabled the signing of rental contracts at prices at the high end of the market with top tier clients.

The Paris portfolio increased +9% like-for-like in 2019 (+5% like-for-like in the second half) which is underpinned by a high global appeal of the CBD market in Paris in combination with the successful pre-letting of the Louvre St. Honoré project and the Haussmann renovation program.

Significant increase in net recurring profit and net earnings per share

The Colonial Group closed 2019 with a net profit of 827 million euros, an increase of +302 million euros, up +58% compared to the previous year and with a net recurring profit of 139 million euros, an increase of +39 million euros, up +38% compared to the previous year.

Net recurring EPS amounted to €27.4cts per share, resulting in an increase of +23% versus the previous year.

The increase in the recurring net profit of +39 million euros (+38% vs. the previous year) was driven by:

> An increase in EBITDA of +11 million euros (+3 million euros, after the adjustment of the impact of the disposal on non-strategic assets).

> A reduction in financial costs of 13 million euros.

> A higher attributable profit due to the increase in the SFL stake from 59% up to 82%, (acquired at the end of 2018) which is reflected in the line of minority interests.

The disposals of non-strategic assets carried out in 2019 have resulted in an impact of lower rents on the recurring profit of 8 million euros. Consequently, the recurring profit per share, excluding the non-strategic asset sales, would have been €29cts/share, an increase of +30% in comparable terms.

Considering the significant growth in the value of the portfolio in 2019, as well as the capital gain on the disposals and deducting all of the non-recurring impacts, the net attributable results amounted to 827 million euros, up +58% compared to the previous year, equivalent to an increase of +302 million euros.

Solid revenue growth in Gross Rental Income

Colonial closed 2019 with 352 million euros of Gross Rental Income, up +1% compared to the previous year. The sale of the logistics portfolio and non-core assets reflects the reduction in rent for the disposals carried out.

In like-for-like terms, the rental income from Colonial's portfolio increased +4% compared to the previous year.

This growth in rental income is based on a significant like-for-like increase across the portfolio in all three markets in which the Colonial Group operates.

This strong like-for-like growth is among the highest in Europe and is mainly due to the capacity of the Colonial Group to capture rental price increases, thanks to its strong positioning in the city center (CBD). Of note is the Madrid market with an increase of +6% like-for-like.

In terms of the breakdown of the contribution of each of the three markets of the Group's portfolio, the main aspects to highlight are the following:

> Barcelona +2.4% like-for-like due to rental price increases across the entire portfolio. Worth highlighting is the increase in rents in the the Avinguda Diagonal 609, Torre BCN, Amigó 11-17, Illacuna and Vía Augusta assets, which are leading the growth in Barcelona.

> Madrid +6% like-for-like. This increase is mainly driven by the market rental review of current prices on the Martínez Villergas, Santa Engracia & Sagasta 31-33 assets, as well as a substantial improvement in occupancy such as in the Egeo & Jose Abascal 56 assets.

> Paris +3% like-for-like. Rental increases rose by 5 million euros. This was due to an increase in prices and new leases, mainly on Cézanne Saint Honoré, Edouard, VII, Washington Plaza and Louvre St. Honoré offices.

Colonial Group rental income was impacted by the disposal of non-strategic assets. These divestments have strengthened the quality of the Group portfolio and correspond to: 1) the of the secondary office portfolio at the end of 2018, 2) the sale of the Centro Norte Hotel and 3) the sale of the logistics portfolio in 2019.

In addition, the rotation of the project portfolio as well as the start of the renovation program in Madrid, resulted in a temporary decrease in rents, specifically due to the start of the projects on the 83 Marceau asset in Paris and the Velázquez and Miguel Ángel 23 assets in Madrid.

Solid operational fundamentals in all segments

The Colonial Group's business has performed excellently, with take-up levels moving at a strong pace, achieving levels close to full occupancy.

Capturing rental price increases

The Colonial Group's business has performed excellently, with take-up levels moving at a strong pace, achieving levels close to full occupancy. At the close of 2019, the Colonial Group had signed 135 rental contracts on the office portfolio corresponding to 263,301 sqm and annual rents of 93 million euros.

Double digit release spreads:

For the contracts renewed in 2019, the release spread (signed rents vs previous rents) was +14%. Of special mention is the high release spread in the Barcelona portfolio of +31%, as well as a solid increase in Madrid of +9% and in Paris of +7%.

Strong rental growth compared to the market:

Compared with the market rent (ERV) at December 2018, signed rents increased by +6% in 2019.

In Barcelona, rents were signed at +9% above market rent at December 2018, in the Paris portfolio, the increase in ERVs was +7%, and the Madrid portfolio was up +4%.

In the Madrid portfolio, it is important to highlight that the growth of the rental prices in the Madrid CBD was +6%, a percentage much higher than the +3% of the contracts signed outside the M30.

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

In Spain, in 2019, 207,247sqm were signed across 94 contracts.

In the Madrid portfolio, 142,781 sqm were signed across 53 transactions. The largest transaction relates to the renewal of the entire surface area of Santa Hortensia (more than 40,000 sqm) with a multinational technology company. In addition, there are the renewals of 6,000 sqm on the Ramírez Arellano asset, 5,700 sqm on the Josefa Valcarcel 24 asset, José Abascal 56 and Tucumán, as well as 5,200 sqm on the Alfonso XII asset.

In terms of new contracts, noteworthy is the signing in April 2019 of 100% of the project delivered at Avenida Bruselas 38 for the headquarters of MasMovil, an IBEX35 technology company. In addition, there is the signing of 8,700 sqm on the Josefa Valcarcel 40 building with a leading communication group in Spain, a deal that will result in 100% occupancy of the asset. Also noteworthy are the signing of almost 9,000 sqm on the Francisca Delgado 11 building with various tenants, as well as the signing of more than 7,600 sqm on the new project in Castellana 163 (a surface area signed with various tenants).

In the Barcelona office portfolio, 64,466 sqm were signed across 41 transactions. Among the highlights is the pre-letting of the entire Diagonal 525 project, which will house the new headquarters of a prestigious company in the electric and gas industry. Also worth noting is the signing of 6,700 sqm on the Torre Marenostrum asset, as well as the signing of 4,300 sqm on the recently delivered Gala Placidia project.

In terms of renewals, worth mentioning is the renewal of 11,800 sqm on the Diagonal 197 asset and the 5,200 sqm on Paseo de los Tilos, both contracts with prestigious solvent clients. With respect to the signing of new contracts, highlighted are the 4,000 sqm on the Sant Cugat building, 2,400 sqm on the Diagonal 682 building and 2,400 sqm on the Berlín/Numancia building.

In the Paris portfolio, 56,054 sqm were signed across 41 transactions.

Of special mention is the renewal of 2,700 sqm of office space in the Louvre Saint Honoré building. In terms of new leases, worth noting is the signing of 20,000 sqm with the Cartier Foundation with a 20-year minimum fixed term. In addition, there is the signing of 3,500 sqm on the Edouard VII building, the signing of almost 12,000 sqm on the 106 Haussmann building, as well as signing of 4,800 sqm on 103 Grenelle, among others.

Solid occupancy levels

The total vacancy of the Colonial Group's portfolio (including all uses: offices, retail and logistics) stood at levels of 2.7% at the close 2019. Noteworthy is the office portfolio in Paris, with a vacancy rate of 1.6%.

The Barcelona office portfolio has a vacancy rate of 2%, a ratio that remains at very low levels, in line with the high quality of the portfolio. The variation compared to the previous quarter is mainly due to the rotation of tenants within the portfolio, freeing up top quality spaces and facilitating future income reversion.

The office portfolio in Madrid has a vacancy rate of 4.3%, improving by +619bps compared to December 2018 and by +307bps compared to the third quarter of 2019. The main new leases signed were on assets such as José Abascal 56, Ramírez Arellano 15, Alfonso XII, Avenida Bruselas 38 & Francisca Delgado 11, among others. The 4% vacancy rate is concentrated mainly on portfolio assets coming from Axiare. In particular, the recently delivered Ribera de Loira project, as well as the Francisca Delgado 11 and Josefa Valcárcel 40bis assets are highlighted.

Successful delivery of projects – "real estate transformation"

Project Pipeline:

During 2019, the Colonial Group successfully delivered 3 large projects: Gala Placidia and Pedralbes Centre in Barcelona and Avenida de Bruselas 38 in Madrid, comprising the three benchmark buildings in their area.

Gala Placidia is an asset located in the Barcelona CBD, acquired under the framework of the Alpha III project at the beginning of 2018, which has been completely refurbished with the aim of maximizing coworking initiatives. The asset, which is managed by Utopicus, a company of the Colonial Group dedicated to the management of flexible spaces, has attracted different international companies looking for flexibility in spaces in a CBD location, as well as the community offering and Utopicus services.

Pedralbes Centre was the other large project delivered in Barcelona during 2019. This project has enabled 1) the active space to be reorganized, increasing the GLA (Gross Lettable Area) by +27%, 2) management costs to be optimized and 3) large commercial units to be chosen. This new approach attracted the interest of different top tier tenants, with UNIQLO, a global fashion company, deciding to pre-let the main space at a very attractive rental price.

In Madrid, the Avenida Bruselas 38 asset was delivered, which is a project initiated by Axiare and executed by Colonial. This is a unique, top quality office building, with one of the best micro-locations in the sub-market of Arroyo de la Vega, and has led to the signing of a 7-year contract of mandatory compliance for the headquarters of a top tier technology company, resulting in 100% occupancy.

The delivery of these projects has provided significant value creation for Colonial's shareholders.

Regarding the progress of the projects, a commercial space of 16,000 sqm is being developed in Louvre Saint Honoré. In 2019, two important milestones were reached for the project: 1) a pre-let agreement was signed with the Cartier Foundation with very favorable terms and 2) the work permit was received and the project is now in the execution phase, therefore work will commence during the first half of 2020.

Renovation Program

The Colonial Group counts on a renovation program accelerating client rotations in the spaces to reposition them in the market and capture the maximum rents. The current program has 3 assets in Spain and 2 in France, of which worth noting is the next delivery in France:

The Haussmann 106 building with 12,000 sqm of offices in the center of Paris is already let to WeWork with a turnkey contract for a 12-year period, in effect as of 6 January 2020. This renovation has enabled an increase in the density of the occupancy and an improvement in the image of the building, key factors that have allowed for the capture of maximum market rental prices.

Active portfolio management

Completion of the Axiare integration

In 2018, a quick and efficient takeover bid was carried out on Axiare, S.A, which completed with a merger in June 2018.

In 2019, Colonial finalized the integration of this Company: (i) in June 2019 the registered goodwill was fully absorbed just one year after the merger and (ii) in August 2019, Colonial signed an agreement for the sale of 18 logistics assets, managing to successfully dispose of these non-strategic assets.

With the sale of the logistics package, Colonial has completed the integration of Axiare, consolidating its leadership in prime offices in Spain and Europe through the creation of a strong growth platform with unique exposure to the CBD in Europe.

Disposals of non-strategic assets

During 2019, Colonial signed an agreement for the sale of 18 logistics assets with a total surface area of 473,000 sqm. At the close of the year, the disposals of 11 facilities materialized immediately, totaling 314,000 sqm. Regarding the rest of the logistics assets, Colonial expects the buyer to exercise the call option on them in the first half of 2020.

In addition, during the first quarter of 2019 the disposal of the Centro Norte Hotel with a GLA (Gross Lettable Area) of more than 8,000 sqm was executed, as well as the sale of the Parc Central plot in the last quarter of the year.

Consequently, Colonial closed the year with disposals for 477 million euros which has enabled 1) the optimization of the business mix, further increasing the focus on offices, which has reached 94% in terms of asset value, as well as 2) an improvement in the quality of returns with a concentration in prime offices.

Acquisition Program

In October 2019, Colonial announced that it was analysing a pipeline of acquisitions of 1,000 million euros , of which, at the date of this report, 115 million euros have been executed. These investments, together with the acquisition of the 45% of Torre Marenostrum in the first half of 2019, show that the Colonial Group continues executing its acquisition program, investing more than 160 million euros in prime assets in 2019.

> **Torre Marenostrum – Barcelona 22@**: At the beginning of 2019, an acquisition was carried out for the remaining 45% of Torre Marenostrum. Full ownership of this unique building located in the 22@ market in Barcelona, a few metres from the beach, has enabled the implementation of a renovation program, creating a “hybrid” complex which integrates an offer of traditional prime offices with more than 3,000 sqm of flexible spaces managed by Utopicus. This renovation and redistribution of space is enabling Colonial to capture important reversionary potential for reformed spaces which are already let (> 7,000 sqm).

> **Parc Glories II – Barcelona 22@**: In the fourth quarter of 2019, the Colonial Group acquired the Parc Glories II, for an acquisition price of 101 million euros. The building is located in Glories, the best area of the 22@ district in Barcelona, considered to be the new technological CBD of the city. The building has a surface area of 17,860 sqm of offices and stands out architecturally due to its very design-efficient floor plan with more than 2,500 sqm, highly sought after in the market. Parc Glories II is 100% let to a German multinational with a short-term contract and current prices 40% below market rents. This situation highlights the high value creation potential, considering a light capex investment, once the current rents revert to market prices.

> **Recoletos, 27 – CBD Madrid**: In the fourth quarter of 2019 and during the start of 2020, 2,000 sqm of offices were 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. The investment includes a partial renovation for a subsequent letting at maximum rental prices in the prime district of Madrid.

Leadership in ESG

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

Colonial's Corporate Strategy is based on pursuing the maximum excellence in the fields of governance, social aspects and sustainable investment.

> The Colonial Group has increased its GRESB scoring by +26% with very high scores in the areas of Monitoring-EMS, Management & Risk-Opportunities. Likewise, it is important to mention that the Colonial Group's French subsidiary has received the second best GRESB rating in the offices sector in all of Europe.

> MSCI, main benchmark for listed companies, has rated Colonial with AA on its ESG rating, one of the highest ratings internationally, in particular due to its very high standards in Corporate Governance.

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

> Worth highlighting is that Colonial has become part of the ESG Ethibel Sustainability Excellence Europe index, managed by Vigeo Eiris, a clear reference in the financial sector. This index is made up of a group of European companies that show the best performance in the area of corporate social responsibility.

> In relation to energy efficiency, BREAAM/GRESB recognized Colonial as the number one responsible investor in Europe for having an operational portfolio, where 91% of the assets have maximum energy certificates.

Currently 92% of the office portfolio has LEED and BREEAM energy certificates. In particular, €2,011m of the assets have LEED ratings and €9,008m of the assets have BREEAM ratings. This level of certification is above the sector average.

The Colonial Group is clearly committed with climate change and in proof of this, of special mention are the two new certificates that the BIOME building in Paris will receive: 1) The BiodiverCity Excellence stamp which highlights the significant effort that has been made in the revegetation of the place, and 2) The asset will be one of the first buildings in France to obtain the BBCA renovation label (Low Carbon Building) as a result of the efforts made in terms of greenhouse effect gas emissions.

Colonial's leadership in ESG has enabled Colonial to be the first real state company in Spain to sign sustainable loans, formalizing two ESG compliant loans for a total volume of 151 million euros, with ING and CaixaBank.

Digital Strategy and Co-working

At the end of 2017, Colonial acquired Utopicus, a startup founded in 2010, pioneer in the coworking sector in Spain. Since then, Colonial has driven the growth and launched different initiatives to convert Utopicus into one of the leading operators of the sector, with 14 centres under management and approximately 40,000 sqm of surface area.

During 2019, Utopicus focused its efforts in two large areas: firstly, in offering innovative content and services from the Colonial Group and secondly, in expanding its presence in Spain through the properties of the Colonial Group, offering a complementary service through accessible spaces to all corporate clients.

Accordingly, in 2018, a new concept for office buildings was launched, taking advantage of the delivery of the new offices project carried out by Colonial, "The Window". This property combines a center of Utopicus of 4,000 sqm with traditional office space. The result obtained was a success, increasing the occupancy of the building with rents higher than expected, and positioning Window as the benchmark for companies in the Fintech sector in the city of Madrid.

Throughout 2019, Colonial replicated this "hybrid" building concept in other properties of the Group and six buildings already had flexible office spaces. In particular, of special note is the center opened in the Parc Glories building, located in the best area of the 22@ district in Barcelona. The space provides a combination of flexible uses with traditional office space and has more than 2,000 sqm of surface area for 195 workstations.

Likewise, Colonial has developed an application that, together with the prior “sensorization” of the property, will lead to an improvement in the efficiency and energy consumption of the spaces. The application measures different aspects of a building, such as the heating, air quality, lighting intensity and energy consumption, among others, always looking to increase the comfort and well-being of the Colonial Group’s clients. At the close of 2019, the system had already been implemented in six of Colonial’s buildings in Madrid, with the future aim of implementing it in the rest of the portfolio

A solid capital structure

A strong balance sheet

At 31 December 2019, the Colonial Group had a solid balance sheet with a LTV of 36% (an improvement of 315 bps compared to the end of the previous year) with a Standard & Poor’s rating of BBB+, the highest rating in the Spanish Real Estate sector.

The liquidity of the Group at the close of 2019 amounts to 2,082 million euros. In terms of debt maturity, it is particularly noteworthy that 79% of the Group’s debt will mature from 2023 onwards.

2019 was marked by the completion of the restructuring of the pending debt coming from Axiare, cancelling various bilateral loans amounting to 162 million euros and refinancing two bilateral loans in the amount of €151m, improving margins and cancelling mortgage securities. The refinanced loans are sustainable loans as their margin will vary according to the rating that Colonial obtains with respect to ESG from the sustainability agency GRESB.

As for SFL, it has restructured a syndicate loan of 390 million euros that has resulted in an improvement both in terms of margins as well as maturity. SFL also carried out short-term note issues throughout the year with existing issuances at the end of the year amounting to 387 million euros.

Solid share price performance

At the end of 2019, Colonial’s shares closed with a revaluation of +40%, outperforming the EPRA & IBEX35 benchmark indices.

The share price performance reflects the support of capital markets for the successful execution of the Colonial Group’s growth strategy. Colonial’s share price trading stands out compared to its peers as one of the securities that is trading the closest to its fundamental value.

At the beginning of 2020, key analysts in the real estate sector such as Goldman Sachs, Morgan Stanley, Bank of America and JP Morgan have updated their recommendation and target prices on Colonial, up to a range between €13 and €13.5 per share.

Growth drivers

The Colonial Group has an attractive growth profile, based on its strategy of industrial value creation with a high Alpha component in returns. In particular, the value creation is based on the following value drivers:

A. Clear leadership in prime offices

> Colonial has a high-quality product with an unparalleled exposure to city center locations in Europe with 76% of the portfolio in CBD.

B. An attractive project pipeline: A portfolio of 10 projects corresponding to more than 200,000 sqm to create prime products that offer strong returns and therefore, future value creation with solid fundamentals.

> At present, several projects (specifically Castellana 163, Diagonal 525 and Louvre SaintHonoré) already have pre-let agreements in favorable terms, significantly increasing the visibility of future cash flow and value creation.

C. A strong prime positioning with an asset portfolio to capitalize on the cycle

> Once again, 2019 has shown the capacity of the Colonial Group’s contract portfolio to capture maximum market rents and obtain significant rental price increases with double-digit release spreads. In the next 24 months, 66% of the contracts in Madrid and Barcelona and 25% of the contracts in Paris will mature, generating an attractive reversionary potential to capture rental price increases.

> Renovation Program:

The Colonial Group counts on a renovation program that is accelerating tenant rotation in the corresponding spaces to maximize growth in rental prices. This renovation program is mainly focused on the adaptation of common areas and updating facilities, with limited investment.

The renovation program currently includes the Cedro and Ortega & Gasset buildings in Madrid, the Torre Marenostrum asset in the 22@ technological district in Barcelona and 176 Charles de Gaulle, located in the growing market of Neuilly in Paris.

D. Solid investment markets: the direct investment markets maintain high interest in prime products. In this respect, Colonial's portfolio offers interesting spreads compared to the benchmark reference rates.

E. Financial discipline in the acquisition and disposal program: Over recent years, Colonial has successfully delivered the organic acquisition targets announced to the capital markets: asset acquisitions, prioritising off-market transactions and identifying properties with value-added potential in market segments with solid fundamentals.

Since 2015, the Colonial Group has carried out significant investments and disposals. The acquisition program has identified and carried out investments for 160 million euros. At the same time, non-strategic product was disposed of for 477 million euros above valuation to optimize the quality of the portfolio returns.

In 2020, Colonial expects to continue with a selective rotation of non-strategic and/or mature assets and at the same time to carry out new acquisitions.

3. LIQUIDITY AND CAPITAL RESOURCES

See "Capital management and risk management policy" section of Note 15-o of the consolidated annual financial statements for the year ended 31 December 2019.

The average payment period (APP) of the Group's Spanish companies to their suppliers for 2019 was 23 days. In relation to payments made outside the maximum legal term set, these correspond mainly to payments related to contracting works and real estate renovation, which are paid within the term established in the corresponding contracts signed with the contractors.

The Group has set two payment days per month to comply with the requirements established by Law 11/2013 of 26 July. In this regard, the dates of entry are on the 5th and 20th of each month and the corresponding payments are made on the 5th and 20th of the following month.

4. OBJECTIVE AND RISK MANAGEMENT POLICIES

Colonial aims to create sustainable value through optimising the relationship between profitability and the risk of its business activity, which helps to reinforce its leadership in the sector and consolidate its long-term position. Risk management is a key aspect in Colonial's organisational culture, and for this reason, the Group has developed the Risk Control and Management System (hereinafter, RCMS), which establishes a basis for efficient and effective management of the risks throughout the organisation.

To meet these corporate objectives, the risks to which Colonial is exposed are identified, analysed, evaluated, managed, controlled and updated. With the objective of maintaining an effective and updated RCMS, Colonial has prepared a corporate risk map, which identifies the main risks that affect the Group, and evaluates them in terms of impact and probability of occurrence. This map is reviewed and updated periodically every year, with the aim of having an integrated and dynamic risk management tool, which evolves with changes in the environment in which the company operates and changes in the organisation itself.

The main responsibilities assigned in relation to the RCMS correspond to the Board of Directors, the Audit and Control Committee and the internal audit unit. The RCMS also explicitly determines the responsibilities of senior management, operational management and risk owners in relation to risk management.

The Board of Directors is assigned the function of determining the risk control and management policy, including tax policies, identifying the main risks of the Group and implementing and supervising the internal information and control systems, in order to ensure future viability. and competitiveness of the Group, adopting the most relevant decisions for its best development. For the management of this function, it has the support of the audit and control committee, which performs, among others, the following functions related to the field of control and risk management:

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

> Periodically review the control and risk management systems, so that the main risks are identified, managed and adequately disclosed.

> Oversee the process of preparing, the integrity and presentation of mandatory (financial and non-financial) public information.

Additionally, Colonial has the regulatory compliance unit and the internal audit unit as tools to reinforce said objective. The regulatory compliance unit is responsible for ensuring adequate compliance with the norms and laws that may affect it to undertake its activity, and the internal audit function is responsible for carrying out the necessary supervision activities, contemplated in its annual plans approved by the Audit and Control Committee, to evaluate the effectiveness of the risk management processes and the action plans and controls implemented by the corresponding management teams to mitigate said risks.

For better risk management, Colonial differentiates in two broad areas the different types of risks to which the Group is exposed based on their origin:

> External risks: risks related to the environment in which Colonial carries out its activity and that influence and condition the company's operations.

> Internal risks: risks originated from the company's own activity and its management team.

The main external risks that Colonial faces to achieve its objectives include:

> Economic risks, derived from the political and macroeconomic situation in the countries where it operates, and from changes in investors' own expectations.

> Market risks, derived from changes in the business model itself, the greater complexity to develop the investment strategy, and the fluctuation of the real estate market with an impact on the valuation of real estate assets.

> Financial risks, related to restrictions in capital markets, interest rate fluctuations, the impact of changes in tax regulations (mainly by the SOCIMI regime) and those of the counterparty of the main clients.

> Environmental risks derived from the most demanding demands in ESG, and mainly those related to the impact of climate change on the Group's activity.

The main internal risks that Colonial faces to achieve its objectives include:

> Strategic risks in relation to the internationalisation and dimension of the Group, the high concentration of activities for office rental in prime areas of Barcelona, Madrid and Paris, and the strategy in the co-working market.

> Various operational risks related to maintaining occupancy levels in the real estate and the levels of income contracted, undertaking the projects in term and cost, maintaining the real estate assets, managing the level of indebtedness and the current credit rating, cyber attacks or failures in the information systems, as well as those of managing the organisational structure and talent.

> Risks arising from compliance with all applicable regulations and contractual obligations, including tax risks related to the loss of the status of SOCIMI by Colonial and the loss of its French subsidiary Société Foncière Lyonnaise of its status as a Real Estate Investment Trust (REIT).

5. SUBSEQUENT EVENTS

Since 31 December 2019 and up to the date these consolidated annual financial statements were prepared, no significant events have occurred.

6. FORESEEABLE EVOLUTION

The following are the perspectives of the office market in Madrid, Barcelona and Paris:

Barcelona and Madrid

In the Spanish economy, a positive direction have continued to be shown in recent months of certain aspects that have been drivers of Spanish economic growth in recent years, which are specifically: 1) a favourable evolution of the labour market; 2) foreign surplus and 3) low interest rates.

In the Barcelona market, it should be noted that due to the shortage of offer of large quality spaces, especially in the city centre, the predictions suggest that many projects will be delivered partially or completely pre-rented. Consequently, long-term forecasts of income levels remain bullish, placing Barcelona as one of the cities with the highest expected revenue growth in Europe. Meanwhile, Madrid is positioned as the second European city with the highest forecasted income growth in Europe.

Paris

The Paris market is one of the most important worldwide. Clear indications of improvement in demand have been observed during recent quarters, particularly for the CBD area, where there is a clear shortage of prime products. Today the availability of office space in this area is at a 10-year low.

Consequently, for prime properties in CBD areas, the main consultants foresee a consolidation of the positive trend that has started.

Regarding growth prospects, the French economy is expected to grow for the following years.

Future strategy

The investment market has registered record contracting volumes. In the current environment of low interest rates, high investment interest in the Paris market is expected to continue, as the most important office market in the Eurozone.

In this market context, the parent company is carrying out a selective investment policy in order to maximise shareholder value.

In particular,it focuses its efforts on finding quality products in market areas with potential and assets with the potential of being converted into prime products through repositioning.

Research and development activities

As a result of the Group's own characteristics, its activities and its structure, research and development activities are not usually carried out at Inmobiliaria Colonial, SOCIMI, S.A.

7. OWN ACTIONS

At 31 December 2019, the parent company has 578,866 shares in treasury stock with a nominal value of 1,447 thousand euros and representing 0.11% of the parent company's capital stock.

8. OTHER RELEVANT INFORMATION

On 10 December 2015, the Board of Directors of the parent company agreed to adhere to the code of good tax practices. Said agreement was communicated to the tax administration on 8 January 2016.

9. ALTERNATIVE PERFORMANCE MEASURES (EUROPEAN SECURITIES AND MARKETS AUTHORITY)

An explanatory glossary of alternative performance measures is included below , including their definition and relevance for Colonial, in accordance with the recommendations of the European Securities and Markets Authority (ESMA) published in October 2015 (*ESMA Guidelines on Alternative Performance Measures*). These Alternative Performance Measures have not been audited or reviewed by the parent company's auditor.

Alternative Performance Measure	Form of calculation	Definition/Relevance
EBIT (Earnings before interest and taxes)	Calculated as the "Operating profit" plus "Changes in the value of property investments" and the "Profit/(loss) due to changes in the value of assets".	Indicates the Group's capacity to generate profits, only taking into consideration its economic activity, less the effect of debt and taxes.
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	Calculated as the "Operating profit" adjusted by "Depreciation/ Amortization" and "Net changes in provisions".	Indicates the Group's capacity to generate profits only taking into account its economic activity, eliminating allocations to depreciation/amortization, and the effect of debt and taxes.
Gross Financial Debt (GFD)	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.
Net Financial Debt (NFD)	Calculated by adjusting the item "Cash and cash equivalents" in Gross Financial Debt.	Relevant magnitude to analyse the Group's financial situation.
EPRA[1] NAV (EPRA Net Asset Value)	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] NNNAV (EPRA triple net asset value)	Calculated adjusting the following items in the EPRA NAV: 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 benefits for reinvestments and the tax credit recognized in the balance sheet, considering a going concern assumption.	Standard analysis ratio in the real estate sector recommended by EPRA.
Market value excluding transaction costs or Gross Asset Value (GAV) excluding Transfer costs	Measurement of the totality of the Group's asset portfolio carried out by independent appraisers of the Group, less transaction or transfer costs.	Standard analysis ratio in the real estate sector.
Market value including transaction costs or GAV including Transfer costs	Measurement of the totality of the Group's asset portfolio carried out by external appraisers of the Group, before deducting the transaction or transfer costs.	Standard analysis ratio in the real estate sector.
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.

(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	Form of calculation	Definition/Relevance
Like-for-like measurement	Market measurement (valuation) amount, excluding transaction costs, or market valuation, including transaction costs, comparable between two periods. To obtain the calculation, the rental income coming from investments or disposals carried out between both periods is excluded.	It enables a homogenous comparison of the evolution of the market valuation of the portfolio.
Loan to Value, Group or LtV Group	Calculated as the result of dividing the Net Financial Debt by the market valuation including the transaction costs of the Group's asset portfolio.	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.

Alternative Performance Measures included in the previous table have their origin in items of the consolidated annual financial statements of Inmobiliaria Colonial or in the breakdowns of the items (sub-items) included in the corresponding explanatory notes of the report, except as indicated below.

The following is a reconciliation of those alternative performance measures whose origin does not derive, in their entirety, from items or sub-items of the consolidated annual financial statements of Inmobiliaria Colonial, as provided in paragraph 28 of the aforementioned recommendations.

EPRA NAV (EPRA Net Asset Value) – Millions of Euros

	31/12/2019	31/12/2018
"Net equity attributable to the parent company's shareholders"	**5,559**	**4,811**
Includes:		
(i.a) Revaluation of investment assets	21	24
(i.b) Revaluation of assets under development	n.a.	n.a.
(i.c) Revaluation of other investments	24	26
(ii) Revaluation of financial leases	n.a.	n.a.
(iii) Stock revaluation	3	7
Excludes:		
(iv) Market value of financial instruments	(21)	2
(v.a) Deferred taxes	240	228
(v.b) Goodwill as a result of deferred assets	n.a.	n.a.
Includes/excludes:		
Adjustments from (i) to (v) with respect to interests of strategic alliances	n.a.	n.a.
EPRA NAV	**5,825**	**5,098**

EPRA NNNAV (EPRA Triple Net Asset Value) – Millions of Euros

	31/12/2019	31/12/2018
EPRA NAV	**5,825**	**5,098**
Includes:		
(i) Market value of financial instruments	21	(2)
(ii) Market value of the debt	(258)	(14)
(iii) Deferred taxes	(240)	(229)
EPRA NNNAV	**5,348**	**4,853**

Market Value excluding transaction costs or GAV excluding Transfer costs – Millions of Euros

	31/12/2019	31/12/2018
Barcelona	1,534	1,175
Madrid	2,543	2,511
Paris	6,502	6,256
Leased out	10,578	9,942
Projects	1,338	925
Other	280	481
Total Market Value excluding transaction costs	**12,196**	**11,348**
Spain	5,039	4,778
France	7,157	6,570

Market Value including transaction costs or GAV including Transfer costs – Millions of Euros

	31/12/2019	31/12/2018
Total Market Value excluding transaction costs	**12,196**	**11,348**
Plus: transaction costs	611	567
Total Market Value including transaction costs	**12,807**	**11,915**
Spain	5,175	4,910
France	7,632	7,005

Like-for-like Rental Income – Millions of Euros

	Barcelona	Madrid	Logistics	Paris	TOTAL
2017 Rental Income	**35**	**52**	**0**	**196**	**283**
Like-for-like	1	2	0	9	12
Projects and inclusions	0	3	0	(1)	2
Investments and divestitures	1	4	0	(10)	(5)
Axiare	5	32	19	0	56
Others and compensation	0	0	0	0	0
2018 Rental Income	**42**	**93**	**19**	**194**	**347**
Like-for-like	1	5	0	6	11
Projects and inclusions	4	0	0	(3)	1
Investments and divestitures	2	(9)	(3)	0	(10)
Others and compensation	0	0	0	2	3
2019 Rental Income	**49**	**89**	**16**	**199**	**352**

Like-for-like Valuation – Millions of Euros

	31/12/2019	31/12/2018
Valuation at 1 January	**11,348**	**9,282**
Like-for-like Spain	407	381
Like-for-like France	588	341
Acquisitions and divestitures	(147)	1,344
Valuation at 31 December	**12,196**	**11,348**

Loan to Value Group or LtV Group – Millions of Euros

	31/12/2019	31/12/2018
Gross financial debt	4,826	4,748
Commitments of deferrals for transactions selling real estate assets	17	–
Less: “Cash and cash equivalents”	(217)	(68)
(A) Net financial debt	**4,626**	**4,680**
Market Value including transaction costs	12,807	11,915
Plus: Shares in treasury stock of the parent company valued at EPRA NAV	7	8
(B) Market Value including transaction costs and parent company treasury stock	**12,814**	**11,923**
Loan to Value Group (A)/(B)	**36.1%**	**39.3%**

Holding Company LtV or Colonial LtV – Millions of Euros

Holding Company	31/12/2019	31/12/2018
Gross financial debt	3,040	3,002
Commitments of deferrals for transactions selling real estate assets	17	–
Less: “Cash and cash equivalents” of the parent company and the fully-owned Spanish subsidiaries	(161)	(41)
(A) Net financial debt	**2,896**	**2,961**
(B) Market Value including transaction costs	**9,289**	**8,538**
Loan to Value Holding (A)/(B)	**31.2%**	**34.7%**

10. ANNUAL CORPORATE GOVERNANCE REPORT

In accordance with the provisions of article 538 of the Corporate Enterprises Act, it is noted that the 2019 annual corporate governance report is included in this management report in its corresponding separate section.

03. Annual corporate governance report 2019

Inmobiliaria Colonial, SOCIMI, S.A.
Annual corporate governance report of listed Spanish companies

A. OWNERSHIP STRUCTURE

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

Date of last change	Share capital (€)	Number of shares	Number of voting rights
14/11/2018	1,270,286,952.50	508,114,781	508,114,781

Indicate whether there are different types of shares with different associated rights:

No

A.2. State the direct and indirect holders of a significant stake at year-end, excluding directors:

Name or company name of the shareholder	% voting rights attached to the shares		% voting rights through financial instruments		% total voting rights
	Direct	Indirect	Direct	Indirect	
QATAR INVESTMENT AUTHORITY	0.00	20.21	0.00	0.00	20.21
AGUILA, LTD	0.00	5.68	0.00	1.86	7.54
BLACKROCK, INC	0.00	3.02	0.00	0.75	3.77
INMO, S.L.	0.00	5.71	0.00	0.00	5.71
PGGM VERMOGENSEMSBEHEER B.V.	0.00	5.01	0.00	0.00	5.01
PGGM LISTED REAL ESTATE PF FUND	5.01	0.00	0.00	0.00	5.01
DIC HOLDING LLC	4.29	0.00	0.00	0.00	4.29

Details of the indirect stake:

Name or corporate name of indirect holder	Name or corporate name of direct holder	% voting rights attached to the shares	% voting rights through financial instruments	% total voting rights
QATAR INVESTMENT AUTHORITY	DIC HOLDING LLC	4.29	0.00	4.29
QATAR INVESTMENT AUTHORITY	QATAR HOLDING NETHERLANDS BV	15.92	0.00	15.92
BLACKROCK, INC	BLACKROCK HOLDING	3.02	0.75	3.77
INMO, S.L.	TRUDONBA XXI, S.L.U.	5.71	0.00	5.71
AGUILA, LTD	PARK, S.A.R.L.	5.68	0.00	5.68
AGUILA, LTD	SIERRA NEVADA (BERMUDA) LP	0.00	1.86	1.86
PGGM VERMOGENSEMSBEHEER B.V.	PGGM LISTED REAL ESTATE PF FUND	5.01	0.00	5.01

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

A.3. Fill in the following tables on the members of the company's Board of Directors who own voting shares in the company:

Name or company name of the director	% voting rights attached to the shares		% voting rights through financial instruments		% total voting rights	% voting rights that may be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR JAVIER LÓPEZ CASADO	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR CARLOS FERNÁNDEZ GONZÁLEZ	0.00	15.75	0.00	0.00	15.75	0.00	0.00
MR CARLOS FERNÁNDEZ-LERGA GARRALDA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR JAVIER IGLESIAS DE USSEL ORDÍS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR PEDRO VIÑOLAS SERRA	0.08	0.00	0.05	0.00	0.13	0.00	0.00
MR JUAN JOSÉ BRUGERA CLAVERO	0.05	0.00	0.02	0.00	0.07	0.00	0.00
MR LUIS MALUQUER TREPAT	0.00	0.00	0.00	0.00	0.00	0.00	0.00

% of total voting rights held by the board of directors	15.95

Details of the indirect stake:

Name or company name of the director	Name or company name of the direct holder	% voting rights attached to the shares	% voting rights through financial instruments	% total voting rights	% voting rights that may be transferred through financial instruments
MR CARLOS FERNÁNDEZ GONZÁLEZ	GRUPO FINACCESS S.A.P.I. DE C.V.	15.75	0.00	15.75	0.00
MR CARLOS FERNÁNDEZ-LERGA GARRALDA	EUR-CONSULTORES, SL	0.00	0.00	0.00	0.00
MR LUIS MALUQUER TREPAT	MS MARTA MALUQUER DOMINGO	0.00	0.00	0.00	0.00

All the directors reported in this section have voting rights on shares of the company, although in some cases this stake is less than 0.01 of the share capital of Inmobiliaria Colonial, SOCIMI, S.A.

A.4. Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant stakes, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities, except for those reported in section A.6:

Name or company name of the related party	Type of relationship	Brief description
No data		

A.5. Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant stakes, and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities:

Name or company name of the related party	Type of relationship	Brief description
QATAR INVESTMENT AUTHORITY	Corporate	14 November 2018 was the effective date of a series of commitments of Qatar Holding LLC and DIC Holding LLC with respect to Colonial affecting certain shares of the Company owned by them (see section A.7 below)
INMO, S.L.	Corporate	Colonial and the company Inmo, S.L., a real-estate affiliate of the Puig family, are conducting a joint project to build a 21-floor building of 14,000 square metres in the city of Barcelona.

A.6. Describe the relationships, unless insignificant for both parties, between the significant shareholders, or their representatives, on the Board and the directors, or their representatives, when the administrators are a legal entity.

Explain, where appropriate, how the significant shareholders are represented. In particular, specify any directors who have been appointed to represent significant shareholders, those whose appointment was promoted by significant shareholders, or those who were related to significant shareholders and/or entities in their group, indicating the nature of such relationship. Indicate, in particular, the existence, identity and position, if any, of members on the Board, or directors' representatives, of the listed company who are also members of the governing body, or their representatives, in companies with a significant stake in the listed company or in group companies of such significant shareholders:

Name or company name of the director or representative, related	Name or company name of the shareholder significant related	Company name of the group company of the significant shareholder	Description of the relationship/position
MR JUAN CARLOS GARCÍA CAÑIZARES	AGUILA, LTD	AGUILA, LTD	Colonial's proprietary director proposed by Aguila Ltd
MR SHEIKH ALI JASSIM M.J. AL-THANI	QATAR INVESTMENT AUTHORITY	QATAR INVESTMENT AUTHORITY	Colonial's proprietary director proposed by Qatar Investment Authority.
MR ADNANE MOUSANNIF	QATAR INVESTMENT AUTHORITY	QATAR INVESTMENT AUTHORITY	Colonial's proprietary director proposed by Qatar Investment Authority.
MR CARLOS FERNÁNDEZ GONZÁLEZ	GRUPO FINACCESS S.A.P.I. DE C.V.	GRUPO FINACCESS S.A.P.I. DE C.V.	Colonial's proprietary director proposed by Grupo Finaccess S.A.P.I. de C.V., of which he is Chairman of the Board of Directors and Managing Director
MR JAVIER LÓPEZ CASADO	GRUPO FINACCESS S.A.P.I. DE C.V.	GRUPO FINACCESS S.A.P.I. DE C.V.	Colonial's proprietary Director proposed by Grupo Finaccess S.A. P.I. de C.V.
MR ADNANE MOUSANNIF	QATAR INVESTMENT AUTHORITY	ELYPONT	Director
MR SHEIKH ALI JASSIM M.J. AL-THANI	QATAR INVESTMENT AUTHORITY	NURABANK	Director
MR SHEIKH ALI JASSIM M.J. AL-THANI	QATAR INVESTMENT AUTHORITY	26 CHAMPS ELYSEES	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 JUAN CARLOS GARCÍA CAÑIZARES	AGUILA, LTD	BEVCO LUX, S.A.R.L	Director
MR JUAN CARLOS GARCÍA CAÑIZARES	AGUILA, LTD	SNI INTERNATIONAL HOLDINGS, S.A.R.L.	Director
MR JUAN CARLOS GARCÍA CAÑIZARES	AGUILA, LTD	PARK, S.A.R.L.	Director

A.7. Indicate whether the company has been notified of any shareholders' agreements pursuant to Articles 530 and 531 of the Spanish Limited Liability Companies Law. If so, provide a brief description and list the shareholders that are party to the agreement:

Yes

Parties to the shareholders' agreement	% of the share capital affected	Brief description of the agreement	End date of the agreement, if any
DIC HOLDING LLC, QATAR HOLDING NETHERLANDS BV	11.12	QH and DIC lock-up clauses: during a period of 6 months following the closing date, QH and DIC shall not transfer, either in whole or in part, the shares of Colonial, except in the case of any transfer of shares of Colonial to a company belonging to their respective Group. Transfer of shares after the initial period: after the initial period, any transfer by QH and/or DIC of Colonial's shares shall be carried out in an orderly manner and in accordance with normal commercial practice in Spanish listed companies and with applicable Spanish stock exchange regulations. Prohibition of transfer of shares to a competitor: QH and DIC shall be entitled to transfer their shares in Colonial to any counterparty without restriction, except in the extraordinary case of a transfer to a competitor in the context of a block sale or bilateral negotiation.	The obligations provided for in Clauses "Transfer of shares after the Initial Period" and "Share transfer prohibition to a Competitor" of this Agreement shall remain in force until the earlier of (i) the end of a 4 year period as from the Completion Date; and (ii) the entry into an agreement by the Parties to terminate the effect of said Clauses.

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable:

No

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

A.8. Indicate whether any individual or legal entities currently exercise control or could exercise control over the company pursuant to Article 5 of the Securities Market Law. If so, identify them:

No

A.9. Complete the following tables on the company's treasury shares:

At year-end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
578,866		0.11

(*) Through:

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

A.10. Give details of the applicable conditions and current timeline for the general meeting to authorise the Board of Directors to issue, buy back or transfer treasury shares:

The General Meeting of Shareholders of Inmobiliaria Colonial, SOCIMI, S.A. (the "Company" or "Inmobiliaria Colonial") held on 29 June 2017 granted authorisation to the Board of Directors, under item five of the agenda, for the derivative acquisition of treasury shares. With respect to the terms and conditions of the authorisation: i) the nominal value of the shares acquired, directly or indirectly, in addition to those already held by the Company and its subsidiaries, may not exceed 10% of the share capital subscribed or any maximum amount that may be legally established; ii) the minimum price or consideration for acquisition shall be €0.01 per share and the maximum price or consideration for acquisition shall be the equivalent of the listing price of treasury shares acquired on an official regulated secondary market at the time of acquisition; iii) the procedure for acquisition may be purchase/sale, swap or any other method against payment, as circumstances advise, and iv) the duration of the authorisation is 5 years. The authorisation granted expressly provides that the shares acquired may be used in whole or in part for delivery or transfer to the directors, executives or employees of the Company or Group companies, directly or as a result of their option rights, within the scope of the Company's share price-based remuneration systems.

With regard to the authorisation to issue shares, the General Meeting of Shareholders of Inmobiliaria Colonial, SOCIMI, S.A. held on 14 June 2019 authorised the Board of Directors, in accordance with article 297.1b) of the Spanish Limited Liability Companies Law, to increase share capital through monetary contributions up to half the amount of share capital, within a maximum period of five years, on one or more occasions, and at the time and in the amount it deems appropriate. Within the maximum indicated amount, the Board of Directors holds the power to disapply preemptive rights up to a maximum of 20% of the share capital.

A.11. Estimated floating capital:

	%
Estimated floating capital	39.48

A.12. Give details of any restrictions (statutory, legal or otherwise) on the transfer of securities and/or voting rights. In particular, detail the existence of any kinds of restrictions that could hinder the company takeover through the purchase of its shares in the market, as well as any prior authorisation or communication rules that, with regard to the purchase or transfer of financial instruments in the company, would be applicable under the industry regulations.

Yes

- **Description of the restrictions**

Section A.7 of this annual corporate governance report summarises the terms of the shareholders' agreement between Colonial and the companies Qatar Holding LLC and DIC Holding. This information is also available on the company's website at the following link: https://www.inmocolonial.com/accionistas-inversores/gobierno-corporativo/pactos-parasociales

A.13. Indicate whether the general meeting has resolved to adopt neutralisation measures to address a takeover bid by virtue of the provisions of Law 6/2007.

No

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

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

No

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

B. GENERAL MEETING

B.1. Indicate and state, if any, the differences with respect to the minimums stipulated in the Spanish Limited Liability Companies Law (LSC) with regard to the quorum required for the constitution of the general meeting:

No

B.2. Indicate and, as applicable, describe any differences between the company's system of adopting corporate resolutions and the framework established in the Spanish Limited Liability Companies Law (LSC):

No

B.3. Indicate the rules governing amendments to the company's bylaws. In particular, indicate the majorities required to amend the bylaws and, if applicable, the rules for protecting shareholders' rights when the bylaws are amended.

Under the Bylaws, for the General Meeting to validly resolve to increase or reduce share capital or make any other amendment to the Company Bylaws, shareholders holding at least 50% of the subscribed capital with voting rights must be present or represented on first call. On second call, shareholders representing 25% of share capital shall be sufficient. As regards the adoption of resolutions, the Bylaws establish that issues that are substantially independent shall be voted on separately, in particular the amendment of any article or group of articles in the Company Bylaws, which stand alone. Also, a vote in favour by more than 50% of the share capital present in person or by proxy shall be sufficient to adopt resolutions with an absolute majority, whereas a vote in favour by two thirds of the share capital present in person or by proxy at the General Meeting shall be necessary when, on second call, the shareholders present represent 25% or more of the subscribed capital with voting rights, but less than 50%.

B.4. Indicate the attendance figures for the general meetings held during the year and those of the two previous fiscal years:

	Attendance information				
			% distance voting		
Date of General Meeting	% of physical presence	% proxy	Electronic voting	Other	Total
29/06/2017	36.82	30.65	0.00	10.52	77.99
Of which Floating Capital	3.80	19.12	0.00	10.52	33.44
24/05/2018	1.23	77.79	0.01	0.01	79.04
Of which floating capital	0.16	26.97	0.01	0.01	27.15
08/11/2018	9.68	63.02	0.00	8.53	81.23
Of which floating capital	0.23	20.60	0.00	8.53	29.36
14/06/2019	0.34	77.22	0.00	7.81	85.37
Of which floating capital	0.34	35.55	0.00	0.27	36.16

B.5. Specify if there have been any items on the agenda at the General Meetings held during the year that, for whichever reason, were not adopted by the shareholders:

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, in person or by proxy, where such shareholders, alone or as a group, hold at least five hundred shares, which must be entered in the shareholders register five days before the date scheduled for the General Meeting and provided they furnish proof of the foregoing by showing, at the registered office or the entities specified in the call notice, the relevant authentication certificate or the attendance card issued by Colonial or any entities responsible for keeping the shareholder register or any other method allowed by the current legislation.

And for the purpose of ensuring adequate exercise of voting rights, shareholders may vote at the General Meeting or grant proxy by remote means (i.e. by post, electronically or any other remote media, provided that the shareholder's identity is guaranteed and, where appropriate, electronic communications are secure). Shareholders who vote remotely will be considered as present for the purposes of quorum of the Meeting (Art. 12 of the Regulations of the General Meeting).

The exercise of remote voting rights has been indicated and duly informed to shareholders in the notice of the General Meeting.

B.7. Indicate if there is a rule establishing that certain decisions, other than those established by Law, that involve the purchase, disposal, contribution to another company of key assets or other similar corporate operations, should be put to vote at the General Meeting of Shareholders:

No

B.8. Indicate the address and mode of accessing corporate governance content on the company's website, as well as other information on general meetings which must be made available to shareholders on the Company website:

https://www.inmocolonial.com/accionistas-inversores/gobierno-corporativo/juntas-generales

Through this access, shareholders and the entire market are provided with all legally required information, in addition to that which the Company considers necessary for greater and better transparency and compliance with good market practices in the area of corporate governance.

C. STRUCTURE OF THE COMPANY'S GOVERNING BODY

C.1. Board of Directors

C.1.1 The maximum and minimum number of directors stipulated in the Company Bylaws and the number stipulated by the General Meeting:

Maximum number of directors	15
Minimum number of directors	5
Number of directors stipulated by the General Meeting	13

C.1.2 Fill in the following table with the Board members' particulars:

Name or company name of the director	Representative	Category of the director	Position on the board	Date of first appointment	Date of last appointment	Appointment procedure
MR JAVIER LÓPEZ CASADO		Proprietary	DIRECTOR	24/05/2018	24/05/2018	RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS
MR CARLOS FERNÁNDEZ GONZÁLEZ		Proprietary	DIRECTOR	28/06/2016	28/06/2016	RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS
MR CARLOS FERNÁNDEZ-LERGA GARRALDA		Independent	COORDINATING INDEPENDENT DIRECTOR	19/06/2008	24/05/2018	RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS
MR JAVIER IGLESIAS DE USSEL ORDÍS		Independent	DIRECTOR	19/06/2008	24/05/2018	RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS
MR PEDRO VIÑOLAS SERRA		Executive	VICE CHAIRMAN AND CHIEF EXECUTIVE OFFICER	18/07/2008	24/05/2018	RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS
MR JUAN JOSÉ BRUGERA CLAVERO		Executive	CHAIRMAN	19/06/2008	24/05/2018	RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS
MR LUIS MALUQUER TREPAT		Independent	DIRECTOR	31/07/2013	24/05/2018	RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS
MR JUAN CARLOS GARCÍA CAÑIZARES		Proprietary	DIRECTOR	30/06/2014	24/05/2018	RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS
MR SHEIKH ALI JASSIM M.J. AL-THANI		Proprietary	DIRECTOR	12/11/2015	28/06/2016	RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS
MR ADNANE MOUSANNIF		Proprietary	DIRECTOR	28/06/2016	28/06/2016	RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS
MS SILVIA MÓNICA ALONSO-CASTRILLO ALLAIN		Independent	DIRECTOR	24/01/2019	14/06/2019	RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS
MS ANA CRISTINA PERALTA MORENO		Independent	DIRECTOR	14/06/2019	14/06/2019	RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS
MS ANA LUCRECIA BOLADO VALLE		Independent	DIRECTOR	14/06/2019	14/06/2019	RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS

Total number of directors	**13**

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

Name or company name of the director	Category of the director when they left	Date of last appointment	Date of departure	Special committees of which the director was a member	Indicate whether the director left prior to the end of their term of office
MS ANA SAINZ DE VICUÑA BEMBERG	Independent	24/05/2018	24/01/2019	Audit and Control Committee	Yes

- **Reason for leaving the Board and other observations**

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

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

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

- **Executive directors**

Name or company name of the director	Position in the company organisation chart	Profile
MR PEDRO VIÑOLAS SERRA	Vice Chairman and Chief Executive Officer	He is a graduate in Business Management and MBA from ESADE and Universidad Politécnica de Cataluña, and holds a Diploma in Business Management from Universidad de Barcelona, where he also studied Law. In 1990, Pedro Viñolas began to work as Director of the Research Department at the Barcelona Stock Exchange, of which he later became Deputy Managing Director, where he remained until 1997. He then took up duties as Managing Director of FILO, S.A., a listed real estate company, where he remained until 2001. Subsequently, until July 2008, he was Partner and CEO at the Riva y García Financial Group. He has been Chairman of the Urban Land Institute in Spain and a member of the Board of Directors of the Riva y García Financial Group. He was also Chairman of the Spanish Institute of Financial Analysts in Catalonia from 1994 to 2000. He is currently a member of the Board of Directors of Societè Foncière Lyonnaise and sits on its executive committee. He is a member of the Board of Directors of Bluespace, S.A and a member of the Board of Directors of the European Public Real Estate Association (EPRA).
MR JUAN JOSÉ BRUGERA CLAVERO	Chairman	Chairman of Inmobiliaria Colonial, SOCIMI, S.A. since 2008, and previously held the position of CEO from 1994 to 2006. Chairman of Société Foncière Lyonnaise since 2010. Previously he was Chief Executive Officer of Mutua Madrileña, CEO of SindiBank and Deputy General Manager of Banco de Sabadell. Other positions: Chairman of the Board of Trustees of the Universidad Ramón Llull (URL); Chairman of the ESADE Foundation, Panrico, Holditex and the Círculo de Economía de Barcelona. He has been a member of the Board of Directors of the Periódico de Catalunya since 2019. He is an Industrial Technical Engineer and holds an MBA from ESADE. PDG from IESE and Honorary Doctorate from the University of Rhode Island.

Total number of executive directors	2
% of the total board	15.38

- **External proprietary directors**

Name or company name of the director	Name or corporate name of significant shareholder who is represented or has proposed the appointment	Profile
MR JAVIER LÓPEZ CASADO	GRUPO FINACCESS S.A.P.I. DE C.V.	He joined Finaccess as International Director of Asset Management in November 2010. Since 2012, he has been CEO of Finaccess Advisors LLC. Since 2014, he has also been responsible for Finaccess Estrategia S.L. in Spain. Prior to joining Finaccess, he worked as Senior Vice-President for Santander Private Banking in Miami. He previously held different posts in Banco Santander's International Private Banking area in Madrid and Miami. He worked at the Santander Group from 1996 to 2010. Before joining Banco Santander, he worked as a Lawyer in Madrid. He has 22 years' experience in financial markets and is a member of Grupo Finaccess' Board of Directors, the International Investment Committee and the Audit Committee of Finaccess Advisors LLC. He is Chairman of SOLTRA S.L., a company working on the promotion, education and rehabilitation of people with different capacities in order to achieve full social integration, which currently has 400 employees. He also sits on the board of trustees of several Foundations in Spain and Mexico. He holds a Law Degree from Universidad San Pablo CEU in Madrid, an MBA from the University of Miami and a Masters in Legal and Tax Consultancy for Construction and Real Estate Companies from Universidad Politécnica of Madrid.
MR CARLOS FERNÁNDEZ GONZÁLEZ	GRUPO FINACCESS S.A.P.I. DE C.V.	As an Industrial Engineer he has attended senior management programmes at the Instituto Panamericano de Alta Dirección de Empresa. For over 30 years, he has held positions with a high degree of responsibility, complexity and competence in business management in different sectors. He was CEO (1997-2013) and Chairman of the Board of Directors (2005-2013) of Grupo Modelo. Since his appointment as CEO and until 2013, this Group became the leading beer company in Mexico, the seventh group in the world and the largest beer export company in the world. Furthermore, he was director in international and national companies, including Anheuser Busch (USA), Emerson Electric Co. (USA), Televisa Group (Mexico), Crown Imports, Ltd. (USA), Inbursa (Mexico) and Mexico Stock Exchange. Likewise, he was also a member of the international advisory board of Banco Santander, S.A. (Spain), Director of Grupo Financiero Santander México S.A.B de C.V. and, until October 2019, Director of Banco Santander, S.A. (Spain). He is currently the Chairman of the Board of Directors and general manager of Grupo Finaccess S.A.P.I. de C.V. -of which he is a founder- with a presence in Mexico, 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 the director	Name or corporate name of significant shareholder who is represented or has proposed the appointment	Profile
MR JUAN CARLOS GARCÍA CAÑIZARES	AGUILA, LTD	Industrial Engineer. He also studied management programmes at IMD Switzerland, and holds an MBA granted jointly by the New York University Stern School of Business, London School of Economics and HEC Paris. He is an investment banker who was responsible for more than $35 billion in mergers, acquisitions and financing of acquisitions over a period of 25 years. He was Vice President of Planning for Bavaria, one of Latin America's leading breweries, where he was responsible for the $4 billion international brewery acquisition programme, and for the subsequent $8 billion merger with SABMiller plc, creating the world's second largest brewery. In recent years, he led negotiations on behalf of the Santo Domingo Group for the conversion of its holding in SABMiller into a share in Anheuser Busch Inbev following the merger of the two, an operation which was finalised in 2016. Before joining the Santo Domingo Group, he was co-founder and Main Partner of Estrategias Corporativas, an investment bank firm in Latin America. He is currently the Managing Director of Quadrant Capital Advisors, Inc. in New York (a Santo Domingo Group investment company 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 President, member of the Board of Directors and of the Executive Committee of Housing Bank for Trade and Finance of Jordan (listed company and the second most important bank in Jordan). He was a member of the Board of Directors and Vice President of the United Arab Shipping Company in Dubai, UAE, from 2003 until 2016. Since 2007, he has been Vice President of LQB - Libyan Qatari Bank and in 2009 he was appointed Chairman and Managing Director of Qatar Navigation(having been a member of the Board of Directors of this listed company in Qatar since 2003). This Holding company operates in sea transport and real estate. Since 2012, he has been a member of the Board of Directors of QADIC-Qatar Abu Dhabi Investment Company, a company specialising in real-estate investments and private equity. In November 2015, he was appointed Director of Socièté Foncière Lyonnaise (SFL).
MR ADNANE MOUSANNIF	QATAR INVESTMENT AUTHORITY	He has both French and Moroccan nationalities and is currently working at Qatar Investment Authority -QIA- the sovereign investment fund of Qatar. In recent years, he has taken part, on behalf of QIA, in most of its real-estate operations in Europe and America, including the acquisition of the Canary Wharf Group in London and the acquisition of the Virgin Megastore building in the Champs Elysees of Paris. He also took part, once again representing QIA, in acquiring a stake in Société Foncière Lyonnaise and in Inmobiliaria Colonial in Spain. Previously, he'd worked for several years for the Morgan Stanley Real Estate Investing funds in Europe. He has a master's degree in business creation and Finances by the ESCP Europe Business School and a university degree in Civil Engineering.

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

External independent directors

Name or company name of the director	Profile
MR CARLOS FERNÁNDEZ- LERGA GARRALDA	Degree in Law from the University of Navarra, Master's degree in European Studies from the University of Leuven (Belgium) and postgraduate commercial law specialisation courses at the Bank of Spain's Training Centre. He completed his studies in international law at the Academy for International Law at The Hague, in comparative law and international organisations in Strasbourg and at the Collège Universitaire d'études fédéralistes, Nice, Val d'Aoste. From 1978 to 1983 he was Technical Advisor of the Ministry and Secretary of State for European Community Affairs, participating in negotiations for Spain's accession to the European Union. From 1984 to 1986, he held the position of General Manager of the European Union Advisory Service at the Banco Hispano Americano Group. He has also been Chairman of Iberdrola Ingeniería y Construcción S.A. and Director of Abantia Corporación. He has also been Coordinating Director, member of the Audit Committee and Chairman of the Appointments and Remuneration Committee at Gamesa Corporación Tecnológica, S.A. (Lead Independent Director) and General Director of La Caixa. Member of the International Secretariat of World Federalist Youth (Amsterdam, the Netherlands); Secretary of the European League for Economic Cooperation (ELEC), Madrid; Secretary of the Foundation for Progress and Democracy, Deputy (Treasurer) of the Governing Board of the Madrid Bar Association, member of the Executive Committee of Real Instituto Elcano for international and strategic research and Trustee of the Spain/US and Spain/China Council Foundations. He has also taught extensively in the School of Political Science at the Complutense University and the Institute of European Studies at the University of Alcalá de Henares, among other institutions, and has authored numerous publications on legal issues. He is currently a Director of Editorial Ecoprensa, S.A. (El Economista) and continues to practice law from his office Carlos Fernandez-Lerga Abogados/Eurconsultores, devoting himself mainly to legal advice in Commercial and Civil Law. He has been a member of the Board of Directors of Société Foncière Lyonnaise since 2017.
MR JAVIER IGLESIAS DE USSEL ORDÍS	Javier Iglesias de Ussel y Ordís has a wealth of experience in financial circles. In 1974, he joined Lloyds Bank International in London, where he held different positions of responsibility for Corporate Banking in Dubai, São Paulo, Asunción and Madrid for over 21 years. In 1995, he joined The Bank of New York and was appointed Country Manager for the Iberian Peninsula. He moved to New York in 2002, and was appointed Division Head for Latin America. From 2008 to December 2013, he ran the Representation Office of Chilean bank Banco de Crédito e Inversiones. Mr Iglesias de Ussel has been an Independent Director of Inmobiliaria Colonial since 2008, and has also been an Independent Director of Aresbank since March 2015. Mr Iglesias de Ussel holds a degree in modern history from the University of Barcelona and throughout his career has been involved in numerous business administration, marketing, risk analysis and money laundering prevention courses. He lived outside Spain for 22 years, and speaks English, French and Portuguese.
MR LUIS MALUQUER TREPAT	He holds a degree in Law from the University of Barcelona and a Diploma in International Institutions from the University of Geneva. Throughout his career at the law firm Maluquer Advocats, SCP, he has advised different national and international institutions, providing his services in the fields of consultancy, legal advice and lawsuits, arbitration and mediation procedures. He also has teaching experience at various institutions, such as the Barcelona Chamber of Commerce, and worked as director at the European Society for Banking and Financial Law (AEDBF Paris). He is the founding partner of Despacho Maluquer Advocats, SCP, and is a board member and secretary to a number of companies, including Société Fonciére Lyonnaise, where he sits on the board. He was Chairman of the Argentinian Chamber of Commerce in Spain until 2019 and is currently a member of its Governing Board.
MS ANA CRISTINA PERALTA MORENO	Ms Ana Peralta is currently an Independent Director of BBVA, S.A., Inmobiliaria Colonial, SOCIMI, S.A. and GRENERGY RENOVABLES, S.A. She has 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).

- **External independent directors**

Name or company name of the director	Profile
MS ANA LUCRECIA BOLADO VALLE	She holds a degree in Pharmacy from the Madrid Complutense University, and also a Master's Degree in Business Administration (MBA) from IE Business School. In the course of her professional career, Ms Ana Bolado Valle has held various management positions at Santander Group (1986-2017), managing important business areas both wholesale and retail, digital transformation projects and key areas for the Group such as Corporate Human Resources Division between 2005 and 2010. She has also been Director of Parques Reunidos Servicios Centrales, S.A. Currently Ms Ana Bolado Valle is a proprietary director of Metrovacesa, S.A., appointed at the proposal of Banco Santander, S.A., Unicaja Banco, S.A., Caceis Group and Caceis Bank. In Unicaja Banco, S.A. she is also Chairwoman of the Appointments Committee, member of the Risks Committee and member of the Remunerations Committee. At Caceis Bank she is a member of the following committees: Strategy, Audit, Risks and Compliance and Appointments and Remunerations. Furthermore, she is a Senior Advisor for Fellow Funders -an equity crowdfunding platform to support the funding of start-ups and SMEs- and a member of the Instituto de Consejeros y Administradores (ICA, Institute of Directors and Administrators) and of Women Corporate Directors.
MS SILVIA MÓNICA ALONSO-CASTRILLO ALLAIN	Holds a degree in Political Sciences from the *Sciences Po University* (Paris) and a Master's Degree in Spanish and Latin American Studies from the Paris-Sorbonne University. By civil service examination, she became a teacher of Spanish studies in France. She has been teaching and researching for 25 years (1984-2009) in a number of French academic institutions: University of Toulouse, Sciences Po and the ESSEC Business School. Author of several books on history and contemporary Spanish politics. Ms Alonso-Castrillo worked for the French Embassy in Singapore as a science and culture advisor, before being appointed regional director of INSEAD. She supervised the development of two campuses in Singapore: the French Lycée and INSEAD (1996-1999). Upon her return to Europe in 2000, she worked for 15 years with ESSEC, managing international development and fundraising for the business school, which also opened a campus in Singapore. In 2007, she founded in Madrid the consulting firm Sociedad de Estudios Hispano Franceses, S.L., which she led until 2019. Since 2013, Ms Alonso-Castrillo has run the family farm in the Loire Valley of France. She has served on the Board of the College de Bernardins (Paris) and on the Executive Committee of the Fondation pour les Sciences Sociales (Paris). She has been Director of Société Foncière Lyonnaise from 2017 to 2019. Since 2017 she has been a member of the board of directors of KOIKI HOME, S.L.

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

List any independent directors who receive from the company or group any amount or payment other than standard director remuneration or who maintain or have maintained during the period in question a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior officer of an entity which maintains or has maintained this relationship.

If applicable, include a statement from the board detailing the reasons why it believes this director may carry out duties as an independent director.

Name or company name of the director	Description of the relationship	Reasoned statement
No data		

- **Other external directors**

Identify the other external directors and explain why these directors may not be considered proprietary or independent directors, and what their connection is with the Company, its managers or its shareholders:

Name or company name of the director	Reasons	Company, director or shareholders to which this person is linked	Profile
No data			

Total number of other external directors	N.A.
% of the total board	N.A.

Indicate any changes in the status of each director that may have occurred during the year:

Name or company name of the director	Date of change	Prior category	Current category
No data			

C.1.4 Complete the following table with the information on the number of female directors over the past 4 years and their category:

	Number of female board members				% of total directors of each category			
	2019	2018	2017	2016	2019	2018	2017	2016
Executive					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent	3	1	1	1	50.00	25.00	25.00	25.00
Other External					0.00	0.00	0.00	0.00
Total	3	1	1	1	23.08	9.09	10.00	9.09

C.1.5 Indicate whether the company has diversity policies in place for its Board of Directors with regards to age, gender, disability, education or work experience, among other matters. Small and medium businesses, as described by the Auditing Law, should at least report about the policy they have established to ensure gender diversity.

Yes

If this is the case, describe the diversity policies, their targets, measures and the way they have been implemented and their outcome in the fiscal year. Also indicate the specific measures taken by the Board of Directors and the Appointments and Remuneration Committee to ensure a balanced and diverse ratio of directors.

Should the company not have a diversity policy in place, explain the reasons for it.

- **Description of policies, targets, measures and way they have been implemented, as well as their outcome**

In recent years, the Company has approved a Selection and Diversity Policy which specifies strict parameters for its application, and has been developing specific planning for the implementation of this policy, which has had the positive result of tripling the number of women members of the Board of Directors in 2019. Thus, this Selection and Diversity Policy, applicable to the appointment and re-election of candidates to the Board of Directors, is based on the principles of diversity and balance in the composition of the Board of Directors, within the general objective of providing effectiveness and professionalism to the operation of this body and increasing the quality of corporate management. In accordance with the Selection and Diversity Policy, the selection of candidates for directorship will require a prior analysis of the company's needs, which will be carried out by the Board of Directors, based on a report by the Appointments and Remuneration Committee (ARC). In this process, individuals will be sought who meet the requirements of professional and personal qualifications and honesty, as well as capacity, set out in the Policy. Upon recruiting such candidates, the Board will make sure that the selection processes foster diversity in age, gender, disability, education and work experience in the Board of Directors.

In relation to diversity, the Policy has among its objectives that by 2020 the number of female directors should represent at least 30% of the total members of the Board of Directors. Likewise, the Policy also includes as a target that the appointment of Directors should meet the general criteria on the composition of the Board of Directors, in particular, having a balanced number of executive, proprietary and independent Directors, subject to the principles and recommendations listed in the GGC. In 2019, the appointment of three independent directors was submitted to the General Meeting of Shareholders for approval. To this end, the ARC carried out an analysis of the composition of the Board of Directors, its needs and the shareholder composition of the Company, assessing the conditions that the directors should meet in the exercise of their duties and the dedication required for adequate performance. In the selection process, discrimination was avoided, and the principle of the selection process was to evaluate the merits and abilities of each candidate. The ARC has sought individuals who meet the requirements of professional qualification and honorability, as well as capacity, as provided for in the Selection and Diversity Policy. In addition, the ARC has ensured that the selection processes favour the diversity of knowledge and experience, training, age, disability and gender of the Directors, and do not suffer from implicit biases that could entail discrimination and, in particular, that they facilitate the selection of female Directors. Finally, the ARC has verified the compliance of the proposed candidates with the requirements of independence, in accordance with the legal and statutory provisions, as well as national and international standards.

C.1.6 Explain any measures that may have been agreed by the appointments committee to prevent any implicit bias in selection procedures to hinder the selection of female board members, and for the company to deliberately strive to include as candidates: women who meet the professional profile sought and that will ensure a balanced ratio of women and men:

- **Explanation of the measures**

The Board of Directors of Colonial, in the exercise of its internal policies and, in particular, the aforementioned policy on Selection and Diversity, maintains, as an objective for the financial year 2020, the promotion of the presence of women on the Board. This task was already carried out during the financial year 2019, resulting in the appointment, by the General Meeting of three new independent directors, all within the framework of the Company's internal policies, aligned with international standards and recommendation 14 of the Code of Good Governance, while also ensuring cultural diversity and the presence of members with international knowledge and experience on the Board.

With regard to the actions of the ARC, it carried out an analysis of the composition of the Board of Directors, its needs and the shareholder composition of the Company, assessing the conditions that the directors should meet in the exercise of their positions and the dedication required for adequate performance. In the selection process, discrimination was avoided, and the principle of the selection process was to evaluate the merits and abilities of each candidate. The ARC sought individuals who met the requirements of professional qualification and honesty, as well as capacity, as provided for in the Selection and Diversity Policy. In addition, the ARC has ensured that the selection processes favour the diversity of knowledge and experience, training, age, disability and gender of the directors, and do not suffer from implicit biases that could entail discrimination and, in particular, that they facilitate the selection of female directors. Finally, the ARC has verified the compliance of the proposed candidates with the requirements of independence, in accordance with the legal and statutory provisions, as well as national and international standards.

When, despite any measures adopted, there are few or no female directors, explain the reasons:

- **Explanation of the reasons**

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

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

As part of the verification of compliance with the Selection and Diversity Policy of Inmobiliaria Colonial, SOCIMI, S.A., during 2019 the ARC analysed the composition of the Board of Directors, its needs and the shareholding structure of the Company, in order to assess the conditions that the directors should meet in the exercise of their duties and the dedication required for adequate performance. By virtue of the foregoing, and in order to continue promoting the increase in the number of female directors on the Board of Directors in 2020, the ARC agreed to submit to the Board of Directors the proposed resolution for the ratification and appointment of Ms Silvia Mónica Alonso-Castrillo Allain, as well as the proposed appointments of Ms. Ana Peralta Moreno and Ms. Ana Bolado Valle, all of them as independent directors.

C.1.8 Explain any reasons for which proprietary directors have been appointed at the behest of shareholders accounting for less than 3% of share capital:

Name or company name of the shareholder	Justification
No data	

Provide details of any rejections of formal requests for board representation from shareholders whose shareholding is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If so, explain why these requests have not been granted.

No

C.1.9 Indicate, if any, the powers delegated by the Board of Directors to directors or to Board committees:

Name or company name of the director or committee	Brief description
MR PEDRO VIÑOLAS SERRA	In his capacity as CEO, he has been granted all the powers that may be delegated by the Board of Directors. In addition, as Vice-Chairman of the Board of Directors, he has been assigned the powers set out in the Board Regulations.
MR JUAN JOSÉ BRUGERA CLAVERO	In his capacity as Chairman of the Board of Directors, he has been granted all the powers set forth in the regulations of the Board of Directors. He has also been granted broad executive powers.

C.1.10 Identify any Board members working as managing directors, representatives of managing directors or executives at other companies that are part of the listed company's group:

Name or company name of the director	Group company name	Position	Does the member have executive functions?
MR CARLOS FERNÁNDEZ- LERGA GARRALDA	Société Foncière Lyonnaise	Director	NO
MR PEDRO VIÑOLAS SERRA	Société Foncière Lyonnaise	Director	NO
MR PEDRO VIÑOLAS SERRA	Inmocol Torre Europa, S.A.	Director	NO
MR PEDRO VIÑOLAS SERRA	Colonial Tramit, S.L.	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
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 Identify any directors, or representatives of directors who are legal entities, at your company who are also members of the Board of Directors, or representatives of directors who are legal entities, in other companies listed on official securities markets other than your group, which have been notified to the company:

Name or company name of the director	Company name of listed company	Position
MR CARLOS FERNÁNDEZ GONZÁLEZ	AmRest Holdings SE	Director
MR JUAN CARLOS GARCÍA CAÑIZARES	Valorem S.A.	Director
MR CARLOS FERNÁNDEZ GONZÁLEZ	Restaurant Brands New Zealand Limited	Director
MS ANA LUCRECIA BOLADO VALLE	Unicaja Banco, S.A.	Director
MS ANA LUCRECIA BOLADO VALLE	Metrovacesa, S.A.	Director
MS ANA CRISTINA PERALTA MORENO	Grenergy Renovables, S.A.	Director
MS ANA CRISTINA PERALTA MORENO	Banco Bilbao Vizcaya Argentaria, S.A.	Director

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

Yes

- **Explanation of the rules and identification of the document where they are established**

Colonial, in view of its internal principles of organisation and the proper functioning of its administrative and management structure, and in the best interests of the company, establishes in its Regulations of the Board of Directors that directors may not sit on more than three boards of directors of Spanish listed companies other than Colonial. The Board of Directors may dispense with this ban in exceptional circumstances. It should also be pointed out that Board Regulations establish that they must carry out their functions and meet the obligations imposed on them by law, the Company Bylaws and other internal regulations with the diligence of an orderly entrepreneur, in due consideration of the nature of the post and the functions assigned to them; their dedication must be appropriate at all times, and they must take the necessary measures for proper management and control of the Company.

C.1.13 Specify the amounts of the following items regarding the global remuneration of the Board of Directors:

Remuneration accrued by the Board of Directors during the fiscal year (thousands of euros)	6,294
Amount of pension rights accumulated by the current directors (thousands of euros)	714
Amount of pension rights accumulated by the former directors (thousands of euros)	

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 the senior management who are not also executive directors and state the total remuneration accrued by them during the year:

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

As in section C.1.13 above, the figure includes the group's total remuneration of the senior management.

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

No

C.1.16 Indicate the procedures for the selection, appointment, re-election and removal of directors. Give details of the competent bodies, the formalities to be fulfilled and the criteria to be used in each of the procedures.

In order to meet the highest standards in the selection of candidates for directors, based on knowledge and experience in the sector and in the management of listed companies, Colonial has developed its procedures for the selection, appointment, re-election and removal of directors, which are regulated in the Regulations of the Board of Directors, through the Selection and Diversity Policy, approved by the Board at the proposal of the ARC. In accordance with this policy, the Board of Directors will first analyse the Company's and the Group's needs, with the support of appropriate advisors, and, in any case, will base its analysis on the appointment proposed by the Appointments and Remuneration Committee or its report on the matter.

The directors are appointed by the General Meeting or, in the event of early vacancies, by the Board, exercising its power to co-opt. The ARC makes proposals for the appointment or re-election of independent directors. In all other cases, the Board is responsible for making proposals. Proposals must be accompanied by a supporting report from the Board that assesses the competence, experience and merits of the proposed candidates, which will be attached to the minutes of the General Meeting or the Board meeting.

The proposal for the appointment or re-election of any non-independent director should also be preceded by an ARC report.

For the shareholders at the General Meeting to have the information required for the appointment of the directors, from the publication of the call notice and until the General Meeting is held, the Company must display on its corporate website a permanent publication of at least these details regarding the persons proposed for appointment, ratification or re-election as Board members: their identity, CV and category to which each belongs, and the aforementioned proposal and reports and the ARC explanatory report containing the findings of the analysis performed beforehand on the Board's needs. For legal entities, information should be included on the individual designated for the permanent exercise of the functions of the post. Additionally, the Selection and Diversity Policy establishes a series of situations that prevent a candidate from being a director.

Directors may be removed from office at any time by the General Meeting, even if the removal is not on the agenda. In addition, directors must place their position at the disposal of the Board of Directors and tender, if the latter deems it appropriate based on a report from the ARC, their resignation, all in accordance with the provisions of the Regulations of the Board of Directors, in the instances set forth in section C.1.19 below. The Board of Directors shall not propose the removal of any independent directors before the expiry of their tenure as mandated by the Company Bylaws, except where just cause is found by the Board, based on a report by the ARC. It will be understood that there is just cause when the director takes up a new post or takes on new duties that prevent him/her from devoting the necessary time to the performance of the duties associated with the directorship, when the director fails to carry out the duties inherent to his/her post or when the director is involved in circumstances which cause him/her to lose his/her independent status in accordance with the provisions of the legislation applicable. The removal of independent directors may also be proposed following a takeover bid, merger or similar corporate operation entailing changes in the Company's capital structure, when these changes have been propitiated by the proportionality criterion. Without prejudice to the foregoing, the Board Regulations stipulate that independent directors may not retain their status as such for a continuous period of more than 12 years. Also, the Board of Directors may propose the removal of other directors prior to expiry of the statutory period for which they were appointed for exceptional and justifiable reasons as approved by the board, subsequent to a report by the ARC. When, as a result of their resignation or for some other reason, directors leave their post before their term has expired, they shall explain the reasons in a letter submitted to all Board members, notwithstanding notification of the departure as a regulatory announcement, and reporting of the reason for the departure in the Annual Corporate Governance Report.

C.1.17 Explain to what extent the annual evaluation of the Board has prompted significant changes in its internal organisation and the procedures applicable to its activities:

- **Description of changes**

In accordance with the spirit of permanent improvement that Colonial pursues in the fulfilment of its corporate governance functions, extending the requirements that by regulation or recommendation of good practices are applicable to listed companies, through regulation and internal policies committed to progress in this area and transparency in its dissemination, it is noted that the annual evaluation of the Board for the 2018 financial year was satisfactory. However, in order to maintain the purpose pursued by the Company, the recommendations for improvement proposed for 2019 included the implementation of a greater degree of gender diversity on the Board of Directors, an aspect which, as indicated, has been implemented with the appointment of three new independent female directors in 2019, through the submission by the Board of Directors to the General Meeting, at the proposal of the ARC, of the appointment of these independent female directors. The proposals were approved by the General Meeting on 14 June 2019.

Describe the assessment procedure and the areas assessed by the Board of Directors with the support, if any, of an external consultant, regarding the performance and composition of the Board and its committees and any other area or aspect that has been assessed.

- **Description of the assessment procedure and areas assessed**

The Board of Directors assessed its composition and competences, the operation and composition of committees and the performance of the Chairman, CEO, Independent Lead Director and the Secretary to the Board. In this regard, questionnaires were sent to all directors for these evaluations, covering various matters and collecting general recommendations for improvement. Once the responses were received, the ARC prepared the related reports evaluating the Board of Directors, Chairman, CEO, Lead Independent Director, and the Board Secretary, as well as its own composition, competences and operation, for submission to the Board. Similarly, the ACC formulated the assessment report on its composition, competencies and functioning. The ARC commissioned the services of the Spencer Stuart as an external consultant in this evaluation process. This entity issued a report on the adequacy of the procedure and methodology applied by Colonial in the assessment processes and on the conclusions regarding the same. Following the assessment, the Board of Directors approved the assessment reports for the Board, its committees, the Chairman, the CEO, the Lead Independent Director and the Secretary.

C.1.18 Detail, as appropriate, for the years in which the assessment was supported by an external consultant, any business dealings that the consultant or any company in its group have with the Company or any company in its group.

The business relationship with the consultant Spencer Stuart has been as an external consultant in relation to the assessment of the Board of Directors, its committees, the Chairman of the Board, the CEO, the Lead Independent Director and the Secretary of the Board, where the consultant maintained at all times his independence throughout the process of evaluating the process relating to the aforementioned assessment.

C.1.19 Indicate the cases in which the directors must resign.

In order to preserve the independence and the best performance of their duties by Colonial's directors, the company regulates in its internal rules (Regulations of the Board of Directors), that the directors must place their position at the disposal of the Board of Directors and tender, if the latter deems it appropriate after a report from the CNR, their resignation in the following cases: 1. When they become subject to any incompatibility or prohibition established by law. 2. When they cease to discharge the executive functions associated with their appointment as directors or when the reasons for their appointment cease to exist. Specifically, proprietary directors shall tender their resignation when the shareholder they represent sells off the entire shareholding in Colonial or when the number of shares held requires a reduction in the number of proprietary directors. 3. When they have been seriously reprimanded by the ARC for having infringed any of their duties as directors. 4. When their remaining as board member may adversely affect the operation of the Board or jeopardise the credit or reputation of the Company for any reason. In particular, the directors must inform the Board of any criminal proceedings in which they are an accused party and of the subsequent progress of the proceedings. In any event, if a director were prosecuted or had a court order issued against him or her initiating trial proceedings for any of the offences defined in the law, the Board shall examine the case as soon as practicable and, in view of the particular circumstances, decide whether or not he or she should remain in office, providing reasonable reasons therefor in the Annual Corporate Governance Report. Likewise, Colonial informs its directors who are qualified as independent of the time limit legally established at 12 years, so that once this period has elapsed, the appropriate steps can be taken to comply with the applicable legislation.

C.1.20 Are qualified majorities other than those prescribed by law required for any type of decision?

No

If applicable, describe the differences.

C.1.21 State whether there are any specific requirements, apart from those relating to the directors, to be appointed Chairman of the Board of Directors:

No

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

No

C.1.23 Indicate whether the Bylaws or the Board regulations set a limited term of office or other stricter requirements for independent directors other than those established by the regulations:

No

C.1.24 Indicate whether the Bylaws or Board regulations stipulate specific rules to delegate votes on the Board of Directors to other directors, the procedures thereof and, in particular, the maximum number of proxy votes a director may hold. Also indicate whether there is any limit as to the categories in which it is possible to delegate votes, beyond the limits provided in law Also indicate whether there is any limit as to the categories in which it is possible to delegate votes, beyond the limits provided in law.

In order to establish rules for the functioning of the Board that allow the effective performance of its functions within the framework of the governance requirements that, both in internal rules and in legislation, are applicable to the Company, the Regulations of the Board of Directors allow, in accordance with the Spanish Limited Liability Companies Law, that representation shall be conferred in writing and specifically for each meeting, and only in favour of another member of the Board. Under Board Regulations, proxy shall be granted in writing and specifically for each meeting, and only in favour of another member of the Board. Likewise, in cases of delegation, the directors must give specific instructions to the proxy on how to vote on the matters submitted for discussion.

C.1.25 Indicate the number of board meetings held during the fiscal year. Also state, if applicable, the number of occasions on which the Board met without its Chairman in attendance. Attendance shall also include proxies appointed with specific instructions.

Number of board meetings	9
Number of board meetings not attended by the chairman	0

Indicate the number of meetings held by the Independent Lead Director with the other directors without the attendance, in person or by proxy, of an executive Director:

Number of meetings	3

Indicate the number of meetings of the various board committees held during the year:

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

C.1.26 Indicate the number of meetings held by the Board of Directors during the fiscal year and the attendance data of its members:

Number of meetings where at least 80% of directors attended in person	9
% of attendance in person out of the total votes during the fiscal year	94.50
Number of meetings with attendance in person, or by proxy with precise instructions, of all the directors	9
% of votes cast with attendance in person, or by proxy with precise instructions, out of the total votes during the fiscal year	100.00

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 prepared 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 prevent the individual and consolidated financial statements prepared by it from being submitted to the general meeting with reservations in the audit report.

In accordance with the Regulations of the Board of Directors, the Audit and Control Committee shall ensure that the Board of Directors submits the financial statements to the General Meeting of Shareholders without limitations or reservations in the audit report. In any exceptional cases where such reservations exist, the Chairman of the Audit and Control Committee and, in exceptional circumstances, the auditors also, shall give a clear account of the contents and scope of these limitations or reservations to the shareholders. In any case, based on the functions granted to it in this regard by Board Regulations, the Audit and Control Committee constantly monitors the process of preparing the individual and consolidated financial statements to prevent them from being prepared with reservations in the audit report. In any case, there were no reservations in the year ended 31 December 2019.

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

No

If the secretary is not a director, complete the following table:

Name or company name of the secretary	Representative
MR FRANCISCO PALÁ LAGUNA	

C.1.30 Indicate the specific methods established by the company to protect the independence of the external auditors, as well as the methods, if any, employed to protect the independence of the financial analysis, of investment banks and of credit rating agencies, including how the legal provisions have been effectively implemented.

Among the obligations of the ACC is to preserve the independence of the external auditor in the performance of its duties. Furthermore, the ACC will: (i) should the external auditor resign, examine the circumstances that led to such resignation; (ii) ensure that the external auditor's compensation for his/her work does not compromise his/her integrity or independence; (iii) supervise that the Company reports as a regulatory announcement to the Spanish Securities Market Commission (CNMV) the change of auditor alongside a statement on the likeliness of a disagreement on the contents with the outgoing auditor; and (iv) ensure that the Company and the external auditor adhere to the current regulations on the provision of non-audit services as well as the limits on the auditor's business concentration and, in general, all the other rules on auditor independence. It is also a function of the ACC to establish the necessary relations with the external auditor in order to receive information on any matters that might jeopardise the auditors' independence, for examination by the Committee, any other matters related to the accounts audit process and, when appropriate, to authorise non-prohibited services on the terms provided in current legislation relating to independence and to communicate with the auditors as provided for in the financial audit legislation and auditing standards. In any case, each year the external auditors shall be required to furnish a statement of their independence with respect to the Company or entities related directly or indirectly thereto, as well as detailed and separate information on any manner of additional services of any kind provided and the related fees received from these entities by the external auditor or entities related thereto in accordance with the governing accounts audits. The ACC shall also issue, prior to the audit report, an annual report expressing an opinion on whether the independence of the auditors or audit companies has been compromised. This report shall, in any case, contain the evaluation of the provision of each and every additional service referred to in the preceding section, considered individually and as a whole, other than legal audit services in relation to the rules on independence or in accordance with the audit regulations. Additionally, the ACC has an authorisation procedure of the external auditor's services other than the prohibited ones. Likewise, the Regulations of the Audit and Control Committee, in line with Technical Guide 3/2017 on audit committees of public interest entities of the CNMV of 27 June 2017, establishes the procedure and specific criteria that the Committee must follow to preserve, among other aspects, the independence of the external auditors.

C.1.31 Indicate whether the company changed its external auditors during the fiscal year. Where appropriate, identify the incoming and outgoing auditors:

No

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

No

C.1.32 Indicate whether the audit firm performs other non-audit work for the company and/or its group, and if so, state the amount of fees received for such work and the percentage they represent of the fees billed to the company and/or its group:

Yes

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

C.1.33 Indicate whether the audit report for the annual financial statements of the previous fiscal year included any reservations or qualifications. Indicate the reasons given by the Chairman of the audit committee to the shareholders of the General Meeting to explain the contents and scope of the reservations or qualifications.

No

C.1.34 Indicate the number of consecutive years that the current audit firm has been auditing the Company's individual and/or consolidated annual financial statements. Likewise, indicate for how many years the current firm has been auditing the annual financial statements as a percentage of the total number of years over which the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	3	3
Number of years audited by the current audit firm/number of years the company or its group has been audited (as a %)	9.09	9.09

C.1.35 Indicate whether there is a procedure for the directors to be able to receive the necessary information to prepare for meetings of the management bodies sufficiently in advance, and if so, give details:

Yes

- **Detail of the procedure**

In order to ensure that the directors can adequately meet their obligations as such, Colonial guarantees that all the necessary information is provided for this purpose, and not only that which is legally required. To this end, the Regulations of the Board of Directors, the Chairman, with the collaboration of the Secretary, ensures that the directors have, beforehand and sufficiently in advance, the necessary information for the deliberation and adoption of resolutions on the matters to be discussed at each meeting, unless the Board of Directors has convened or has been called on an exceptional basis for reasons of urgency. Likewise, any director may, at the request of the Chairman, Managing Director, or Secretary, request and examine the books, records, documents and other background information on corporate transactions, and may also obtain the necessary supplementary information from any interlocutors deemed appropriate.

Lastly, the Company shall establish suitable channels for directors to obtain the advice they need to carry out their duties including, if necessary, external advise at the Company's expense. In this regard, in view of the functions of the Board Chairman, the directors shall send the Chairman requests for external assistance when they deem this necessary. Furthermore, the Regulations of the Board of Directors stipulate that the committees may resort to external advice when deemed necessary for their roles, following the same procedure as set forth above.

C.1.36 Indicate and, where appropriate, give details of whether the company has established rules obliging directors to report and, where applicable, resign in any circumstances that might jeopardise the company's credit or reputation:

Yes

- **Explain the rules**

Board Regulations stipulate that directors must tender their resignation to the Board of Directors and resign if the latter deems it appropriate subsequent to a report from the ARC when their continuation as a Board member may adversely affect the operation of the Board or jeopardise the credit or reputation of the Company for any reason. In particular, the directors must inform the Board of any criminal proceedings in which they are an accused party and of the subsequent progress of the proceedings. In any event, if a director were prosecuted or had a court order issued against him or her initiating trial proceedings for any of the offences defined in the law, the Board shall examine the case as soon as practicable and, in view of the particular circumstances, decide whether or not he or she should remain in office, providing reasonable reasons therefor in the Annual Corporate Governance Report.

C.1.37 Indicate whether any of the members of the Board of Directors have informed the company of any indictments or the commencement of oral proceedings against him/her for any of the offences specified in Article 213 of the Spanish Limited Liability Companies Law:

No

C.1.38 Detail any significant agreements entered into by the company which will come into force, are amended or terminated in the event of a change of control of the company following a takeover bid and the effects thereof.

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

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

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

In addition, the Company has made several issues of fixed-income securities under the Euro Medium Term Note ("EMTN Programme"), which provides for the early maturity of the debentures, at the bondholder's option, in the event of a change of control leading to the loss of the investment grade rating. The total amount of emissions under the EMTN Programme is 2.6 billion euros.

C.1.39 Identify, separately when referring to directors and aggregated when referring to all other cases and provide detailed information on agreements between the company and its officers, executives and employees that provide for indemnities or guarantee or golden parachute clauses in the event of resignation, unfair dismissal or termination of the contractual relationship as a result of a takeover bid or other operations.

Number of beneficiaries	3
Type of beneficiary	Description of the agreement
Chairman of the Board of Directors, Chief Executive Officer and Corporate General Manager	Executive Directors will receive, in accordance with their relevant service agreement approved by the Board of Directors, a payout as compensation for an unjustified dismissal or non-renewal of their office, or a material reduction of their respective functions. They will also be entitled to it (i) in the event of a waiver or resignation from their position due to a change of control at the Company or significant change in the composition of the Board of Directors and (ii) in the event of amendment of the terms and conditions agreed in their employment contracts without their consent, among other scenarios established by the Board of Directors. Said compensation consists of, (a) in relation to the Chairman, a gross amount equivalent to two years' fixed and variable remuneration, with a minimum of €1,650,000, and (b), in relation to the CEO, a gross amount equivalent to two years' fixed and variable remuneration, with a minimum of €1,920,000. The amounts shown are automatically renewed on an annual basis by applying the CPI or any another official benchmark that may ultimately replace it. In the case of the Corporate General Manager, the guarantee or golden parachute clause triggered in the event of termination under certain circumstances or change of control gives rise to compensation for termination of functions for an amount equal to 3 years' salary. There is also a long-term incentive plan approved by the General Meeting that entails the allocation of ordinary shares in the Company conditioned to meeting certain criteria each year. The beneficiaries of the plan are the Chairman of the Board, the CEO and the members of Colonial's Management Committee, which includes the Corporate General Manager. The Plan provides that the Board of Directors shall agree early settlement of the Plan and the award of a maximum number of outstanding shares to each beneficiary if a "substantial liquidity event" occurs. "Substantial liquidity events" shall occur (i) when a takeover bid is authorised to acquire all Colonial's share capital, or (ii) when refinancing of all Colonial's debt is authorised. In the latter case, early settlement of the Plan is subject to the ARC's ratification. If, during the term of the Plan, the Chairman or CEO were unfairly dismissed, the General Meeting did not extend their term or they were dismissed from their positions without just cause, they shall be entitled to an early settlement of the Plan and to the delivery of the maximum number of shares outstanding in the years remaining until the end of the Plan. Beneficiaries shall lose their right to the delivery of shares in the event of justified dismissal, termination for cause or if they resign on their own initiative, and in case of breach of contract in respect of confidentiality, non-solicitation of services or competition. In these cases, the beneficiaries will lose any rights to shares that have been granted.

Indicate whether, beyond the assumptions foreseen by the regulations, these agreements must be reported to and/or authorised by the governing bodies of the company or its group. If this is the case, specify the procedures, assumptions foreseen and nature of the bodies in charge of their approval or their communication:

	Board of Directors	General Meeting
Body which authorises the clauses	√	

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

C.2. Board committees

C.2.1 Give details of all board committees, their members and the proportion of executive, proprietary, independent and other external directors that form them:

- **Appointments and Remuneration Committee**

Name	Position	Category
MR CARLOS FERNÁNDEZ-LERGA GARRALDA	CHAIRMAN	Independent
MR JAVIER IGLESIAS DE USSEL ORDÍS	MEMBER	Independent
MR LUIS MALUQUER TREPAT	MEMBER	Independent
MR JUAN CARLOS GARCÍA CAÑIZARES	MEMBER	Proprietary
MR ADNANE MOUSANNIF	MEMBER	Proprietary
MS ANA LUCRECIA BOLADO VALLE	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	33.33
% of independent directors	66.67
% of other external directors	0.00

Explain the functions, including, if applicable, those additional to those provided for by law, conferred to this committee, and describe the rules and procedures of its organisation and operation. For each of these functions, indicate the most significant actions during the fiscal year and how it effectively carried out each of the functions conferred to it by Law or Bylaws or other corporate agreements.

In order to adequately fulfil its obligations and functions, the internal regulations have reinforced certain legal provisions on the ARC. The ARC comprises a minimum of 3 and a maximum of 8 directors, all of them non-executive directors, appointed by the Board, with the number of independents as determined by law. The ARC shall appoint from among its members (i) a chairman, who, in any case, shall be an independent director, and (ii) a secretary, or it may designate the Secretary to the Board. The ARC may appoint a deputy chairman, who shall also be an independent director. The members of the ARC shall leave office when they cease to be directors or when the Board so resolves. The functions of the ARC will be, among others, 1. Evaluate the skills, knowledge and experience required on the Board, define the roles and capabilities required of the candidates and decide on the time and dedication necessary for them to effectively discharge their duties. 2. Establish a target representation rate for the less-represented gender on the Board, laying down guidelines to achieve it. 3. Make appointment proposals to the Board of independent Directors to be co-opted or, if applicable, for submission to a decision by the shareholders at the General Meeting, and proposals for re-election and removal thereof by the General Meeting. 4. Report on proposals for appointment of other Directors to be co-opted or, if applicable, for submission to a decision by the shareholders at the General Meeting, and proposals for re-election and removal of those directors by the General Meeting. 5. Report the proposals for the appointment and removal of senior officers and the basic conditions of their contracts. 6. Examine and organise the succession of the Board Chairman and of the CEO of the Company and, where applicable, make recommendations to the Board to ensure a well-planned and orderly succession. 7. Make recommendations to the Board on remuneration policy for directors and general managers or other members of senior management reporting directly to the Board, for executive committees or the CEO, and for individual remuneration and other contractual conditions of Executive Directors, and ensure compliance with this policy. With respect to its operation, the committee meets whenever at least two of its members request it or its Chairman agrees, who is responsible for convening it. The call notice shall be valid provided it is sent by any means that allows acknowledgement of its receipt. The ARC shall be considered validly constituted when a majority of its members are present in person or by proxy. Its resolutions shall be adopted by a majority of those present in person or by proxy, and the Chairman will have the casting vote in the event of a tie. Members of the ARC will not take part in deliberating or voting the resolutions or decisions if they, or their related party, have a direct or indirect conflict of interest. Members of the ARC shall refrain from taking part in deliberations or voting on any resolutions or decisions in which they or any persons related thereto may have a direct or indirect conflict of interest. In this regard, in 2019, the Committee carried out the following functions: i) Coordinated and submitted to the Board reports on the assessment of the Board of Directors, of the Committee and the performance of the Chairman of the Board, the CEO, the Independent Lead Director and the Secretary to the Board, supported by the advice from Spencer Stuart; ii) Led the directors' Training and Knowledge Refresher Plan iii) Led the ESG policy; iv) Analysed the qualifications of the members of the Board of Directors in accordance with corporate texts, the Spanish Limited Liability Companies Law and corporate governance recommendations; v) Reported in favour and proposed to the Board of Directors the approval of the Annual Report on Directors' Remuneration; vi) Ensured compliance with the remuneration policy established by the Company and, in particular, proposed to the Board of Directors the variable remuneration to be paid to the Chairman and the CEO; vii) Reported in favour and proposed to the Board of Directors the approval of the directors' remuneration policy for the years 2020, 2021 and 2022; viii) Analysed the objectives of variable compensation for the year 2019 so as to assess the performance of the Management Committee; ix) Reviewed the succession plan of the Chairman of the Board of Directors and the CEC; x) Distributed to all directors the tentative annual timetable of meetings of the ARC; xi) Proposed the number of shares due to beneficiaries of the share delivery plan approved by the General Meeting of Shareholders on 21 January 2014; xii) Proposed to the Board of Directors that it submit to the General Meeting setting the number of Board members at 13; xii) Proposed to the Board of Directors the appointment of Mr Pedro Viñolas Serra as Vice-Chairman of the Board of Directors; xiv) Proposed to the Board of Directors the appointments of Ms Silvia Mónica Alonso-Castrillo Allain, Ms Ana Bolado Valle and Ms Ana Peralta Moreno as independent directors of the Company; xv) Proposed to the Board of Directors the appointment of members of the ACC and the ARC; xvi) Reported in favour on the fixed and variable compensation of the Company's management team proposed by the CEO; and xvii) Reported to ARC members on the actions of the Corporate Governance Unit.

- **Executive Committee**

Name	Position	Category
MR CARLOS FERNÁNDEZ GONZÁLEZ	MEMBER	Proprietary
MR CARLOS FERNÁNDEZ-LERGA GARRALDA	MEMBER	Independent
MR PEDRO VIÑOLAS SERRA	DEPUTY CHAIRMAN	Executive
MR JUAN JOSÉ BRUGERA CLAVERO	CHAIRMAN	Executive
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 conferred to this Committee and describe the procedures and rules of its organisation and operation. For each of these functions, indicate the more relevant actions during the fiscal year and how it effectively carried out each of the functions conferred to it by Law or Bylaws or other corporate agreements.

The Executive Committee shall be made up of at least three and not more than eight members. The Chairman and Secretary to the Committee shall be the Chairman and Secretary to the Board of Directors. The Executive Committee may appoint from among its members a Deputy Chairman who shall act as Chairman in the event of absence. The Board of Directors shall appoint the members of the Executive Committee, ensuring that its membership structure reflects the various types of directors in a similar manner to that of the Board. To be valid, the appointment of directors who constitute the Executive Committee shall require a vote in favour by two thirds of the members of the Board and shall not be effective until it has been entered in the Commercial Registry. The members of the Executive Committee shall cease to be members when they cease to be directors or when the Board so resolves. The Executive Committee shall be called by its Chairman on his/her own initiative or when this has been requested by two of its members. The meeting must be convened by letter, telegram, e-mail or fax addressed to each of its members at least 48 hours in advance of the date of the meeting; however, it may be called with immediate effect for reasons of urgency. The meetings shall be held at the Company's registered office or at any location designated by the Chairman and indicated in the notice. For an Executive Committee meeting to be validly constituted, the majority of its members must attend, either physically present or represented by proxy. The absolute majority of the members of the Committee shall adopt the resolutions. In the event of a conflict of interest, the directors concerned shall refrain from participating in the transaction to which the conflict refers. The votes of the directors who are affected by such conflict of interest and who must abstain shall be removed for the purposes of calculating the necessary majority of votes. In the event of a tie, the matter shall be submitted to the Board of Directors. Through its Chairman, the Executive Committee shall report to the Board on the business transacted and the resolutions adopted by the Committee. In 2019, the Committee met twice and among its most important actions was the analysis of different investment proposals by the Company.

- **Audit and Control Committee**

Name	Position	Category
MR CARLOS FERNÁNDEZ-LERGA GARRALDA	MEMBER	Independent
MR JAVIER IGLESIAS DE USSEL ORDÍS	MEMBER	Independent
MR LUIS MALUQUER TREPAT	MEMBER	Independent
MR JAVIER LÓPEZ CASADO	MEMBER	Propietary
MS ANA CRISTINA PERALTA MORENO	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	20.00
% of independent directors	80.00
% of other external directors	0.00

Explain the functions, including, if applicable, those additional to those provided for by law, conferred to this committee, and describe the rules and procedures of its organisation and operation. For each of these functions, indicate the most significant actions during the fiscal year and how it effectively carried out each of the functions conferred to it by Law or Bylaws or other corporate agreements.

The ACC comprises a minimum of 3 and a maximum of 8 directors, all of which must be non-executive directors, appointed by the Board. The ACC members shall have relevant technical knowledge in relation to the Company's sector of activity. The ACC shall appoint a Chairman, who must be an independent Director and shall be replaced every 4 years, and may be re-elected after 1 year has elapsed from the date on which his/her term of office expired; and a Secretary, who may be Secretary to the Board. The members shall be relieved of their duties once their directorships expire, or when the Board agrees so. The ACC shall have the following functions, among others: 1. Report to the General Meeting on any questions posed in relation to those matters for which the Committee is responsible, particularly the result of the audit. 2. Supervise the effectiveness of internal control, the internal audit and the risk management systems, and discuss with the auditor any significant weaknesses detected. 3. Supervise the drawing up and presenting of required financial information and submit recommendations and proposals to the Board to safeguard its integrity. 4. Propose to the Board the selection, appointment, re-election and replacement of the auditor, taking responsibility for the selection process, as well as the terms of its engagement, and regularly gather information from it regarding the audit plan and the implementation thereof, and preserve its independence. 5. Establish appropriate relationships with the auditor to receive information on any issues which may jeopardise its independence and issues relating to the audit process, and, as appropriate, the authorisation of non-prohibited services, among others. In any event it must, on an annual basis, receive from the auditor a statement of its independence with respect to the Company or entities directly or indirectly related thereto, as well as information on any type of additional services provided and the related fees received by the auditor or by persons or related entities. 6. Issue, on an annual basis and prior to the issuance of the annual audit report, a report expressing an opinion on whether the independence of the auditor or audit companies has been jeopardised, which must in all cases contain a reasoned evaluation of the provision of additional non-audit services in respect of the independence rules or audit standards. 7. Inform the Board of all matters established by law, the Bylaws and Board Regulations. 8. Prepare an annual report on its activities, which must be included in the directors' report. The ACC meets whenever requested to do so by at least 2 of its members, or at the behest of the Chairman, who is responsible for convening it in accordance with the Board regulations. The ACC is validly convened when the majority of its members are present or represented, adopting resolutions by majority of those present or represented. The member affected must refrain from participating in the deliberation and voting on resolutions in which the member or a person related thereto has a conflict of interest. In the event of a tie, the Chairman has the casting vote. Minutes are taken of ACC meetings and are made available to the Board. Among the activities performed by the ACC in 2019, the following are worth mentioning: i) Acted as a communications channel between the Board and the external auditor; ii) Issued before the accounts audit report a report on the independence of the auditors; iii) Supervised the efficiency of the internal control, the internal audit and, in particular, the risk management systems in the Company, including those relative to taxes for the purposes of due compliance with applicable legislation, and discussed with the auditor the material weaknesses in the internal control identified during the audit; iv) Approved the internal audit plan for 2019; v) Approved the proposal for re-election of the auditor for 2020; vi) Approved the report on risk control and management policy vii) Monitored the strategy and practices regarding corporate social responsibility; viii) Monitored compliance with the internal code of conduct; ix) Monitored the process of preparing and filing the required financial information; x) Promoted and led compliance culture of the Company's rules and corporate texts throughout the organisation xi) Reported on the Annual Corporate Governance Report for submission to the Board of Directors; xii) Assessed its own functioning as part of the process of self-assessment of the Board of Directors and of its committees; xiii) Analysed and reported on the Company's transactions with treasury shares to be submitted to the Board of Directors; xiv) Reported to the Board of Directors, through the Chairman, about the contents of the Committee meetings; xv) Updated the Company's risk map; xvi) Supervised the implementation of measures agreed as part of the action plan and improvement plan for the Company's cybersecurity; xvii) Submitted a positive report to the Board of Directors on the merger of the Company's wholly owned subsidiaries; xviii) Analysed reports presented by internal audit and the business area on the contracting of works and construction suppliers.

Identify the directors who are members of the audit committee appointed with regard to his or her knowledge and experience in accounting, auditing or both, and indicate the date when the Chairman of the committee was appointed as such.

Names of directors with experience	MR CARLOS FERNÁNDEZ- LERGA GARRALDA MR JAVIER IGLESIAS DE USSEL ORDÍS MR LUIS MALUQUER TREPAT MR JAVIER LÓPEZ CASADO MS ANA CRISTINA PERALTA MORENO
Date the Chairman was appointed as such	24/01/2019

C.2.2 Fill in the following table with the information on the number of female directors sitting on the Board Committees at the end of the last four years:

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

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

The Audit and Control Committee has prepared a report on its assessment of the structure and functions it carries out, which includes a list of the most significant functions it performed in 2019. Likewise, the Appointments and Remuneration Committee carried out the same evaluation of its structure, organisation, operation and competences, and the report on the result of the evaluation lists the significant actions carried out in the 2019 financial year. Both reports are made available to shareholders, together with the other documentation for the Colonial Ordinary General Meeting, on the Company's corporate website.

Regarding the existence of committee regulations, the Company has regulations for the functioning of the Audit and Control Committee, in addition to those laid down by the Regulations of the Board of Directors.

D. RELATED-PARTY TRANSACTIONS AND INTRACOMPANY TRANSACTIONS

D.1. Explain, where appropriate, the procedure and competent bodies for the approval of related-party transactions and intracompany transactions.

In accordance with the Regulations of the Board of Directors, express authorisation is required from the Board of Directors, which cannot be delegated, following a positive report from the ACC, in the following cases, among others: -From a director to provide Colonial's companies with professional services. The employment or any other type of relationship that executive Directors have with the Company is exempt for these purposes. - For a director, a significant shareholder or his/her representative on the Board, or a related party to sell or otherwise provide supplies, materials, goods or rights, in general, to Colonial or other companies in its Group in exchange for any type of economic compensation. - For the companies in the Group to provide supplies, materials, goods or rights, in general, to a director, a significant shareholder or his/her representative on the Board, or a related person that are outside the provider's normal business. - For the provision of work, services or sale of materials by Inmobiliaria Colonial Group companies to a director, significant shareholder or a shareholder represented on the Board, or a related person, and which, being part of their ordinary business, is not carried out at arm's length. - For any other legal business with Group companies in which the director or a related party has a direct or indirect interest. The aforementioned approval by the Board of Directors shall not be necessary when such transactions have the following three characteristics simultaneously: 1. They are carried out under contracts with standard terms and conditions and are applicable across-the-board to many customers; 2. They are carried out at market prices, generally set by the person supplying the goods or services; and 3. The amount of the operation does not exceed 1% of the Company's annual revenue.

D.2. State any operations which are significant in terms of their value or relevant due to their contents, carried out between the company or companies in its group, and significant shareholders of the company:

Name or company name of the significant shareholder	Name or company name of the company or company in its group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
No data				N.A.

D.3. State any operations that are significant in terms of their value or relevant due to their contents, carried out between the company or companies in its group, and company directors or executives:

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

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

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

Corporate name of the company in the group	Brief description of the transaction	Amount (thousands of euros)
No data		N.A.

D.5. Detail any significant operations carried out between the company or group companies and with other related parties that have not been reported in the previous sections:

Company name of the related party	Brief description of the transaction	Amount (thousands of euros)
No data		N.A.

D.6. State the methods established to detect, determine and resolve any conflicts of interest between the company and/or the group, directors, executives or significant shareholders.

Under the Company Bylaws, directors shall refrain from taking part in deliberations or voting on any resolutions or decisions in which the directors or related parties may have a direct or indirect conflict of interest. The votes of the directors who are affected by such conflict of interest and who must abstain shall be removed for the purposes of calculating the necessary majority of votes. Resolutions or decisions that affect directors in their capacity as directors, such as the appointment or revocation of positions in the governing body or others of a similar nature, are excluded from this obligation to abstain. The Regulations of the Board of Directors also stipulate that the duty of loyalty requires that directors refrain from taking part in deliberations or voting on any resolutions or decisions in which the directors or any persons who are related parties may have a direct or indirect conflict of interest. Furthermore, Directors should take all necessary measures to avoid situations where their interests, on his/her own behalf or otherwise, may be in conflict with the corporate interests and with their duties to the Company. In particular, the Director should refrain from: a) entering transactions with the Company, unless these are ordinary operations under the standard conditions applied to customers and of scarce relevance, in other words, operations whose information is not required to produce a true image of the shareholder's equity, the financial statements or the Company's results; b) using the Company's name or invoking his/her appointment as Director to wrongfully influence private operations; c) making use of the corporate assets, including the Company's confidential information, for personal purposes; d) benefiting from the Company's business opportunities; e) gaining advantages or compensation from third parties other than the Company and its Group, on account of the performance of his/her role, save when these are given as mere gifts or business courtesies; f) carry out activities, on his/her own behalf or otherwise, that would be in actual competition, effective or potential, with the Company or that, in any other way, would be in constant conflict with the Company's interests. The foregoing shall also be applicable if the beneficiary of the actions or prohibited activities is a person related to the director, as per the applicable legal definition. Any conflicts of interest in which the directors are involved shall be reported in the notes to the financial statements and in the Annual Corporate Governance Report. The authorisation must be approved by the General Meeting when its purpose is to waive the prohibition of obtaining an advantage or remuneration from third parties, or when it affects a transaction the value of which is greater than 10% of the Company's assets. In all other cases, this may be granted by the Board of Directors provided that the members granting it remain independent in connection with the director who has been excused. It is also necessary to ensure that the shareholders' equity remains unharmed by the authorised transaction or that, if appropriate, it is carried out at arms' length and transparently. The covenant not to compete with the Company may only be waived under circumstances that should not entail any damages to the Company or if there were damages, these would be offset by the benefits it would be entitled to. The General Meeting shall grant dispensation through an express and separate resolution.

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

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

No

E. RISK MANAGEMENT AND CONTROL SYSTEMS

E.1. Describe the Risk Management and Control System in place at the company, including tax risks:

Colonial aims to create sustainable value by optimising the relation between the profitability and the risk of its business activity, which contributes towards strengthening its leadership in the sector and consolidating its position in the long term. Risk management is a key aspect of Colonial's organisational culture and, for this reason, the Company has developed a Risk Management and Control System (hereinafter "RMCS"), which establishes certain bases to efficiently and effectively manage risk throughout the organisation, including tax risks.

In order to meet these corporate objectives, the risks to which Colonial is exposed are identified, analysed, assessed, managed, controlled and updated. In order to maintain an effective and updated RMCS, Colonial prepares a corporate risk map, which identifies the main risks affecting the Group, and evaluates them in terms of impact and likelihood of occurrence. This map is periodically reviewed and updated every year, with the aim of having an integrated and dynamic risk management tool that evolves along with the changes in the environment in which the company operates and the changes in the organisation itself. Also, Colonial's RMCS establishes monitoring activities by the owners of risk (area managers) by updating the records of the risks in order to verify the effectiveness of the controls in place.

The Internal Audit function analyses the corporate risk map and proposes which processes, risks and controls should be reviewed each year in the Internal Audit Plan.

E.2. Identify the bodies responsible for preparing and implementing the Risk Management and Control System, including tax risks:

The Board of Directors is responsible for determining the Company's risk management and control policy, including tax risks, identifying its main risks, and implementing and supervising the internal reporting and control systems in order to ensure the future viability and competitiveness of the Company, adopting the decisions best suited to its implementation. The Audit and Control Committee (ACC) assists the Board of Directors in managing this policy. The ACC performs, inter alia, the following functions relating to risk control and management:

> Submitting a report on risk policy and management for approval by the Board.

> Conducting a regular review of risk control and management systems, in such a way that the main risks are identified, managed and notified properly.

> Overseeing the preparation, completeness and filing of regulated public information (financial and non-financial).

In addition, the Company has set up a Regulatory Compliance Division (RCD) and Internal Audit Unit to reinforce this objective. The RCD is responsible for ensuring compliance with any laws and regulations that may affect the Company.

The main responsibilities assigned in relation to the RMCS correspond to the Board of Directors, the Audit and Control Committee and the Internal Audit Unit. The RMCS also explicitly sets out the responsibilities of senior management, operational managers and owners of the risks in relation to risk management.

E.3. Specify the main risks, including tax ones and, when significant, those derived from corruption (as described in the Spanish Royal Decree 18/2017) that may jeopardise the business targets:

In accordance with adequate risk control and management, in order to avoid possible situations of corruption, bribery or fraudulent actions, Colonial has approved different policies that establish mechanisms and controls to prevent such situations from occurring. Likewise, and for the adequate application of these policies, the Company has different mechanisms whose purpose is to deploy in an operational manner the control systems and prevention measures necessary to achieve the business objectives.

> In this regard, and in order to better manage risks, Colonial's RMCS differentiates between the different types of risks to which the Group is exposed according to their origin in two major areas: External risks: risks related to the environment in which Colonial carries out its activity and which influence and condition the company's operations.

> Internal risks: risks arising from the company's own activity and its management team.

The main external risks faced by Colonial in achieving its targets include:

> Economic risks, arising from the political and macroeconomic situation in the countries where the Group operates and from changes in investors' own expectations.

> Market risks arising from changes in the business model itself, the greater complexity of implementing the investment strategy, and the fluctuation of the real estate market.

> Financial risks related to restrictions in the capital markets, interest rate fluctuations, impact of changes in tax regulations (mainly due to the Socimi regime) and counterparty risks of its clients.

> Environmental risks, derived from the most demanding demands in ESG, and mainly those related to the impact of climate change on the Group's activity.

The main internal risks faced by Colonial in achieving its targets include:

> Strategic risks related to the internationalisation and size of the Group, to the high concentration of office rental activities in prime areas of Barcelona, Madrid and Paris, and to the strategy in the coworking market.

> Various operational risks related to the maintenance of property occupancy levels and contracted rent levels, the development of projects within time and cost parameters, damage to and maintenance of real estate assets, management of the level of debt and loss of the current credit rating, failures in information systems and cyberattacks, as well as those inherent in the management of the organisational structure and talent.

> Risks arising from compliance with all the regulations and contractual obligations applicable, including tax risks concerning loss of Colonial's REIT status and loss of its French subsidiary Société Foncière Lyonnaise's status as a listed property investment company ("SIIC").

E.4. State whether the company has risk tolerance levels, including tax risks:

Colonial has established an appetite and tolerance for each risk area.

Operating management of the risk model at Colonial has been structured into a corporate risk map, which is the tool that graphically represents the assessment of risks according to their impact, their effect on Colonial measured in economic terms, and their probability, potential occurrence of the risk event over time.

In this regard, the Company assesses risk from two angles: inherent risk, which is understood to be that to which the Company is exposed in the absence of any mitigating action/controls; and residual risk, which is understood to be the risk remaining after the corresponding prevention and control measures have been taken. As a result, a classification of risks is obtained, although the company's policy is to adequately monitor each of the risks.

E.5. Identify any risks, including tax risks, which have occurred during the fiscal year:

The risks inherent in the business model and the various activities carried out by the Group are likely to materialise to some extent during each year. In 2019, risks inherent to the Company's activity materialised, and the established control systems worked correctly, allowing for these risks to be managed appropriately. The main risks that materialised during the aforementioned financial year include:

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

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

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

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

E.6. Explain any response and supervision plans in place for the company's main risks, including tax risks, as well the procedures followed by the company to ensure that the Board of Directors can respond to coming challenges:

The risk management model implemented sets out the response and monitoring plans for the main risks based on an assessment thereof. The corporate risk map has a dynamic focus and is therefore reviewed annually in order to monitor the evolution of the risks affecting the Group and the action plans defined and implemented by each area, with the necessary controls put in place to mitigate each of the risks they own. The results of this analysis are reviewed by the Audit and Control Committee, which in turn reports to the Board of Directors, as well as any significant variation in the risks that form part of this risk map. Risks are classified into four levels according to their impact and probability, ranging from the most to the least serious, and are then placed in one of the following categories according to the organisation's response to each:

> Avoid: This entails abandoning activities that generate risks where no response has been identified that could reduce their impact and/or likelihood to an acceptable level.

> Reduce: This entails taking action to reduce the likelihood and/or impact of the risk, thereby reducing residual risk so that it is in line with the Company's risk tolerance.

> Share: The likelihood or impact of a risk is reduced by transferring or sharing part of the risk to reduce residual risk so that it is in line with the Company's risk tolerance.

> Accept: No action is taken which may affect the likelihood or impact of the risk as residual risk is already within the Company's risk tolerance.

The owners of each risk are responsible for preparing the records of risks in order to report the treatment established to mitigate and/or maintain the level of risk at the tolerance threshold accepted by the Company. Risk records state: (i) the objective pursued by the action plan, (ii) description of the course of action, (iii) the owner of the risk, (iv) the cutoff date for taking action, (v) details of the action to be taken with those responsible for implementation, and start and finish dates.

Internal audit supervises the response plans that are the responsibility of the risk owners.

F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS IN RELATION TO INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms that comprise the risk control and management systems in relation to internal control over financial reporting (ICFR) at your company.

F.1. The company's control environment.

Provide information, stating the main features, on at least the following:

F.1.1 Which bodies and/or functions are responsible for (i) the existence and maintenance of a proper ICFR system; (ii) its implementation; and (iii) its supervision.

The Board of Directors, as stipulated in the Regulations, is ultimately responsible for the existence and updating of a suitable and effective ICFR system.

Specifically, Article 5 of the Board Regulations ("General Functions and Competences") stipulates, inter alia, the following functions:

1. Determine the Company's general policies and strategies, approve the investment and financing policy, the strategic or business plan, the annual management targets and annual budgets, and the treasury share policy, determine the corporate governance policy of the Company and the Group and the dividend policy, and approve the corporate social responsibility policy. The Board of Directors also determines the Company's risk management and control policy, including tax risks, identifying its main risks, and implementing and supervising the internal reporting and control systems in order to ensure the future viability and competitiveness of the Company, adopting the decisions best suited to its ideal development.

   To this end, Colonial has published an Internal Risk Management and Control Manual for its ICFR system, approved by the ACC, detailing the methodology for establishing the materiality of risks, as well as methodologies for documenting, classifying and assessing risks and associated control activities.

2. Approval of the financial information that all listed companies must periodically disclose.

   To this end, Colonial has published a Manual for Disclosure of Regulated Information that covers the aspects mentioned in this section and has been approved by the ACC.

3. Monitor the effective functioning of the Committees created by the Board and the performance of the delegated bodies and executives designated by the Board.

4. Approve and amend Board Regulations.

The ICFR Organisation and Supervision Model, approved by the ACC, establishes the mechanism that the Board of Directors, and by delegation, the ACC, deems appropriate and sufficient to guarantee the completeness, reliability, correct presentation and validity of Colonial's financial information.

Without prejudice to the other functions attributed by law, Article 32 of the Regulations of the Board of Directors states that at least the following functions must be performed by the ACC. In particular, the ACC is tasked with the following functions, among others, regarding the ICFR organisational model:

1. Submit to the Board for approval a report on the risk control and management policy, which identifies at least: (i) types of financial and non-financial risks faced by the Company, including financial and economic risks, contingent liabilities and other off-balance sheet risks; (ii) the level of risk that the Company considers acceptable; (iii) the measures planned to mitigate the impact of identified risks, should they materialise; (iv) and the information and internal control systems to be used to control and manage these risks, including contingent liabilities and off-balance sheet risks.

2. Oversaw the preparation and filing of required financial information.

3. In relation to the information and internal control systems: (i) supervise the preparation process and the integrity of financial information on the Company and, where applicable, on the Group, review compliance with the regulatory requirements, the proper delimitation of its scope of consolidation and the correct application of accounting principles; (ii) ensure the independence and effectiveness of the internal audit processes, propose the election, appointment, re-election and removal of the head of the internal audit unit in addition to proposing the budget for this unit, approve both orientation and its operating plans, ensure that the activity is focused mainly on the risks that are relevant to the Company, receive regular information on activities and verify that senior management takes account of the conclusions and recommendations of reports; and (iii) establish and supervise a method that allows employees to make confidential and, if possible and appropriate, anonymous, declarations on any irregularities, especially financial and accounting irregularities, that may potentially be important to the company.

4. It also receives regular information from the auditor on the audit plan and its execution.

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

Minutes shall be taken of all Committee meetings and made available to all board members.

The internal audit function is responsible for drawing up the annual Internal Audit Plan and submitting it to the ACC. The internal auditor shall carry out these tests and report on the conclusions to the ACC, including any internal control weaknesses identified, recommendations for improvement and the general conclusions of the annual audit plan which specifically includes, among others, those related to the ICFR system.

F.1.2 Whether the following exist, especially in connection with the financial reporting process:

• Departments and/or mechanisms tasked with: (i) devising and reviewing the organisational structure; (ii) clearly defining the boundaries of responsibility and authority, with proper distribution of tasks and functions; and (iii) ensuring that sufficient procedures are in place to spread awareness of this across the company:

The responsibility for developing Colonial's ICFR organisational model lies with the Internal Audit Department and the Financial Department, as they are the two departments most involved in drawing up and subsequently supervising the financial information to be reported.

Nevertheless, all Departments involved to a lesser or greater degree in preparing the financial information must also take responsibility for correctly carrying out the tasks, processes and controls in which they are involved.

The organisational model of Colonial's ICFR system is structured as follows:

a) Establishment of a general environment of appropriate control, setting out the main guidelines of operation of the ICFR and senior-level roles and responsibilities.

b) Identification of major risk events, which, if they occur, may materially affect financial information.

c) For risks identified in the relevant processes, specific mitigating controls are implemented to reduce these risks to acceptable levels. The operational Departments concerned are responsible for adequately implementing these procedures.

d) The Financial Department is responsible for maintaining documentation on and keeping Colonial's accounting policies and manuals up to date and maintaining an environment of general controls of the IT systems.

e) Lastly, the Internal Audit function and the ACC are responsible for overseeing ICFR in order to ensure its operational efficiency.

• Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record-keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action:

The Company's Board of Directors approved Colonial's Code of Ethics on 28 September 2011. This Code of Ethics reiterates Colonial's commitment to the principles of corporate ethics and transparency, and establishes a series of basic principles to which all Colonial personnel, partners and suppliers must adhere at all times, as their behaviour may affect Colonial's reputation.

Specifically, and with regard to financial information, Article 6.5 of the Code establishes the following:

"Colonial undertakes as a guiding principle for its corporate behaviour with shareholders, investors, analysts and the market in general, to disclose true and complete information which expresses a true and fair view of the Company and the Group, its corporate activities and its business strategies.

This information shall always be disclosed in accordance with regulations and within the timeframes established by prevailing legislation. Corporate action and the strategic decisions of Colonial are focused on creating value for its shareholders, transparency in its management, the adoption of best corporate governance practices at its companies and the strict compliance with prevailing regulations in this matter."

The internal and external dissemination of the Code of Ethics is the responsibility of Colonial's Regulatory Compliance Unit, which reports to the ACC. This dissemination has been carried out in due compliance with applicable regulations, with receipt and knowledge by each and every Colonial employee assured.

The Regulatory Compliance Unit is responsible for compiling any irregularities or breaches of the Code, and informing the Human Resources department to take the necessary disciplinary action based on the fines and sanctions detailed in the collective bargaining agreement or employment legislation applicable.

The ACC is responsible for assessing the degree of compliance with the Code and preparing an annual report based on its findings.

The Board of Directors is responsible for reviewing and updating the Code of Ethics based on the report drawn up by the ACC.

• Whistleblowing channel to report any financial and accounting irregularities to the audit committee, in addition to any breaches of the code of conduct and irregular activities within the organisation, reporting whether this is confidential, as the case may be:

Under Article 32 of Colonial's Board Regulations, the ACC is responsible, inter alia, for:

"In relation to information systems and internal control: ... (iv) for establishing and supervising a method that allows employees to make confidential and, if possible and appropriate, anonymous statements on any irregularities, especially financial and accounting irregularities, that may potentially be important to the company."

As noted in the preceding point, the Regulatory Compliance Division, which reports to the ACC, is responsible for managing any irregularities or breaches of the regulations, and specifically, of Colonial's Code of Ethics.

To this end, Colonial has a whistleblower channel through the corporate intranet that enables employees to report irregularities and non-compliance identified in the organisation. It is presently in full and efficient operation for all employees, with all of them having been informed and trained in its use.

This channel is managed by the Regulatory Compliance Division and is regularly reviewed to guarantee its confidentiality and compliance with the regulations applicable.

• Training programmes and regular refresher courses for personnel involved in the preparation and review of financial information and the assessment of ICFR, covering at least accounting standards, auditing, internal control and risk management:

Colonial has a Training Plan covering all business areas according to the specific needs of each. However, the functional business areas themselves, under the coordination and supervision of the Human Resources department, are responsible for devising and proposing specific training plans for their areas.

For staff involved in preparing and reviewing financial information, training is structured around attending events concerning regulatory updates of financial, accounting and tax regulations, as well as receiving, distributing and analysing documentation from external advisors regarding regulatory developments.

The Regulatory Compliance Unit also provides regular training on the prevention of criminal risks in order to keep the company's personnel up to date with prevention systems in this area. In addition, the Regulatory Compliance Unit, together with the functional areas, is responsible for identifying and distributing regulatory developments that affect Colonial, so that these can be analysed and implemented.

In the event of any regulatory changes of special relevance to Colonial's financial, accounting or tax departments, the Operations-Finance Department proposes the need for specific training to address these changes.

Also, personnel from the Internal Audit Department attended thematic courses and forums outside the Company related to the evaluation of certain internal control and risk management aspects.

F.2. Assessment of risks in relation to financial information.

Report, at least, on:

F.2.1 The main characteristics of the process for identification of risks, including the risk of error or fraud, as follows:

• Whether the process exists and is documented:

Colonial has a Risk Management and Control System (RMCS), as indicated in section E.1 of this report.

To this end the managers of the various operating units cooperate in identifying and correcting risk by applying the RMCS, as indicated in sections F.1.1 and F.1.2 of this report.

Colonial's ICFR Organisational and Monitoring Model, as well as its ICFR Internal Control and Risk Management Manual, which aim to ensure the preparation and issuance of reliable financial information, are aligned with and form part of Colonial's general risk policy, the RMCS, which have been approved by the ACC.

• Whether the process covers all financial reporting objectives (existence and occurrence, completeness, measurement, presentation, disclosure and comparability, and rights and obligations), whether it is updated and how often:

The ICFR Internal Control and Risk Management Manual provides for the following seven types of risk:

1) Integrity: Transactions, events, assets, liabilities or equity interests that are "not" identified and, consequently, are "not" included in the Company's accounting records. Data entries "not" captured in the ledgers or rejected data entries. Disclosures "not" identified and, consequently, "not" included in the notes to the financial statements or deliberately omitted.

2) Existence: Transactions "not" authorised that are entered into the company's accounting software. Duplicated transactions. Erroneous adjustments in ledgers.

3) Disclosures and comparability: Disclosures "not" identified and, consequently, "not" included in the notes to the financial statements or deliberately omitted. Transactions that have not been recorded consistently over time.

4) Rights and obligations: Incorrect determination of the ability to control the rights arising from an asset or a contract/agreement. Correct determination of the obligations arising from a liability or a contract/agreement.

5) Measurement: Incorrect determination of the value of an asset, liability, income or expense, and which could generate the recording of adjustments in the determination of market values, amortised values, value in use or due to a depreciation error, as well as adjustments made and not properly justified.

6) Classification: incorrect presentation of economic transactions in the financial statements (assets vs. liabilities, income vs. expenses, current vs. non-current, etc.).

7) Transaction cutoff date: incorrect recording of transactions in the accounting period.

Colonial's ICFR Internal Control and Risk Management Manual is revised and periodically updated by Internal Audit and the Legal Advisory and Operations-Finance Departments, at the proposal of any of these, also taking into account the suggestions and proposals of Internal Audit arising from its reviews. The ACC must approve any revision or amendments to the Manual, while Internal Audit and the Finance Department must be notified and review them in advance.

• The existence of a process to identify the scope of the consolidated group, considering aspects such as the possibility of complex corporate structures or special-purpose vehicles:

Colonial's Board Regulations and, specifically the section regarding the responsibilities of the ACC, stipulate that the responsibilities of the Committee include, among others:

"In relation to information systems and internal control: (i) to supervise the preparation process and completeness of financial information on the Company and, where applicable, the Group, reviewing compliance with regulatory requirements, the composition of the consolidated group and the correct application of accounting criteria ..."

In this regard, Colonial has a consolidation process that stipulates, as a basic procedure, the determination of the Group's scope of consolidation at the end of every reporting period.

This procedure is implemented by the Accounting, Consolidation and Tax Department, which reports to the Financial Department and the ACC is informed when the scope of consolidation is changed.

• Whether the process takes account of other types of risks (operational, technology, financial, legal, tax, reputational, environmental risk etc.), which may affect the financial statements:

As described in the first item of section F.2.1, the basic function of the ACC, as delegated by the Company's Board of Directors, is to monitor and control risk.

Colonial's ICFR Organisation and Supervision Model, as well as its Internal Control and Risk Management Manual, are aligned with and form part of Colonial's general risk policy (see section E of this report), and have been approved by the CAC.

In the process of identifying risks involving financial information within the ICFR system, all the areas of risk identified in Colonial's risk map have been considered.

• Which of the entity's governing bodies supervises the process:

Colonial's Board Regulations and, specifically the section regarding the responsibilities of the ACC, stipulate that the responsibilities of the Committee include, among others:

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

In this regard, the ACC is responsible for approving Colonial's ICFR Internal Control and Risk Management Manual.

As indicated in section F.1.1 and F.1.2 of this report, the Internal Audit function is responsible for monitoring the ICFR system in order to ensure operational effectiveness. The internal auditor shall carry out these tests and report on the conclusions to the ACC, including any internal control weaknesses identified, recommendations for improvement and the general conclusions of the annual audit plan which specifically includes, among others, those related to the ICFR system.

F.3. Control activities.

Provide information, indicating salient features, if available, on at least the following:

F.3.1 Procedures to review and authorise financial information and the ICFR system description to be published on the securities markets, stating those responsible, as well as documentation describing the flow of activities and controls (including those relating to fraud risk) for the different kinds of transactions that may have a material impact on the financial statements, including the procedure for the accounting closure and the specific review of relevant judgements, estimates, valuations and forecasts.

In relation to procedures for reviewing and authorising the financial information and description of ICFR to be disclosed in the securities markets, as mentioned above, the ACC is responsible for supervising the preparation and disclosure of reliable financial information to the market. In this regard, the Committee has approved a manual for disclosure of statutory information that regulates the procedure for preparing and approving this information.

Colonial's ICFR Internal Control and Risk Management Manual establishes the criteria for identifying the relevant public financial information as follows:

a) Periodic Public Information (PPI) obligations of issuers:

   1) Quarterly Financial Report.
   2) Half-yearly Financial Report.
   3) Annual Financial Report and Annual Corporate Governance Report (ACGR).

b) Annual Report on Directors' Remuneration (IAR).

c) Registration document.

d) Regulatory Announcements.

These include an internal control questionnaire that must be completed involving the Operations-Finance Department, the Corporate Development and Management Control Department, both of which report to the General-Corporate Department, through the Legal Advisory Department and, depending on the type of information, ending with the CEO, Board of Directors or the General Meeting of Shareholders itself.

Monitoring of the Manual for Disclosure of Statutory Information as well as the completion of the specific internal control questionnaires are mandatory and subject to review by Colonial's internal auditor.

In terms of the documentation describing activity flows and controls (including those relating to the risk of fraud) of the various types of transaction that may materially affect the financial statements, Colonial has an ICFR Organisational and Monitoring Model approved by the ACC.

The Organisational Model of Colonial's ICFR system is based on two distinct areas:

a) The general control environment, where the main guidelines of operation of the ICFR and high-level roles and responsibilities are developed.

b) Specific ICFR controls, where the operating procedures relating to the preparation of financial information are developed.

In addition, Colonial has an ICFR Internal Control and Risk Management Manual that sets out the specific controls established with regard to the risks relating to financial information and formal documentation.

Colonial has determined what errors or inaccuracies in the financial statements and other public information could severely affect its reputation, image and share price and these are, therefore, included in the ICFR system for monitoring and supervision.

Once the relevant financial information has been determined, the cycles and business processes are identified, which, in both preparation and issue, may have a material impact on the information. Once the processes have been identified, the relevant functional areas and internal auditing then identify the implicit risks of the processes and the corresponding controls. These processes, risks and controls are formally documented so they can be correctly carried out and monitored.

The Company ensures that the identified risks are consistent with the corporate risk model.

The scope of the processes selected ensures that, by complying therewith, complete and reliable financial information is obtained.

The Financial Department and Internal Audit are jointly responsible for identifying the ICFR processes, risks and relevant controls, which are then approved by the ACC. In this process, the Company has specifically considered the potential risk of fraud and has control activities in place to prevent this risk.

The key processes identified at Colonial relating to the ICFR system are:

a) Closing of accounts, including the process of judgements, estimates, measurements and projections.

b) Consolidation and reporting of subsidiaries.

c) Revenue recognition.

d) Asset valuation (determination of the fair value of investment property).

e) Cash, debt and derivatives.

f) Manual for Disclosure of Statutory Information.

g) Procedure for maintaining the Group's accounting policies and the Accounting Policies Manual.

h) Taxes.

i) Reporting systems, including capture and preparation mechanisms for supporting financial information to be issued.

j) Investments and asset acquisitions.

k) Purchases of goods and services.

l) Human resources.

All key processes are documented and are updated annually to include any potential changes. The key processes at Colonial that have a significant influence on the preparation of financial information are documented through the following:

a) Flow charts of the activities of the processes.

b) Descriptions of the processes, risks and controls in place.

c) Risk and control matrices.

The ICFR Internal Control and Risk Management Manual is an internal regulation that must be adhered to. The most senior-ranking employee in each of the departments involved in the procedures documented in the internal control model is responsible for ensuring that the processes and controls are correctly applied and documented for each accounting period.

In this regard, Colonial has software to monitor the responses to the controls defined in each accounting period for the key processes. Internal audit monitors and supervises compliance with these controls.

Any transactions with a substantial weight of critical judgments, estimates, measurements and projections are specifically monitored, as is the case with real estate asset valuations, the preparation of impairment tests and the preparation of effectiveness tests for derivative financial instruments.

F.3.2 Internal control policies and procedures for IT systems (including access security, control of changes, system operation, continuity and separation of duties) giving support to key Company processes involved in the preparation and publication of financial information.

The Systems function is in charge of Colonial's corporate computer systems. This department reports to the Financial Department, which, in turn, reports to the General-Corporate Department.

At present, the operation and maintenance of Colonial's corporate IT systems supporting financial reporting are outsourced.

Furthermore, the head of IT systems at Colonial is responsible for establishing the IT internal control model regarding secure access, segregation of duties (in coordination with the operating business and support areas) and control of changes, as well as carrying out risk monitoring and control activities arising from the outsourcing of the IT systems.

All Spanish Colonial Group companies operate under one transactional system, SAP. The information systems of the French Group SFL are not fully integrated with Colonial, and, therefore, information is exchanged by exporting data to secure files.

Colonial's IT internal control model includes, among others, the following key processes:

a) Physical security of equipment and data processing centres (in coordination with the external provider).

b) Logical security of the applications (in coordination with the external supplier).

c) Monitoring of Service Level Agreements (SLAs) and Service Level Objectives (SLOs) with external suppliers.

d) Project management, rollouts, developments and upgrades of current systems.

e) Management of operations.

f) Management of infrastructure and communications.

g) Management of back-up and recovery systems (in coordination with the external supplier).

h) Management of users, profiles and accesses.

i) Management of the audits of the IT systems.

F.3.3 Internal control policies and procedures designed to supervise the management of third-party subcontracted activities, in addition to any evaluation, calculation or appraisal tasks entrusted to independent experts that may have a material impact on the financial statements.

As described in section F.3.1, Colonial has identified the key processes that may materially affect its financial information. Among the criteria used to identify these processes, the Company has considered criteria for activities with a high level of third-party involvement and also, those that are fully outsourced.

In this regard, the relevant processes involving significant third-party participation are as follows:

a) Valuation of real estate assets: determination of fair value.

b) Financial hedging instruments: effectiveness tests and obtainment of the fair value.

c) IT systems: maintenance and operation.

All processes with substantial third-party involvement have been documented, identifying the risks and controls implemented. The functional areas involved in the various processes are responsible for monitoring them and for implementing the appropriate controls.

The internal audit's annual plan includes the monitoring activities needed to ensure the processes described are correctly executed.

F.4. Information and reporting.

Provide information, indicating salient features, if available, on at least the following:

F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and resolving queries or settling disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the Company's operating units.

Colonial's ICFR Organisational and Monitoring Model, which has been approved by the ACC, stipulates that the Financial Department is responsible for maintaining documentary records of Colonial's accounting policies and keeping the Group accounting policies manual up to date, which entails resolving queries or settling disputes over their application.

Colonial has a Group Accounting Policies Manual, which has been approved by the ACC, and which must be adhered to by all Group companies. The Financial Department is responsible for preparing and maintaining this manual.

F.4.2 Mechanisms to capture and prepare the financial information with consistent formats, to be implemented and used by all units in the Company or group, which support the main financial statements and the notes, in addition to any information provided on the ICFR.

Colonial has ensured greater control and security in the process of gathering and preparing financial information by implementing a computer tool to facilitate the financial consolidation and financial and operating budget planning of the Group.

The Group Accounting Policies Manual establishes a chart of accounts and templates of financial statements that all Group companies must follow and which are set up in the tool, thereby guaranteeing the uniformity of the financial information.

The preparation of statutory financial information, as well as the individual financial statements for Colonial's national companies, is coordinated centrally by the Finance Department and the Corporate Development and Management Control Department, thereby guaranteeing uniformity.

A significant portion of the details required to prepare this financial information is obtained directly from the IT tool, since it has been customised to do so. For those cases where certain information must be prepared without this tool, Colonial has control mechanisms in place to ensure its completeness and reliability, as well as a physical archive of the information in an internal repository with access limited to the staff involved in preparing the financial information.

Also, Colonial uses a GRC (*Governance, Risk and Compliance*) IT tool in order to monitor the information specific to ICFR management relating to compliance with the controls established for key procedures defined by the Company for the ICFR systems. Internal audit monitors and supervises the operation of this tool.

F.5. Supervision of system operation.

Provide information, stating the main features, on at least:

F.5.1 ICFR supervisory activities conducted by the Audit Committee and whether the entity has an internal audit department whose competences include supporting the committee in its oversight of the internal control system, including ICFR. State also the scope of the ICFR assessment during the year and the procedure used by the person in charge to report the results, whether the Company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

The main activities carried out by the ACC in relation to the ICFR system in 2019 consisted of approving the Internal Audit Plan for 2019, which includes monitoring ICFR and being apprised of the related degree of implementation, compliance and effectiveness.

In order to learn about the internal control weaknesses detected in the performance of the external auditors' work, as well as relevant aspects or incidents, the ACC has held meetings with the Company's external auditors.

Lastly, the ACC has performed the following main activities relating to the financial information:

1. Review of the public financial information disclosed to the markets.

2. Analysis of the consistency of the accounting policies used as well as an analysis of the observations and recommendations received from the external auditors.

3. Review of the management report.

4. Review of the information contained in the half-yearly financial statements concerning related-party transactions.

5. Monitoring the effectiveness of relevant processes, risks and controls related to internal control systems and IFRS.

Regarding the internal audit function, Colonial's Regulations of the Board of Directors, and, specifically the section regarding the responsibilities of the ACC, stipulate that the responsibilities of the Committee include, among others:

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

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

In July 2009, the ACC approved Colonial's internal audit regulations. The main responsibilities of this function include periodically verifying the degree of application of the approved policies and procedures that comprise the internal control system, offering suggestions for improvement.

The ACC has already approved the Internal Audit Plan for 2019, including the necessary actions necessary to guarantee monitoring and evaluation of the internal control procedures, the performance of one-off work to verify the operational effectiveness of Colonial's ICFR, with regular reporting of incidences detected and necessary improvement actions, as well as the potential impact on financial information, once verified with the audited areas.

F.5.2 Whether the company has a discussion procedure whereby the accounts auditor (in accordance with what is set forth in the NTAs), the internal audit staff and other experts are able to inform senior management and the audit committee or company directors of any significant weaknesses in internal control identified during the processes of review of annual financial statements or any others entrusted to them. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

Article 8 of Colonial's Board Regulations provides as follows:

"Dealings of the Board of Directors with the external auditor will be through the Audit and Control Committee."

In this regard, Article 32 of the Board Regulations governs the functioning of the ACC and, inter alia, establishes the following functions:

1. Serve as a channel of communication between the Board of Directors and the Company's external auditor, assessing the results of each audit, and in this connection also with the function of regularly collecting information from the auditor on the audit plan and how it is to be carried out.

2. Establish the necessary relations with the external auditor in order to receive information on any matters that might jeopardise the auditors' independence, for examination by the Committee, any other matters related to the financial audit process and, when appropriate, to authorise non-prohibited services on the terms provided in current legislation relating to independence and to communicate with the auditors as provided for in the financial audit legislation and auditing standards.

3. Supervise the effectiveness of the Company's internal control, the internal audit and the risk management systems, and discuss with the auditor any significant weaknesses detected in the internal control system during the conduct of the audit.

All these monitoring activities of the Board of Directors and the ACC are conducted throughout the year and included in the agenda of the various sessions based the schedule established for each year.

F.6. Other significant information

No additional issues to disclose have been identified.

F.7. External auditor's report

Report by:

F.7.1 If the ICFR information supplied to the market has been reviewed by the external auditor, the corresponding report should be attached. If this is not the case, it should explain why.

The ACC and internal audit department performed the ICFR monitoring activities, which supplement the contributions of the external auditor regarding the identification, as appropriate, of the internal control weaknesses identified in the course of their external audit and included in the additional report to the ACC. In this regard, the latest additional report of the external auditor specifies that no internal control recommendations have been identified.

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

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

a) Their respective areas of activity and possible business relations between them, as well as those of the subsidiary listed company with other companies belonging to the same group.

b) The mechanisms in place to resolve any conflicts of interest that may arise.

Compliant

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

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

Compliant

5. That the Board of Directors does not submit to the general meeting a proposal of delegation of powers to issue shares or convertible securities excluding the right to preferential purchase, for an amount above 20% of the share capital at the time of delegation.

And that when the Board of Directors approves any issue of shares or convertible securities excluding the right to preferential purchase, the Company should immediately publish on its website the reports on this exclusion as laid down in the companies laws.

Compliant

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

a) Report on the external auditor's independence.

b) Reports of proceedings of the audit committees and the appointments and remuneration committee.

c) Audit committee report on related-party transactions.

d) Report on the corporate social responsibility policy.

Compliant

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

Compliant

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

Compliant

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 form of proxy or remote voting with the changes required so that the new items on the agenda and alternative resolution proposals can be voted on, in the terms proposed by the board of directors.

c) Submits all these items or alternative proposals to vote and the same voting rules are applied to them as those made by the board of directors, including, in particular, presumptions or inferences about the direction of the vote.

d) Announces, after the general meeting of shareholders, the breakdown of the vote on such additional points or alternative proposals.

Compliant

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 between five and fifteen members

Compliant

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

a) Is specific and verifiable.

b) Ensures that proposals for appointment or reappointment are based on a preliminary analysis of the needs of the board of directors.

c) Promotes the diversity of knowledge, experience and gender.

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

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

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

Compliant

15. The proprietary directors and independent directors constitute a significant majority of the Board of Directors and the number of executive directors is kept to the minimum necessary, having regard to the complexity of the corporate group and the percentage shareholding of the executive directors in the Company's share capital.

Compliant

16. The percentage of proprietary directors over the total of non-executive directors is not higher than the proportion between the capital represented by such directors and the remainder of the Company's share capital.

This criterion may be reduced:

a) In large-cap companies where the shareholdings legally considered significant are low.

b) In companies where there is a diversity of shareholders represented on the board of directors and there are no links between them.

Compliant

17. The number of independent directors represents at least half of all directors.

However, where the Company is not highly capitalized or where, still being so, it has a shareholder or several acting together, who control more than 30% of the share capital, the number of independent directors should represent at least one third of all directors.

Explain

The company has 6 independent directors out of a total of 13, one more than the number of proprietary directors and triple the number of executive directors. Thus, although the percentage of independent directors does not reach the 50% required by the recommendation, in accordance with the company's current shareholder structure it is estimated that representation of this type of Directors is considerable, and thus all interests are duly represented in the management body.

18. Companies should post the following director particulars on their websites, and keep them permanently updated:

a) Professional and biographical profile.

b) Other boards of directors on which they sit, whether or not these belong to listed companies, as well as other remunerated activities in which they may be involved.

c) The category to which the director belongs, where applicable, stating, in the case of proprietary directors, the shareholder they represent or to whom they have links.

d) Date when they were first appointed as a director of the company, as well as the dates of any subsequent reappointments.

e) Their holdings of company shares and their stock options.

Compliant

19. The annual corporate governance report, with prior verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the request of shareholders whose stake is less than 3% of the share capital; and reasons are given why formal requests for a seat on the board from shareholders with a stake equal to or greater than that of others, at whose request proprietary directors were appointed, have not been respected.

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 will not propose the removal of any independent Director before the statutory period for which they were appointed, except where just cause is found by the Board of Directors following a report from the Appointments Committee. It shall be understood that there is just cause when the director takes up a new post or takes on new duties that prevent him/her from devoting the necessary time to the performance of the duties associated with the directorship, when the director fails to carry out the duties inherent to his/her post or when the director is involved in circumstances which cause him/her to lose his/her independent status in accordance with the provisions of the legislation applicable.

The removal of independent directors from office may also be proposed as a result of public buy-outs, mergers or other similar enterprise-level transactions implying a change in the structure of the Company's capital, where such changes in the Board are due to the proportionality criterion in Recommendation 16.

Compliant

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

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

Compliant

23. All directors clearly express their opposition when they consider that a proposal submitted to the Board for Directors for decision could be contrary to the Company's interests. Moreover, independent directors and other directors in particular, who are not affected by potential conflict of interest, should do the same in the case of decisions that could be detrimental to shareholders not directly represented on the Board of Directors.

And when the Board of Directors adopts significant or repeated decisions on matters with regard to which the director has expressed serious reservations and subsequently opts to resign, the ensuing conclusions drawn and reasons for the resignation must be explained in the letter referred to in the following recommendation.

This recommendation also extends to the secretary to the board of directors, even if the secretary is not a director.

Compliant

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

Compliant

25. In addition, the Appointments Committee will ensure that non-executive directors have sufficient time to properly perform their duties.

And that the Board regulations sets the maximum number of boards of which the directors may form part.

Compliant

26. The Board of Directors holds meetings as frequently as required in order to carry out its role effectively, at least eight times a year, following the programme and agenda established at the start of the year, with each director able to propose for inclusion alternative items not originally on the agenda.

Compliant

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 secretary express concerns about a particular proposal or, in the case of the directors, about the Company's progress and such concerns are not resolved within the Board of Directors, this is recorded in the minutes at the request of whoever expressed such concerns.

Compliant

29. The Company shall establish suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the Company's expense.

Compliant

30. In addition, regardless of the knowledge required of the Directors to perform their duties, the Company will also offer Directors refresher programs when circumstances so warrant.

Compliant

31. The agenda of the sessions clearly indicates the points on which the Board of Directors will adopt a decision or agreement so that directors can study or seek, in advance, the information required for its adoption.

When exceptionally, for reasons of urgency, the Chairman wishes to submit for the approval of the Board of Directors any decisions or agreements not included in the agenda, this will require the express prior consent of the majority of the directors present, which will be duly recorded in the minutes.

Compliant

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

Compliant

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

Compliant

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 should evaluate, once a year, and adopt, where applicable, an action plan to correct deficiencies identified with respect to:

a) The quality and efficiency of operation of the board of directors.

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, the framework for the participation of the different categories of directors will be similar to that of the Board of Directors itself, and its Secretary will be the secretary to the board.

Compliant

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

Compliant

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

Compliant

42. In addition to those as legally established, the Audit Committee is responsible for the following:

1. With regard to information systems and internal control:

   a) Supervise the process of preparing and the integrity of the financial information on the Company and, where applicable, to the Group, reviewing compliance with the regulatory requirements, the proper delimitation of its scope of consolidation and the correct application of accounting principles.

   b) Ensure the independence and effectiveness of the internal audit processes, proposing the election, appointment, re-election and removal of the head of the internal audit division in addition to proposing the budget for this service, approving both orientation and its operating plans, ensuring that their activity is focused mainly on the risks that are relevant to the Company, receiving regular information on their activities and verifying that senior management is taking into account the conclusions and recommendations of the Committee's reports.

   c) Establish and supervise a method that allows employees to make confidential and, if possible and appropriate, anonymous statements on any irregularities, especially financial and accounting irregularities, that may potentially be important to the Company.

2. With regard to the external auditor:

   a) Examine the circumstances behind the resignation of the external auditor, should this occur.

   b) Ensure that the remuneration for the external auditor for his or her work does not compromise his or her integrity or independence.

c) Ensure that the Company notifies the change of auditor as a regulatory announcement to the CNMV and that this notification is accompanied by a statement citing any disagreements the Company may have had with the outgoing auditor and, if there were such disagreements, to discuss them.

d) Ensure that the external auditor annually holds a meeting with the full Board of Directors to report on the work done and the evolution of the Company´s accounting and risk situation.

e) Ensure that the Company and the external auditor adhere to current regulations regarding the provision of non-audit services as well as the limits on the auditor's business concentration and, in general, the other rules on auditor independence.

Compliant

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

Compliant

44. The Audit Committee should be informed of the operations of structural and corporate changes that the Company plans to carry out, for analysis and preliminary report to the Board of Directors on their economic conditions and their accounting impact, and especially, if any, on the proposed swap equation.

Compliant

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

a) The different types of financial and non-financial risks (including operational, technological, legal, business, environmental, political and reputational) that the Company faces, including financial and economic risks, contingent liabilities and other off-balance sheet risks.

b) Setting the level of risk that the Company considers acceptable.

c) The measures planned to mitigate the impact of identified risks, should they materialise.

d) The information and internal control systems to be used to control and manage the abovementioned risks, including contingent liabilities or off-balance sheet risks.

Compliant

46. Under the direct supervision of the Audit Committee or, if any, of a specialised committee of the Board of Directors, there is an internal function of risk control and management exercised by a unit or internal department of the Company that has expressly attributed the following functions:

a) Ensure the proper functioning of the control and risk management systems and, in particular, that all the important risks affecting the Company are adequately identified, managed and quantified.

b) Actively participate in the development of a risk strategy and take part in the important decisions concerning risk management.

c) Ensure that the control and risk management systems in place adequately mitigate the risks within the framework of the policy defined by the Board of Directors.

Compliant

47. Members of the Appointments and Remuneration Committee – or both Committees if they were separate – are designated by ensuring that they have the knowledge, skills and experience appropriate to the duties that they are to perform and that most of these members are independent directors.

Compliant

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

Explain

In view of the current structure of the Company, in particular the number of employees and executives, as well as its organisation and activity, it is considered appropriate to maintain a single appointments and remuneration committee.

49. The Appointments Committee should consult with the Company's Chairman of the Board of Directors and chief executive officer of the company, especially on matters relating to executive directors.

Any Director may request that the Appointments Committee take into consideration potential candidates to fill director vacancies if he/she feels that they are suitable.

Compliant

50. The duties of the remuneration committee must be exercised with independence and include, in addition to those indicated by law, the following:

a) Propose to the Board of Directors the standard conditions for senior officers' employment contracts.

b) Check compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy applied to directors and senior officers, as well as the remuneration systems that include shares and how they are implemented, in addition to guaranteeing that their individual remuneration is proportional to that which is paid to other directors and senior officers of the Company.

d) Ensure that any conflicts of interest do not interfere with the independence of the external advice given to the committee.

e) Verify the information on directors' and senior officers' remuneration found in various corporate documents, including the annual report on directors' remuneration.

Compliant

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 supervisory and control committees should be listed in the Board Regulations and be consistent with those applicable to the legally mandatory committees under the foregoing recommendations, including the following:

a) They should be composed exclusively of non-executive directors, with a majority of independent directors.

b) The chairmen should be independent directors.

c) The board of directors should appoint the members of these committees, taking into account the knowledge, skills and experience of the directors and the responsibilities of each committee; deliberate on its proposals and reports; and, at the first plenary session of the board after their meetings, receive an account of their activity and a report on the work carried out.

d) The committees should seek external advice when they deem it necessary to perform their duties.

e) Minutes of meetings should be taken, and copies sent to all directors.

Not applicable

53. Monitoring of compliance with the rules of corporate governance, internal codes of conduct and corporate social responsibility policy should be conferred on one or several committees of the board of directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee, if any, or a specialised committee that the board of directors, in the exercise of its powers of self-organisation, decides to create for this purpose, to which are conferred the following minimum functions:

a) Overseeing compliance with the Company's internal codes of conduct and its rules of corporate governance.

b) Supervising the Company's communication strategy and its relations with shareholders and investors, including small and medium shareholders.

c) Regular assessment of the adequacy of the Company's corporate governance system so that it may fulfil its mission of promoting its business activity and keep the legitimate interests of other stakeholders in mind.

d) Reviewing the Company's corporate responsibility policy, ensuring that it is aimed at creating value.

e) Monitoring the Company's social responsibility strategy and practices and assessing its degree of compliance.

f) Supervising and evaluating relations with different stakeholders.

g) Evaluating all matters that relate to the Company's non-financial risks, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordinating the process of reporting non-financial information and information on diversity, in accordance with applicable regulations and international reference standards.

Compliant

54. The corporate social responsibility policy should include the principles or commitments, which the Company voluntarily undertakes in its relationship with the different stakeholders and identify at least:

a) The objectives of the corporate social responsibility policy and the development of support tools.

b) The corporate strategy related to sustainability, the environment and social issues.

c) Specific practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, tax responsibility, respect for human rights and the prevention of illegal conduct.

d) Methods or systems monitoring the results of the implementation of the specific practices identified in the previous point, the associated risks and their management.

e) The mechanisms for monitoring non-financial risk, ethics and business conduct.

f) The channels of communication, participation and dialogue with stakeholders.

g) Responsible communication practices that prevent manipulation of information and protect integrity and honour.

Compliant

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

Compliant

56. Directors' remuneration is what is necessary to attract and retain directors with a desirable profile, to compensate them for the dedication, qualifications and responsibility that the position entails, and to ensure that the amount does not interfere with the independence of non-executive directors' decisions.

Compliant

57. Executive directors are restricted to variable remuneration linked to the performance of the Company and to their personal performance, as is the remuneration in the form of shares, stock options or rights to shares or instruments that are referenced to the value of the stock and long-term savings systems such as pension plans, retirement schemes or other social security systems.

Delivery of shares as remuneration can be contemplated for non-executive directors on condition that they hold them until they cease to be directors. The foregoing shall not apply to shares that the director needs to dispose of, if appropriate, to meet the costs related to acquisition.

Compliant

58. In the case of variable remuneration, remuneration policies should include precise limits and technical safeguards to ensure they reflect the professional performance of the recipients and not only the general progress of the markets or the company's activity sector or circumstances of this kind.

And in particular, the variable components of remunerations:

a) Should be linked to performance criteria that are predetermined and measurable, and these criteria should consider the risk taken to obtain a result.

b) Should promote the sustainability of the Company and include non-financial criteria that are suitable for creating long-term value, such as compliance with internal rules and procedures of the Company and its policies for control and risk management.

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

Compliant

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

Compliant

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 should be linked to the delivery of shares or financial instruments referenced to their value.

Compliant

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

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

Compliant

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

Compliant

H. OTHER INFORMATION OF INTEREST

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 concerned and the date of adoption. In particular, it will be specified whether the Company has adhered to the Code of Good Tax Practice of 20 June 2010:

1. On 10 December 2015, the Board of Directors of the Company resolved to adhere to the Code of Good Tax Practices. This resolution was communicated to the tax authorities on 8 January 2016.

2. On 27 July 2016, following an amendment of the Regulations of the Board of Directors, it was decided that the Appointments and Remuneration Committee would have competences in relation to supervision of compliance with the rules of corporate governance and other issues related thereto. By virtue of the foregoing and to implement best corporate governance practices at Colonial, the Appointments and Remuneration Committee created the Corporate Governance Unit, reporting directly to the Committee and composed of the Chairman of the Appointments and Remuneration Committee and the Head of Legal Advisory at the company.

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

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

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

27/02/2020

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

No

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