

REPORT BY THE AUDIT AND CONTROL COMMITTEE ON THE ASSESSMENT OF ITS PERFORMANCE IN 2022

1. INTRODUCTION

The Audit and Control Committee of Inmobiliaria Colonial, SOCIMI, S.A. (the “**Company**”) has issued this report on its structure, organisation and performance, and the fulfilment of its responsibilities throughout 2022 (the “**Report**”). For the purposes of drawing up this report, the members of the Audit and Control Committee were sent a survey about its structure, organisation, and performance, and the fulfilment of responsibilities. The survey and its methodology had been revised beforehand by Georgeson, who has assessed the Board of Directors and its Committees.

The report will be submitted to the Board of Directors of the Company, which will be the body entrusted with assessing the performance of the Audit and Control Committee (the “**Committee**”) by virtue of Article 34 of the Regulations of the Board of Directors.

2. CONCLUSIONS DRAWN FROM THE ASSESSMENT PROCESS

From the assessment process carried out by the Committee regarding its performance, in general terms, positive conclusions have been drawn, both in relation to its members and internal organisation and in the performance of the responsibilities bestowed upon it.

2.1. Members of the Committee

The Committee is now made up of three members after the passing of Mr Javier López Casado in August 2022. Despite this, the Committee still complies with the maximum and minimum limits required by Article 32 of the Regulations of the Board of Directors, whereby the Committee must be made up of at least three Directors but no more than eight.

All Committee members are non-executive Directors who are independent Directors too. In addition, the Committee is chaired by an independent Director, in compliance with Article 32 of the Regulations of the Board of Directors.

The current members of the Company Committee are:

<u>NAME</u>	<u>POSITION</u>	<u>CAPACITY</u>
Ms Ana Peralta Moreno	Chairwoman	Independent
Mr Luis Maluquer Trepal	Member	Independent
Ms Ana Bolado Valle	Member	Independent

Committee members have the necessary knowledge, skills and experience to discharge their duties. To this effect, the academic and professional profiles of the Directors are available on the Company’s website.

In view of the above, it can be concluded that the Committee is duly organised and made up of Directors who have the skills and qualifications required for their roles.

2.2. Functioning of the Committee

In 2022, the Committee met on 10 occasions. The Committee meetings were held in person (5/10) and by videoconference (5/10) through computer apps, including Teams, by virtue of Article 35 of the Regulations of the Board of Directors. At each of the aforementioned sessions, the Secretary acknowledged the identity of all present members of the Committee. Consequently, the Committee fulfilled its obligation to meet with the frequency required to carry out its functions in an effective manner.

Regarding the preparation and running of the meetings, the Chairwoman of the Committee calls meetings with sufficient notice, which must be attended regularly by the Directors. Without prejudice to the foregoing, in the event that Committee members are unable to attend for justified reasons, they may delegate their vote to another Director, providing the proxy with instructions. However, in 2022 all the Committee members attended 100 % of meetings without proxy.

Additionally, prior to each meeting, the members of the Committee are provided with the information on the agenda, thereby encouraging them to participate actively and to reach informed agreements.

In addition to Committee members, all the meetings called were attended by the Head of Internal Audit, the Chief Legal Officer, and the Deputy Secretary to the Board of Directors as guests. Likewise, when necessary, the following people, among others, attended as guests: (i) the advisor to the Committee; (ii) the CEO; (iii) the Corporate General Manager; (iv) the Chief Financial Officer; and (v) the Director of Corporate Development. Furthermore, five Committee meetings were attended by representatives of the external auditor PricewaterhouseCoopers (PwC).

Finally, it must be stipulated that the Secretary recorded the minutes of all the meetings held, setting out the proceedings, contents, deliberations and agreements adopted. The minutes of Committee meetings were given to all members of the Committee and are available to all Directors.

In accordance with the foregoing, it has been concluded that the Committee complies with the Operating Rules established by the Company Bylaws and the Regulations of the Board of Directors, and it is organised correctly and efficiently to perform its duties and for its purposes.

2.3. Scope of powers of Committee

The Committee efficiently fulfils the duties it has been entrusted with in accordance with Article 32 of the Regulations of the Board of Directors. The Committee thus has the following duties (among others):

- Report on shareholder issues that arise in connection with matters that are within the Committee's powers at General Meetings, as well as on the results of the audit, explaining how it has contributed to the integrity of the financial information and the role that the committee has played in this process.
- Supervise the effectiveness of the internal controls of the Company, the internal audit and the risk management systems, and discuss with the accounts auditor the significant weaknesses in the internal control system detected over the course of the audit, all without interfering with its independence. To this end, and where applicable, it may submit recommendations or proposals to the Board of Directors within the corresponding time frame for subsequent follow-up.
- Submit to the Board for approval a report on the control and risk management policy, which identifies or establishes at least: (i) the different types of financial and non-financial risks (including operational, technological, legal, business, environmental, political and reputational risks, including those relating to corruption) that the Company faces, including financial and economic risks such as contingent liabilities and other off-balance sheet risks; (ii) a risk control and management model based on different levels; (iii) the risk level that the Company considers acceptable; (iv) the measures planned to mitigate the impact of identified risks, should they materialise; and (v) the information and internal control systems to be used to control and manage the above-mentioned risks, including contingent liabilities and off-balance sheet risks.
- Directly supervise how the internal control and risk management functions are performed by one of the Company's officers or internal departments that has been expressly assigned the following functions: (i) to ensure the proper functioning of the control and risk management systems and, in particular, that all the important risks that affect the Company are adequately identified, managed and quantified; (ii) to actively participate in the development of a risk strategy and to take part in the important decisions

concerning risk management; and (iii) to ensure that the control and risk management systems in place adequately mitigate the risks within the framework of the policy defined by the Board of Directors.

- Supervise the process of preparing and presenting the required financial information and present recommendations or proposals to the Board of Directors, directed to protecting its integrity.
- Supervise the unit in charge of the internal audit to ensure the proper functioning of the information and internal control systems, which is functionally dependent on the non-executive Chairman of the Board of Directors or the Committee. The head of said unit shall present an annual work programme to the Committee for its approval, or for approval by the Board of Directors if appropriate, and shall report directly to the Committee on its implementation, including any incidents and limitations to the scope that may arise during execution, as well as on the outcome and follow-up of its recommendations, submitting a report on its performance at the end of each year.
- Regarding the information and internal control systems: (i) supervise and assess the process of preparing and the integrity of financial and non-financial information, as well as financial and non-financial risk control and management systems relating to the Company and, where applicable, to the Group (including operational, technological, legal, social, environmental, political, reputational, and corruption-related risks), reviewing 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 and removal of the head of the internal audit unit in addition to proposing the budget for this unit; approve or, where applicable, propose the Board of Directors' approval of the internal audit's orientation and annual work plan, ensuring that its work is focused mainly on relevant risks (including reputational risks); receive regular information on their activities and verify that senior management is taking into account the conclusions and recommendations of the Committee's reports; and (iii) ensure in general that the policies and systems in place regarding internal control are effectively applied in practice. In addition, the Committee may establish and monitor a mechanism to report any potentially significant irregularities regarding finance, accounting or any other areas related to the Company that may come to its attention within the Company or the Group. This mechanism must ensure confidentiality and, in any case, provide for cases in which the reporting can be made anonymously, respecting the rights of the whistleblower and the reported party.
- Act as a communications channel between the board of directors and the Company's external auditor, assessing the results of each audit. Also, with respect to the external auditor, it shall: (i) submit proposals to the Board of Directors to elect, appoint, reelect and remove the auditor and take responsibility for the selection process pursuant to current legislation as well as the conditions of his/her contract; (ii) regularly obtain information from the auditor on the audit plan and how it is being executed; and (iii) preserve the independence of the external auditor in the performance of his/her duties.

The Committee shall also be responsible for: (i) examining the circumstances behind the resignation of the external auditor, if this were to occur; (ii) ensuring that the remuneration for the external auditor's work does not compromise their integrity or independence; (iii) ensuring that the Company reports the change of auditor through the Spanish Securities Market Commission (CNMV), attaching a statement mentioning and providing details of any disagreements the Company may have had with the outgoing auditor; and (iv) ensuring that the Company and the external auditor adhere to current laws and regulations regarding the provision of non-audit services as well as the limits on the auditor's business concentration and, in general, all other rules on auditor independence.

- Establish the proper relations with the external auditor to receive information on such matters as may imply threats to their independence for their examination by the Committee and any others relating to the process of development of the audit of accounts and, where applicable, the authorisation of services other than those prohibited, upon the terms established by current regulations, regarding the system of independence, and such other communications established in the accounts auditing laws and auditing standards. 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.

- Issue annually, prior to the issue of the accounts auditing report, a report stating an opinion as to whether the independence of the accounts auditors or auditing companies were 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.
- Report on related transactions to be approved by the General Meeting of Shareholders or the Board of Directors and supervise the Company's internal procedure for transactions whose approval has been delegated.
- Report to the Board of Directors in advance on all matters envisaged by law, the Company Bylaws and the Regulations of the Board of Directors, in particular in relation to the following matters: a) financial information and the management report, which shall include, where applicable, the mandatory non-financial information required to be published by the Company on a regular basis; and b) the creation or acquisition of holdings in special purpose vehicles or entities based in countries or territories considered to be tax havens.
- Monitor compliance with the Company's environmental and social policies and rules and its internal codes of conduct. For these purposes, the Committee shall be specifically assigned the following minimum functions: (i) monitoring compliance with the company's internal codes of conduct; (ii) monitoring the application of the general policy regarding the communication of economic-financial, non-financial and corporate information, as well as communications with shareholders and investors, proxy advisors, and other stakeholders. It shall also monitor the way in which the Company communicates and contacts with small and medium-sized shareholders; (iii) assessing and periodically reviewing the company's environmental and social policy; (iv) monitoring that the company's environmental and social practices are aligned with the established strategy and policy; (v) monitoring and evaluating the relationship with stakeholders.
- Issue a report to the Board of Directors on the economic conditions, accounting impact and, in particular, the proposed exchange ratio following an analysis performed after the Committee has been informed of the structural and corporate modification operations planned by the Company.
- Issue those reports and proposals that may be requested by the Board of Directors or its Chairman and are within the powers of the Audit and Control Committee, as well as those that may be deemed appropriate for the Committee to best perform its functions, especially reports on proposed amendments to the Regulations of the Board of Directors.
- Prepare an annual report on the activities of the Committee, which must be included in the management report.
- Propose to the Board of Directors any other matters deemed applicable in the matters within its scope of authority.

2.4. Activities Performed in 2022

Below are the main activities carried out by the Committee in 2022:

- **Economic and financial information**

In the reported period, the Committee analysed, before presenting its findings to the Board of Directors, the process involved in preparing: (i) the annual financial information for 2021, which includes, among other documents, the individual and consolidated annual financial statements and the management reports; (ii) the financial information for Q1 and Q3 of 2022; and (iii) the half-yearly financial report for the first half of 2022.

The Committee was supported in this process by the internal auditor, the Corporate General Manager, the Chief Financial Officer, the Chief of Corporate Development, Management Control and Investor Relations, and the external auditor.

The Committee carried out the financial oversight by means of a constant process throughout the year, monitoring the performance of the main milestones and salient figures of the balance sheet, the income statement and the financial reports. The Committee oversaw the processes of drawing up the relevant financial information, always in accordance with the pre-established accounting criteria, the applicable laws and regulations and any additional information that was deemed to be necessary or desirable.

On the other hand, the Committee was not oblivious to the problems caused by the geopolitical and macroeconomic situation arising from the Russia-Ukraine war, especially in terms of inflation, interest-rate hikes, real-estate valuations, higher prices on materials and delays in the supply chain.

▪ **Internal Control Systems**

The Committee, as part of its role, has overseen the expected operation and implementation of the internal control systems established and presented by the Company's internal auditor, as well as the risk management systems in the process of drawing up the financial information, including tax risks.

The analysis covered, among others, the control of financial and non-financial information in ESG matters, the tax risk control system, and the risk control systems relating to the security of information systems. In this regard, it deemed the conclusions received to be favourable as per the requirements of the applicable laws and regulations, helping ensure that the financial and non-financial information had been properly drawn up in accordance with the necessary controls and procedures for this purpose. The Committee submitted its report with its favourable opinion to the Board of Directors.

More specifically, the Committee was duly informed about the Internal Control over Financial Reporting system (ICFR). In relation to this, no incidents or weaknesses were identified in the appropriate checks carried out, leading to the conclusion that the Internal Control over Financial Reporting system had worked correctly.

On the other hand, in 2022, the internal auditor duly reported to the Committee the most relevant facts, updates and recommendations drawn from the work performed, in particular, the drawing up of the Guide for the Internal Control System for Non-Financial Reporting (SCIINF) with the help of Ernst & Young as external consultants, and prepared the report on the Risk Management and Control Policy submitted to the Board of Directors for its approval.

Furthermore, throughout 2022, the Committee oversaw the updating of the corporate risk map presented by the internal auditor and the progress of the various risks and the control measures taken to mitigate them, which were then presented to the Board of Directors.

▪ **Relations with the External Auditor**

The Committee established the necessary relations with the Company's external auditor, PriceWaterhouseCoopers (PwC), to ensure the quality and integrity of the financial information. Five Committee meetings were attended by representatives of the external auditor for this purpose. Pursuant to its duties, the Committee has acted as a communications channel between the Board of Directors and the Company's external auditor, assessing the results of each audit.

The external auditor also provided non-audit services, of which the Committee was duly informed. These included, for example, various services under bond issue agreements and financing contracts or in relation to the independent review of the ESG indicators in the Integrated Annual Report. The sums accrued were included in the non-external-audit services and were authorised by the Committee.

The people in charge at the external auditor were given the opportunity to attend various Committee meetings, and the Committee had access to direct information on its strategy and work plan, the progress of its work and its significant findings at all times.

In addition, the Committee issued the relevant favourable report on the external auditor's independence.

Furthermore, the Committee approved the proposal for the re-election of the external auditor for 2023, taking on the responsibility for the selection process as provided for in the current laws and regulations, and the terms and conditions of the hiring contract.

Finally, the Committee was regularly kept up to date by the external auditor about the Company's performance regarding the most significant risks to which it was exposed, which included, among others, those relating to integrated risk management and the ESG indicator review service.

▪ **Internal Audit**

The Committee approved the "Internal Audit Plan" for 2022.

Furthermore, the Committee oversaw the progress and level of compliance of the aforementioned "Internal Audit Plan" for 2022 and was updated on a regular basis regarding the adjustments being made to the plan. The reports received by the Committee emphasised the area's structure and operation and included an analysis of the main activities carried out during 2022 and the priorities for 2023. Finally, the Committee approved the planning submitted by the internal auditor.

In this regard, the Committee has been able to analyse the results of the most significant tasks carried out by the internal auditor, including the monitoring of the control system for financial information, the definition of the internal control system for non-financial reporting, specific audits on procurement from significant suppliers, audits on property occupancy, audits on lease contracts with clients, audits on control systems to meet the requirements in special tax systems for SOCIMIs in Spain and SIIC in France, as well as the audit on the asset valuation process, among others. Furthermore, the Committee analysed the results of specific tasks carried out in the field of cybersecurity.

It was also informed of, and monitored, the degree of compliance with the recommendations made by the internal auditor in its work.

Likewise, the Committee oversaw the coordination between Colonial's internal auditing and SFL's and has put forward the appropriate proposals to foster this coordination in Colonial Group's best interest.

Lastly, the internal auditor provided the Committee with several reports on the external auditor's independence in connection with the auditing and non-auditing services rendered by PwC to Colonial Group in 2022.

▪ **Tax Risks**

During 2022, the Committee constantly monitored the main tax risk-related issues, overseeing at all times the tax management carried out by the various departments in charge of such matters. For the purposes of said analysis, the Company's financial management presented the Committee members with the tax report for 2021, which included a breakdown of all the Group's tax contributions, the breakdown of the taxes paid and withheld by geographic area and for each type of tax, and the level of compliance with the requirements enforced by the special tax system for SOCIMIs.

The Committee also studied in detail the recommendations of the Compromiso y Transparencia foundation, which drives collective initiatives to promote transparency, good governance and social commitment in companies, in particular fiscal transparency for IBEX-35 listed companies. The Committee thus analysed the

enhanced fiscal transparency report submitted by the Company in the framework of the code of good tax practices.

Furthermore, based on the report provided by the Company's financial management, the Committee analysed the map of the main tax risks and the relevant controls in place.

- **Related-Party Transactions**

The Committee is responsible for reporting on related-party transactions to be approved by the General Meeting of Shareholders or the Board of Directors and for overseeing the Company's internal procedure for transactions whose approval has been delegated.

In 2022, the Committee was kept abreast of any potential operations and it concluded, after analysing them, that they were not considered related-party transactions.

- **Corporate Governance**

Ahead of the Board of Directors' approval, the Committee approved the Annual Corporate Governance Report for 2021.

Furthermore, the Committee oversaw compliance with the rules of the internal codes of conduct, promoting and driving a culture of compliance with the laws and regulations applicable to the Company, as well as its corporate texts, among all members of the organisation. Furthermore, it has monitored compliance with the general policy on the communication of economic-financial, non-financial and corporate information, as well as on communications with shareholders and investors, proxy advisors and other stakeholders.

- **Regulatory Compliance**

The Committee also remained in constant contact with the Regulatory Compliance Unit, which is in charge of monitoring updates to laws and regulations and legislative developments, overseeing the money laundering and security reports produced by an independent expert and analysing those matters requiring its analysis in the field of data protection.

In addition, during the reported year, the Committee has followed up the updates to the Company's criminal risk prevention model, to its training plans and to its corporate policies. In this regard, the Committee prepared a report supporting the contents of the Treasury Share Policy and the Policy on the Treatment and Disclosure of Inside Information to be approved by the Board of Directors.

- **ESG**

The Committee oversaw the non-financial information contained in the integrated annual report, paying particular attention to the ESG indicators.

Also, the Committee analysed the external auditor's report on the review of the ESG indicators of the integrated annual report for 2021, which included, among others, the main areas for improvement highlighted during the process.

- **Treasury Share Activity**

During the year, the Committee was kept up to date on any treasury share operations carried out by the Company. Likewise, the Committee prepared a report supporting the proposal for the General Meeting of Shareholders to authorise the Board of Directors to buy treasury shares under the terms approved by the former.

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