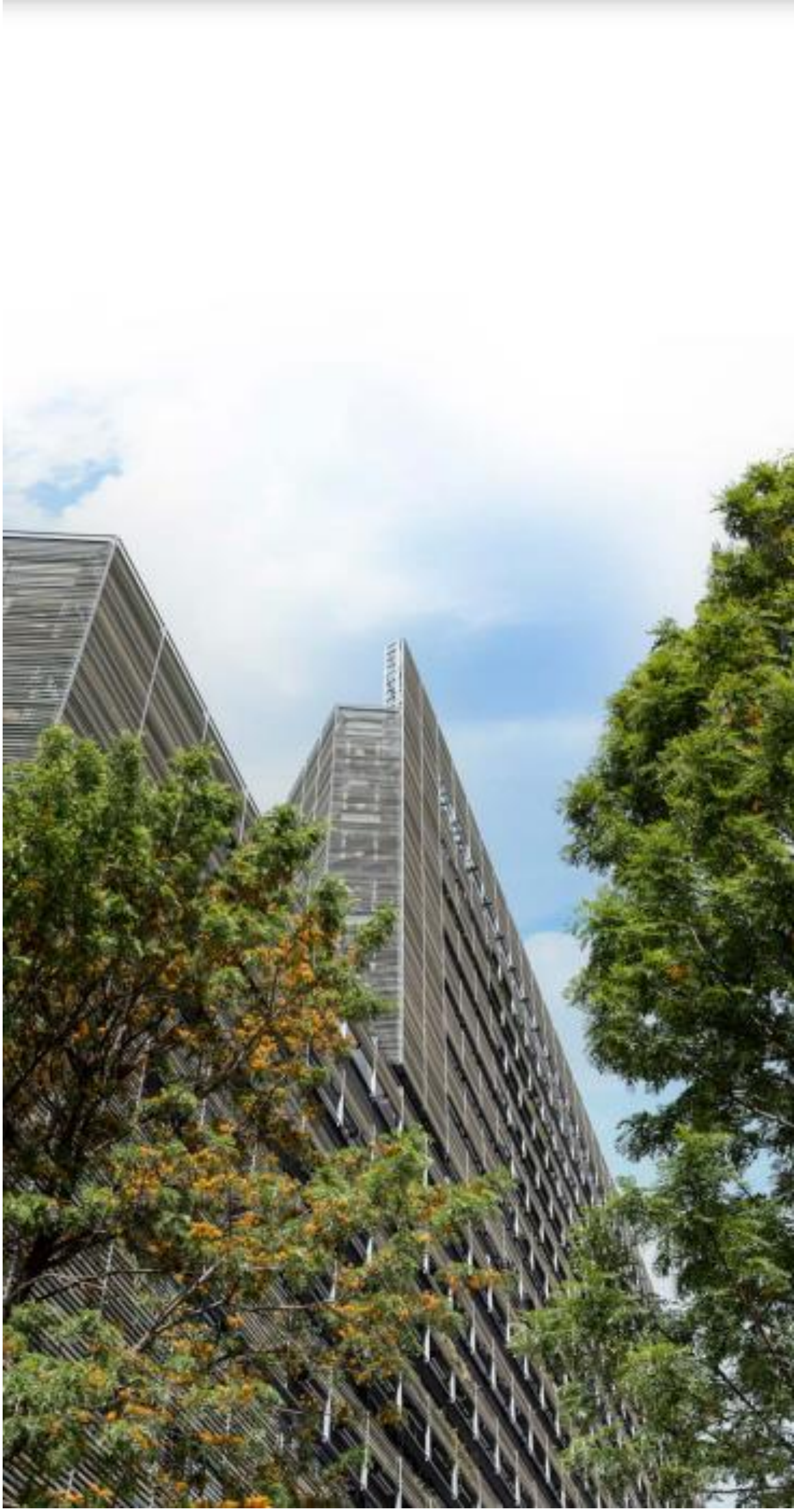
Colonial



2024-2026 Directors' remuneration Policy of INMOBILIARIA COLONIAL, SOCIMI, S.A.

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01. Introduction

This document sets out the Directors' Remuneration Policy of Inmobiliaria Colonial, SOCIMI, S.A. ("Colonial" or the "Company", indistinctly) for the period 2024-2026 (the "Remuneration Policy"), which has been prepared by the Board of Directors (the "Board"), on the Nomination and Remuneration Committee's (the "Committee") proposal. This Remuneration Policy is consistent with our existing policy principles.

One of the main principles maintained by the Director's Remuneration Policy of Colonial is the alignment with the stakeholders' interests, specifically, with our shareholders. Consequently, the Board of Directors and, in particular, the Committee has consulted Colonial's main shareholders and has considered the information gathered from institutional investors and proxy advisors in the regular engagement process conducted by Colonial. In addition, the Board of Directors and the Committee have also given full consideration to the provisions of the Spanish corporate governance code of listed companies relating to Directors' remuneration.

Our Remuneration Policy has been considered in the context of the wider workforce pay. The different remuneration elements for the Executive Director follow the same set of principles applicable to Colonial's executive team.

Additionally, based on external benchmark data and internal projections, the Board of Directors, on the Committee's proposal has assessed the appropriateness and relevance of the Company's remuneration arrangements. In particular, the Committee has ensured that the Remuneration Policy remains aligned with the interest of the business for the coming period. Section 2 provides the rationale for the changes from the existing remuneration policy.

The Board of Directors, on the Committee's proposal, submits this Remuneration Policy for approval by the 2023 Ordinary General Shareholders' Meeting, which is expected to be held on 15 June 2023 to replace the existing Directors' remuneration policy approved by the General Shareholders' Meeting held on 30 June 2021 and subsequently amended by the General Shareholders' Meeting held on 21 June 2022. This Remuneration Policy will enter into force on 1 January 2024 and shall remain in force until the 31 December 2026, notwithstanding that the Board, on the Committee's proposal, may seek approval for a new policy at an earlier point or the amendment of the Remuneration Policy, if it is considered appropriate.

02. Policy review process and summary of the main changes

At the beginning of 2023, Colonial's Nomination and Remuneration Committee carried out a process of reflection on the existing remuneration policy. In this regard, the Committee has considered the results of the votes on the Annual Report on Directors' Remuneration obtained in recent years and those related to the directors' remuneration policy approved on 30 June 2021 (88.74% of votes in favour) and subsequently amended on 21 June 2022 (94.07% of votes in favour).

In addition to the above, the following factors have been considered:

Internal factors

- Colonial's strategic priorities in the short and long term, with focus on long-term value creation and sustainability.
- The results achieved by Colonial in recent years.
- Consistency with the remuneration policy of the wider workforce.
- The need to attract, retain and motivate talent in a competitive market such as the one in which Colonial operates.
- The Company's corporate governance structure.

External factors

- Changes in the macroeconomic environment.
- Recommendations received from institutional shareholders and proxy advisors.
- The latest regulatory developments applicable to listed companies.
- The market practice of companies relevant to Colonial due to being competitors in terms of business or talent.
- General corporate governance recommendations at a national and international level.

As a result of the conclusions reached in the reflection process, the Committee has proposed to the Board of Directors the present Remuneration Policy, which has the following features:

- The new Policy is in line with the one approved by the Ordinary General Shareholders' Meeting held on 30 June 2021.
- In relation to the Executive Director, the Committee analysed in depth all the remuneration elements in order to assess a possible repositioning both in terms of amount and pay mix. Throughout this analysis, the Committee has considered a holistic and strategic approach, specifically examining the following factors:
  - The need to retain and motivate the Executive Director in a complex context such as that of recent years (among other, pandemic, inflation, rising interest rates, Colonial's publish offering of SFL shares), where his leadership has enabled the Company to obtain positive results.
  - The unchanged amounts of fixed remuneration, annual bonus and long-term incentives for the Executive Director during the term of the policy. At the same time, the positive evolution of the remuneration of Colonial's wider workforce over the last 3 year has been analysed.
  - The positioning of the Executive Director's target total remuneration vs. comparable companies. In this regard, a group of European REITs, comparable in terms of size by market capitalisation, volume of assets, revenues and number of employees has been considered.
  - The pay-for-performance principle established in the Remuneration Policy. In this regard, the Executive Director's remuneration package is significantly skewed to variable remuneration, particularly, to the long-term incentive.

  In view of the above, the Committee proposed setting the fixed remuneration at €800,000 as from the entry into force of this Policy, which represents a 6.7% increase (2.2% in annualised terms since the last increase). This increase is lower than the average increase in the remuneration of Colonial's employees over the last 3 years. On the other hand, the pay mix will remain skewed to variable remuneration (both annual variable remuneration and long-term incentive).
- The maximum amount of annual remuneration for all of Colonial's directors for their membership of the Company's Board of Directors and its committees is reduced and set at €2,700,000. This figure is lower than the amount in force in 2023 in the event that the General Shareholders' Meeting approves the appointment of two additional non-executive directors insofar as the automatic increase set in the policy will apply to limit established by the General Shareholders' Meeting held on 2022.

03. Our remuneration philosophy

We believe our remuneration philosophy promotes an equitable and well governed, long-term approach to remuneration, including pay-for performance practices that attract and retain top talent, are responsive to and aligned with shareholders.

Our remuneration philosophy provides the guiding principles that drives remuneration-related decisions across all levels of the Company:

PAY-FOR-PERFORMANCE ED

Ensure that the remuneration received by the Executive Director is commensurate with the overall performance of the Company and their individual performance.

In making remuneration-related decisions, we focus on risk-adjusted performance and reward behaviours that generate sustained value for the Company. This means that remuneration should not be overly formulaic, rigid or focused on the short-term.

ALIGNMENT WITH STAKEHOLDERS' INTERESTS ED

Align the interests of our Executive Director with our shareholders by linking a significant portion of total remuneration to our overall financial and operating performance and the creation of long-term shareholder value. At-risk remuneration is also based on the achievement of designated environmental, social and governance (ESG) objectives linked to our sustainability strategy.

Decisions on the remuneration for the Executive Director are made with consideration of the interests of the wider workforce and other stakeholders, as well as taking account of the external climate.

COMPETITIVENESS ED NED

Our long-term success depends on the talents of our employees. Our remuneration philosophy plays a significant role in our ability to attract, properly motivate and retain top talent.

Market-competitive total remuneration with an appropriate balance of reward and upside opportunity allows us to attract and retain the best talent.

Decisions on the design of the Remuneration Policy takes into consideration the remuneration practices of peer companies based on an objective set of criteria.

TRANSPARENCY ED NED

Transparency to shareholders regarding our Remuneration Policy is important. We disclose material terms of our pay plans and any actions on our part in response to significant events.

ED Principles applicable to the Executive Director

NED Principles applicable to the Non-Executive Directors

04. Our remuneration practices benefit our shareholders

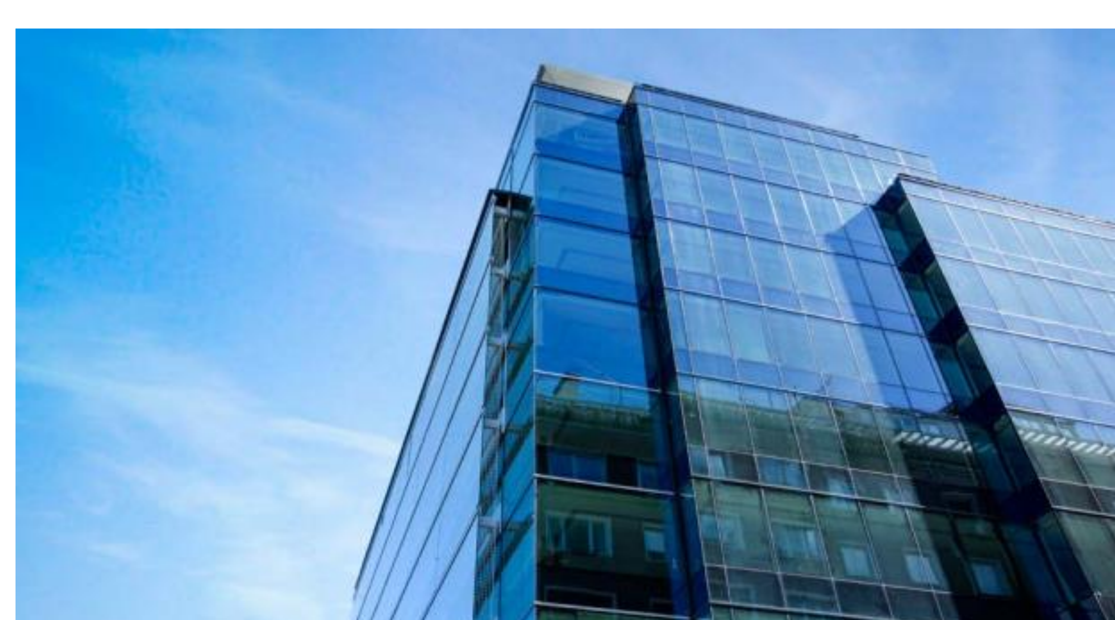
Our executive Remuneration Policy has strong governance processes that further strengthen our pay-for-performance remuneration philosophy, including the following:

WHAT WE DO

- **Pay at risk**: the majority of the Executive Director's remuneration is variable and is tied to our financial results or the performance of our stock price, or both.
- **Long-term equity incentive based on a multi-year performance period**: a majority of variable pay should be based in equity that vests over multiple years to align with sustained performance. Equity awards may be earned fundamentally based in value creation metrics. Earned shares may not be sold until at least one year has elapsed from delivery thereof.
- **Minimum shareholding policy**: the Executive Director is expected to hold Colonial shares worth 2 times his base salary.
- **Proportionality and management of risks**: our Remuneration Policy ensures that the Executive Director has a vested interest in delivering performance over the short and long term. At the same time, it has provisions to mitigate undue risk, including caps on the maximum level of payouts, possible deferral of the portion of the bonus in shares if payout exceeds target, clawback provisions, multiple performance metrics and Board and management processes to identify risk.
- **Robust engagement with shareholders on governance and remuneration**.
- **Malus and clawback clauses**.
- **Retain external advisors**.

WHAT WE DON'T DO

- **No** contracts with multi-year **guaranteed** salary increases or non-performance bonus arrangements.
- **No hedging, pledging, short sales or derivative transactions in the Company shares** received during the retention period.
- **Non-Executive Directors** are **not** included in the remuneration formulae or systems **linked** to the individual or Company's **performance**. They do not participate in any pension plans or any other welfare systems.
- **No above-market excessive perquisites**.



05. Executive Director's Remuneration Policy

As of the date of submission of this Policy to the General Shareholders' Meeting, the only Executive Director is the Chief Executive Officer.

I. Remuneration components

The three major elements of the regular total remuneration are: (i) fixed remuneration, (ii) annual bonus, and (iii) long-term equity-based incentive awards.

Fixed Remuneration
Base salary
Social welfare systems
Benefits

+

Annual Bonus
May include a deferred share-based element

+

Long-Term Incentive
Equity-based
Multi-year performance
Holding period

II. Scenarios for future total remuneration: our emphasis on performance-related pay

The majority of remuneration value we deliver to our Executive Director is in the form of remuneration that is variable, "at-risk", based on performance.

The chart opposite provide an illustration of the potential future total remuneration for the Executive Director in respect of the remuneration opportunity granted under the Remuneration Policy. A range of potential outcomes is provided for and the underlying assumptions are set out below.

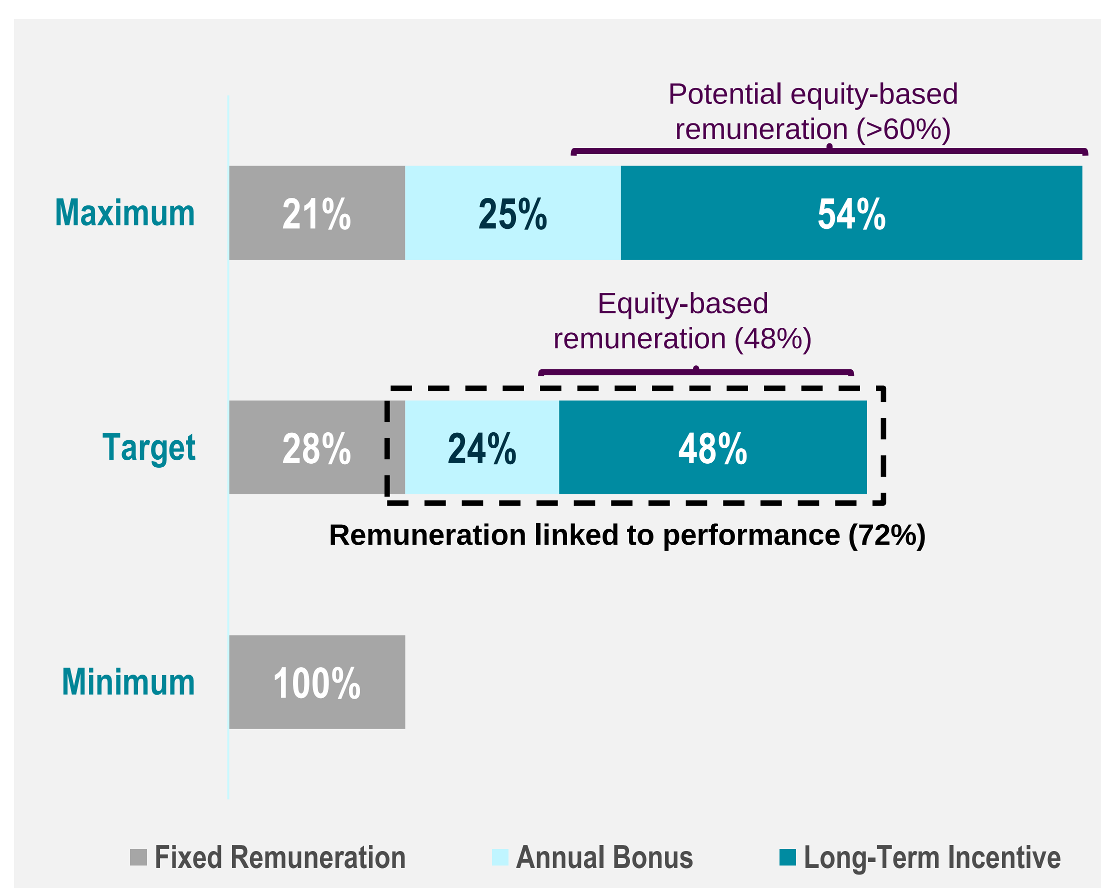
Equity remuneration constitutes the most significant component of the remuneration opportunity for the Executive Director:

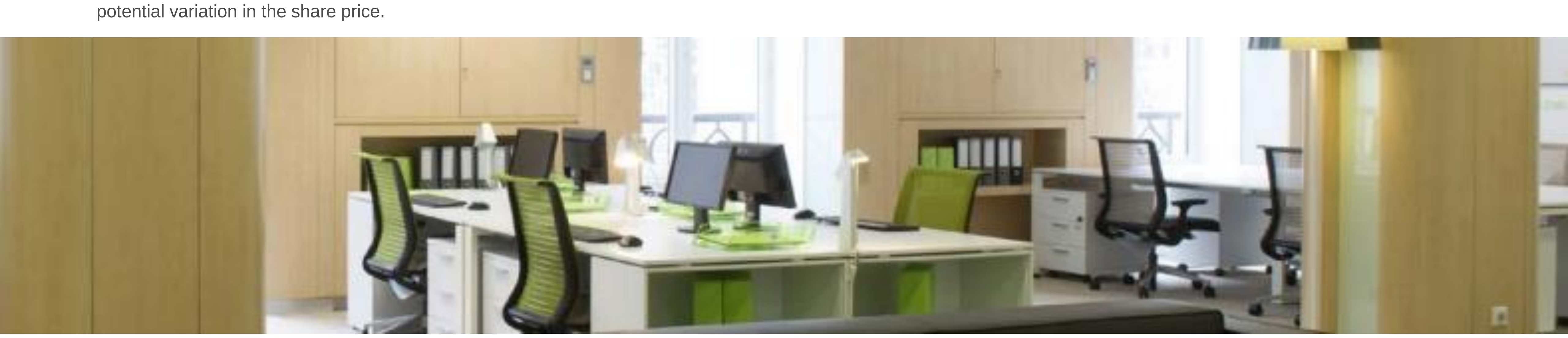
- In the target scenario, equity remuneration would mean 48% of total.
- In the maximum scenario, since the portion of the annual bonus that exceeds the target award would be delivered in shares, the potential equity remuneration would exceed 60% of total.

Fixed Remuneration[1]	All scenarios	Includes the following elements: • Base salary • Social welfare system
Annual Bonus	Minimum	No annual bonus would be paid
	Target	100% of the base salary
	Maximum	140% of the target bonus
Long-Term Incentive (LTI)[2]	Minimum	No annual bonus would be paid
	Target	200% of the base salary
	Maximum	150% of the target incentive

[1] Benefits are not included as insurance premiums may vary each year and the total amount is not significant in the aggregate remuneration package.

[2] The amounts shown under the value of the long-term incentive do not include the potential variation in the share price.





05. Executive Director's Remuneration Policy (cont'd.)

III. Remuneration elements for performing executive duties: fixed remuneration

Base salary	
Purpose	To attract and retain the Executive Director of the calibre required to deliver our strategic goals.
Opportunity	• €800,000. — This amount could be reviewed during the validity of the current Remuneration Policy in certain circumstances such as (but not limited to) material changes to the business, remit or responsibilities and exceptional Company performance. In these circumstances, the Board, at the proposal of the Nomination and Remuneration Committee, may decide to apply an increase. This would be detailed and explained in the relevant Annual Report on Directors' Remuneration.
Operation	Set by the Board, on the proposal of the Committee, taking into account: • The specific features of each position, the level of responsibility and engagement required of the Executive Director. • The individual's skills and experience. • The evolution of the contribution of the position and the individual. • Pay conditions across the wider organisation. • Market data in other companies of a similar financial size and complexity to Colonial. Unlike Non-Executive Directors, the Executive Director does not receive any specific remuneration in respect of their membership of the Company's Board of Directors or of its Committees. Any fixed amount received for membership in the subsidiaries' governance bodies will be deducted from the base salary received in Colonial.

Social welfare system	
Purpose	To provide competitive post-retirement benefits.
Opportunity	• 15% of the base salary.
Operation	The Executive Director is a beneficiary of a defined contribution welfare scheme covering retirement, disability and death. The Executive Director's social welfare system scheme recognises the vesting of financial rights should the professional relationship is terminated prior to the occurrence of the eventualities covered, unless such termination occurs with just cause. Furthermore, this social welfare system is compatible with any severance package that may be applicable.

Other benefits	
Purpose	To provide market-competitive benefits.
Opportunity	• Maximum amount: €90.000.
Operation	Benefits include mainly provision of welfare and assistance, which are normal practice in the sector, such as Company car, death, disability and medical insurance cover. This is aligned with the benefit policy for senior management. Where appropriate, the Executive Director may also receive relocation benefits or other benefits reflective of normal market practice in the territory in which the Executive Director is employed. In addition, the Committee may propose to the Board that Colonial will pay certain allowances linked to repatriation on termination of employment. Notwithstanding the foregoing, any expenses incurred by the Executive Director while providing his service for the Company, such as, among others, travel expenses or business expenses will not be considered remuneration, and will be borne by the Company, provided they can be fully justified, and the same applies to the use and enjoyment of any facilities provided for the appropriate exercise of his functions. The Executive Director (like Non-Executive Directors and other senior officers at the Company) is beneficiary of a group third-party liability insurance policy underwritten by Colonial that covers liability for the actions and conduct of members of the Board of Directors and executives of the Company as a result of the discharge of his duties, and any losses arising from cyber attacks or failures in cybersecurity.

05. Executive Director's Remuneration Policy (cont'd.)

IV. Remuneration elements for performing executive duties: performance-related remuneration

Annual bonus	
Purpose	To drive and reward performance against annual financial, nonfinancial and individual objectives, which are consistent with the strategy and aligned to shareholder interests.
Opportunity	**Target** annual bonus (this is achieved for on-target performance): 100% of the base salary. **Maximum** annual bonus: 140% of the base salary (140% of the target annual bonus).
Operation	Performance measures, weightings and targets are approved by the Board, on the Committee's proposal, at the beginning of each year. Appropriate targets are set by reference to the business plan and historical and projected performance for the Company and may also consider its peers. The level of award is determined with reference to Colonial's overall financial and strategic performance and individual performance. The Board, on the Committee's proposal, retains the discretion to review the performance measures, weightings and targets from year to year to ensure continued alignment with Company strategy. Payout levels are determined by the Board, on the Committee's proposal, after the year end, based on performance against the targets. The vesting schedule related to the levels of performance between threshold and maximum will be determined by the Board, at the proposal of the Committee, on an annual basis and disclosed in the relevant Annual Report on Directors' Remuneration for that year. The Board, on the Committee's proposal, may use its discretion to ensure that a fair and balanced outcome is achieved, taking into account the overall performance of the Company and the shareholders' experience. The evaluation of performance and the determination of payout levels are done based upon the data and the results provided by the management and which are previously audited. In this evaluation, the Committee also considers any associated risks. In this respect, any positive or negative economic effects arising from any extraordinary events which might introduce distortions into the results of the evaluation, may be removed upon proposing the level of achievement of the quantitative objectives. The annual bonus is paid in cash after the end of the financial year to which results is linked. If the earned award exceeds the target bonus, the Board of Director, on the Committee's proposal, may decide to defer the excess over the target incentive into shares for one year. In this case, the shares will be subject to forfeiture if the executive leaves Colonial or its subsidiaries during the one-year deferral period, except if the executive is granted good leaver status. The beneficiary will be entitled to receive dividend equivalents on deferred bonus share awards which are generated during the deferral period. These will be paid in cash on the same date the deferred bonus share award is delivered. The Board, at the proposal of the Committee, has the discretion to apply malus or clawback to bonus (see specific section on malus and clawback).
Performance conditions	Annual bonus awards are normally based economic-financial, operational and/or value creation targets (e.g. net rental income, EPS, Loan to Value, etc.). Non-financial objectives (e.g. ESG) may be included, but the weight of such objectives will not exceed 30% of the target bonus opportunity. Some of the metrics may be measured relative to a comparator group consisting of competitor companies or with a similar activity.

05. Executive Director's Remuneration Policy (cont'd.)

IV. Remuneration elements for performing executive duties: performance-related remuneration (cont'd.)

Long-term incentive	
Purpose	Maximise shareholder total return in the long-term.
Opportunity	**Target** annualised incentive (this is achieved for on-target performance, considering the share price at grant, i.e. excluding the evolution of the share price): 200% of the base salary. **Maximum** annualised incentive (share price at grant, excluding the evolution of the share price): 150% of the target annual incentive.
Operation	Grant of shares and/or market-price share options which vest subject to a performance test and continued employment, over a minimum multi-year period of 3 years. Measures, weightings, targets and the comparator group (if applicable) are reviewed by the Committee and propose for the Board approval for each new grant to ensure continued alignment with the Company strategy. Payout levels are determined by the Board, on the Committee's proposal, after the performance period ends, based on performance against the targets. The vesting schedule related to the levels of performance between threshold and maximum will be determined by the Board, at the proposal of the Committee, and disclosed in the relevant Annual Report on Directors' Remuneration for that year. The Board, on the Committee's proposal, may use its discretion to ensure that a fair and balanced outcome is achieved, taking into account the overall performance of the Company and the experience of shareholders. The evaluation of performance for some metrics could be done based upon the data and the results provided by external advisors. In this evaluation, the Committee also considers any associated risks. In this respect, any positive or negative economic effects arising from any extraordinary events which might introduce distortions into the results of the evaluation, may be removed upon proposing the level of achievement of the quantitative objectives. The beneficiary must hold the earned shares, net of taxes, for one year following the delivery, irrespective of the the minimum shareholding requirement equivalent to 2x base salary. The beneficiary will have the right to receive in cash the dividends equivalents on the earned performance share awards and which are generated during the holding period. These will be paid on the same date shares are released. The Board, at the proposal of the Committee, has the discretion to apply clawback to the incentive (see specific section on malus and clawback).
Performance conditions	The vesting of awards is normally based financial and value creation measures (e.g., total shareholder return, NTA/share, EPS, etc.). Non-financial objectives (e.g., ESG) may be included, but the weight of such objectives will not exceed 30% of the incentive maximum opportunity. Some of the metrics may be measured relative to a comparator group consisting of competitor companies or with a similar activity.

Evaluation of performance in the annual bonus and long-term incentive

The Board of Directors, on the Nomination and Remuneration Committee's proposal, retains discretion to revaluate and amend the established performance-related arrangements in the event of significant external or internal changes which lead to a need to review them. Included in the situations that could lead to an amendment of the remuneration arrangements are those listed below:

- Any Company restructuring due to a purchase, sale, merger, spin-off, share swap, capital increase or reduction or reorganisation of any kind that leads to a significant change in the size, activity or kind of business of Colonial, as well as any financial transactions that automatically change the share price of Colonial (for example, payment of dividends, split or counter-split of shares, capital increases with a discount, etc.,).
- Significant changes in the companies included in the comparator group which are considered for measuring the total shareholder return.
- Significant changes in the macroeconomic environment that could substantially alter the current economic situation.
- And ultimately, any other situation that, in the opinion of the Board of Directors, requires the adaptation of the remuneration arrangements or could affect the Company, the value of its shares or the determination of the level of achievement of the objectives in the incentive plans.

05. Executive Director's Remuneration Policy (cont'd.)

V. Malus and clawback provisions

The Board of Directors, on the Nomination and Remuneration Committee's proposal shall have the competence to propose to the Board of Directors the cancellation (malus) and/or refund (clawback) of the payment of the annual bonus and/or the long-term incentives in the following events:

- Significant losses and the Committee considers there is reasonable evidence to prove such downturn arises from significant failure of risk management committed by the Company or by a business unit, to which the wilful misconduct or gross negligence of the Executive Director was a contributing factor;
- Serious breach of the Company's internal regulations and policies by the relevant beneficiary;
- Material restatements of the Company's financial statements, when determined by the external auditor, it is not due to a regulatory change or revision of the accounting legislation and provided that the restatement results in variable compensation to be settled that is lower than that initially accrued or no compensation should have been paid in accordance with the Company's variable compensation system;
- The remuneration has been paid on the basis of data subsequently shown to be manifestly inaccurate and provided that the restatement results in variable compensation to be settled that is lower than that initially accrued or no compensation should have been paid in accordance with the Company's variable compensation system.

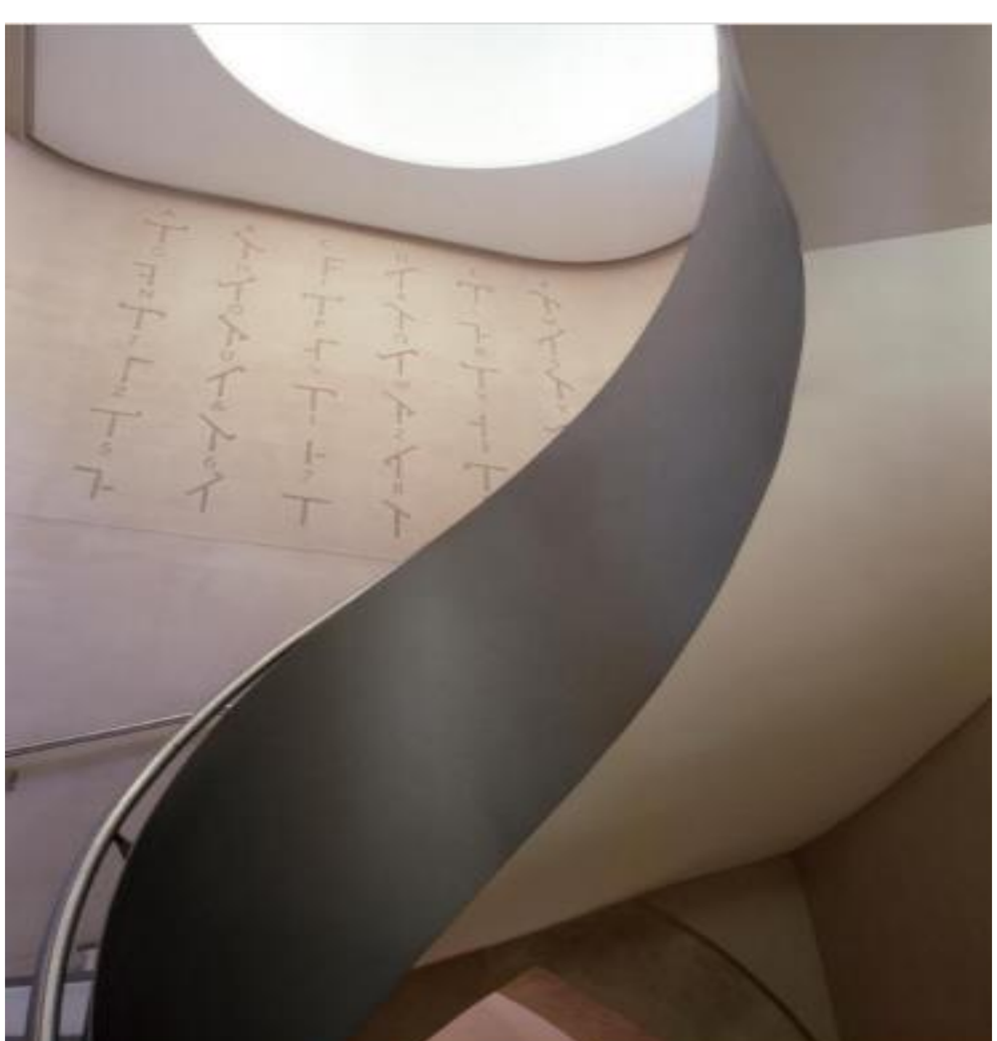
The clawback clause can be applied by the Board up to 2 years after the corresponding payment.

VI. Minimum shareholding requirement

Our Executive Director is required to build and retain a personal shareholding in Colonial (within five years from the date of appointment with extra time granted if requirements increase significantly) to align his interests with those of Colonial's long-term shareholders. The requirement is equivalent to 2x base salary.

The shareholding guidelines do not count unvested share-based incentives.

The Committee will regularly review compliance with this requirement.



VII. Main terms and conditions of the contract

Pursuant to the Spanish Capital Companies Law, when a member of the Board of Directors is appointed CEO or is assigned executive functions by virtue of another title, a contract must be entered into by the Director and the Company, which must be approved by the Board of Directors with a vote in favour by two thirds of its members.

The contract will stipulate the concepts whereby the Executive Director may obtain remuneration for the exercise of executive functions, including, where applicable, the contingent indemnity for early termination of these functions. The Executive Director may not receive any remuneration for the exercise of executive functions if the amounts or concepts are not stipulated in his contract. This contract will be in accordance with the parameters established in the Remuneration Policy in force at any given time.

Any variable remuneration that may be approved by the Board of Directors at the behest of the Nomination and Remuneration Committee and be established in the contract of Executive Director must include the precise limits and technical safeguards to ensure it reflects the professional performance of the recipient and does not only arise from general trends in markets or in the Company's area of activity or other similar circumstances.

At the present time, the CEO of Colonial hold the Executive Director status and, pursuant to the provisions of the Spanish Capital Companies Law, has signed a contract with the Company that has been approved by the Board of Directors.

The contract entered into with the Executive Director stipulates his remuneration, economic rights and indemnities.

The essential terms and conditions of the Executive Director's contract, in addition to those already set out in this Remuneration Policy, are as follows:

- **Term**: it has been stipulated that the term of the contract will be subject to the term of his appointment as CEO. If the appointment of CEO is renewed, the contract will be understood to have been automatically renewed for the period relating to such renewal of office, unless the Board of Directors resolves otherwise, in which case a new contract must be approved.
- **Severance payments for termination of the contractual relationship**: the Executive Director will receive an additional special indemnity as severance payment in the event of unjustified removal or non-renewal of his terms, or a substantial reduction of his respective functions. The Executive Director will be also entitled to the severance payment (i) if he departs or resigns from his posts as a result of a change in control in the Company or a major change in the composition of the Board of Directors; (ii) in the event of an amendment to the conditions agreed in his contract without his consent; and (iii) in any other scenarios established by the Board of Directors.

  For the purposes of calculating this severance payment, consideration will be given to 2 times the annual base salary and target annual bonus, excluding any other remuneration and the rights derived from the long-term incentive at any given time.

  In the event of a change in control, significant change in the composition of the Board of Directors or a substantial amendment to the respective functions or amendment of the conditions agreed in the contract without his consent, the Executive Director will have a period (6 months in the event of a change in control and 3 months in the rest of cases) from the effective date of these resolutions or changes to notify the Board of Directors of his resignation or departure, in which case the Executive Director will be entitled to the aforementioned severance payment.

  For the purposes of applying the foregoing, the effective date of the change of control or a significant change in the composition of the Board of Directors, will be understood as the date on which such circumstances are published as a regulatory announcement on the CNMV website under the denomination "privileged information" or "relevant facts". In the event that the Board of Directors resolves to substantially reduce the duties of the beneficiary or amend the conditions agreed in his employment contract without the beneficiary's consent, the effective date will be the time when the party concerned receives due notice of the resolution.

05. Executive Director's Remuneration Policy (cont'd.)

VII. Main terms and conditions of the contract (cont.)

- **Non-compete agreement:** the Executive Director will be subject to a noncompete commitment for a period of 6 months from the date of termination of his relationship with Colonial if such termination is voluntary without cause.

  The non-competition agreement will be remunerated with a gross amount equivalent to 6 months of the annual base salary, which will be paid on a pro-rata basis during the months of the non-competition agreement.

  In case the Executive Director notified his resignation or departure in the event of a change in control, a significant change in the composition of the Board of Directors or a substantial amendment to his functions or amendment of the conditions agreed in his contract without his consent, the remuneration for the non-competition agreement will be considered absorbed (and therefore no additional payment will be made) by the amount of the severance payment received.

IX. Extraordinary remuneration

The Board of Directors, on the Committee's proposal, reserves the right to award special incentives to the Executive Director under extraordinary corporate transactions involving acquisitions, investments, restructuring or any other transaction which generates significant shareholders' value.

In order for the Nomination and Remuneration Committee to propose the appropriateness of the incentive and its amount to the Board, the corporate transaction must generate an economic benefit or a significant increase in equity and, in any case, significant shareholders' value. The Nomination and Remuneration Committee will also consider the relevance, complexity and uniqueness of the corporate transaction as well as the extraordinary effort made by the Executive Director to the successful completion of the corporate transaction.

The Board, on the Committee's proposal, will be responsible for agreeing, as appropriate, and setting the Executive Director's amount, the currency of payment and the settlement date of this extraordinary remuneration.

When proposing the specific amount to be awarded, the Nomination and Remuneration Committee will evaluate, additionally, among others, if the achieved results have already been rewarded with ordinary remuneration elements. Notwithstanding, the maximum amount of any extraordinary incentive per annum is capped at 100% of the Executive Director's annual base salary. Full disclosure would be provided in the relevant Annual Report on Directors' Remuneration.

06. Non-Executive Directors' Remuneration Policy

Non-Executive Directors are rewarded with respect to their effective dedication, qualification and responsibility. As such, the amount of remuneration of Non-Executive Directors is calculated so that it offers incentives to dedication, but at the same time without constituting an impediment to their independence.

Pursuant the Spanish Capital Companies Law and Colonial's Bylaws, the annual remuneration of the Company's Directors in respect of their membership of the Board of Directors and its committees will consist of (i) a fixed annual remuneration; and (ii) attendance fees for meetings of the Board of Directors and its committees. Non-Executive Directors do not participate in any incentive or social welfare systems. Only verified travel and overnight accommodation expense incurred in attending Board meetings and/or any Board committee meetings are reimbursed, upon request from the Director.

The appointment of two additional non-executive directors has been submitted to the General Shareholders' Meeting for approval, thus increasing the number of members of the Board of Directors from 11 to 13. The current remuneration policy provides that in the event of an increase in the number of members of the Board of Directors, the maximum amount of annual remuneration for all directors in their capacity as such shall be increased by 10% for each new member of the Board of Directors that implies an increase in its number of members. Therefore, in the event that the General Shareholders' Meeting approves such appointments, the current maximum annual remuneration limit for all directors in their capacity as such (€ 2,500,000) shall be increased by 20%.

Notwithstanding the foregoing, as from 1 January 2024, the maximum amount of annual remuneration for all the Directors of Colonial in respect of their membership of the Company's Board of Directors and its Committees is established at €2,700,000. If the number of members of the Board of Directors (13) increases, the above-mentioned maximum amount will be increased by 10% for each new member of the Board of Directors that implies an increase in the number of its members.

In the event that the General Shareholders' Meeting does not approve the appointment of the two new directors, the limit of €2,500,000 approved at the 2022 Annual Shareholders' Meeting will be maintained, in the same terms defined in the existing Directors' remuneration policy approved by the General Shareholders' Meeting held on 30 June 2021 and subsequently amended by the General Shareholders' Meeting held on 21 June 2022.

The Board of Directors, following a proposal by the Nomination and Remuneration Committee, is tasked with the distribution of fixed remuneration and attendance fees for the Board of Directors' meetings for each Director in respect of their membership of the Company's Board of Directors and of its Committees. For the purposes of estimating the fixed remuneration for each Director, consideration will be given to the functions and responsibilities assigned to each of the Directors, their membership of Committees of the Board of Directors and their engagement, in addition to any other objective circumstances that may be deemed relevant, ensuring that this is competitive with the remuneration at other similar companies in terms of their capitalisation, size and geographical breadth of its operations.

In this regard, the Board of Directors may assign to one or more of its Directors as part of their fixed remuneration, within the maximum amount of the annual remuneration for all the Directors of Colonial in respect of their membership of the Company's Board of Directors and its Committees, a specific remuneration for a particular year based on the functions, responsibilities, dedication as well as other objective circumstances which may be considered relevant that had occurred in a given year. These amounts could be reviewed during the validity of the current Remuneration Policy in certain circumstances such as (but not limited to) material changes to the business or to the Board of Directors' structure remit or responsibilities and exceptional Company performance. In these circumstances, the Board, at the proposal of the Nomination and Remuneration Committee, may decide to apply an increase. This would be detailed and explained in the corresponding Annual Report on Directors' Remuneration.

Each year the Company will report the amount paid to each director in respect of their membership of the Company's Board of Directors and its committees in the Annual Report on Directors' Remuneration, which will be submitted to an advisory vote as a separate item on the agenda at the General Shareholders' Meeting of the Company.

Non-Executive Directors shall hold office during the term provided by the Bylaws (four-year term) and may be re-appointed one or more times for periods of equal duration.

Finally, Non-Executive Directors (as the Executive Director and other senior officers at the Company) are beneficiaries of a Directors and Officers liability insurance (D&O) policy underwritten by Colonial that covers liability for the actions and conduct of members of the Board of Directors and executives of the Company as a result of the discharge of their duties, and any losses arising from cyber attacks or failures in cybersecurity.

07. Remuneration Policy for new hires

New Executive Directors will be paid in accordance with the approved Remuneration Policy. In addition, the recruitment policy below permits the Board, on the Committee's proposal, to take the following actions, as appropriate, in the best interests of Colonial and its shareholders. For internal promotions, any variable remuneration element awarded in respect of a prior role may be paid out according to its original terms. The remuneration arrangements for any newly appointed Executive Director will be disclosed as soon as practicable after the appointment.

Base salary	Base salary would be set an appropriate level to recruit the best candidate based on their skills, experience and current remuneration.
Benefits	Benefits provision would be in line with the approved relevant Remuneration Policy. Where appropriate, the new Executive Directors may also receive relocation benefits or other benefits reflective of normal market practice in the territory in which the Executive Director is employed. In addition, the Board, on the Committee's proposal, may agree that Colonial will pay certain allowances linked to repatriation on termination of employment.
Incentive awards	It is expected that new Executive Directors will participate in short and long-term incentive plans on the same basis as existing Executive Directors. However, additional awards may be made to align the new Executive Director as quickly as possible with Colonial's long-term goals, and to reflect value forfeited through an individual leaving their current employer. In the event that we were to appoint a new Executive Director, the Board of Directors preferred approach would be to align the incoming Executive Director with our own performance-based policy by requiring them to invest in Colonial shares and aligning them fully with our inflight performance cycles and targets, recognising that no other long-term incentive will be vesting in their first years of employment at Colonial. However, there are clearly circumstances where this approach would not be effective. The Board, on the Committee's proposal, reserves discretion to make appropriate joining arrangements with the intention that in aggregate these should normally be no more valuable than the awards foregone. If a buy-out award is required, the Committee would aim to reflect the nature, timing, and value of awards foregone in any replacement awards. Incoming Executive Directors will be required to retain all shares vesting from any share awards until their minimum shareholding requirements have been met in full.

In the event of a Non-Executive Director with a different role and responsibilities being appointed, fee levels will be benchmarked and set by reference to comparable roles in companies of equivalent size and complexity.

08. Setting the Remuneration Policy

The Company's procedures and the competent bodies for determining and approving the Remuneration Policy and its terms and conditions are described below.

As of the date of submission of this Policy to the General Shareholders' Meeting, the only Executive Director is the Chief Executive Officer.

	Nomination and Remuneration Committee	Board of Directors	General Shareholders' Meeting
Determination of the Policy and its remuneration components	It proposes the Policy to the Board.	It approves the Policy and submits it to the General Shareholders' Meeting for a vote.	It approves the Policy at least every three years. It approves any modification or replacement of the Policy.
	It proposes to the Board the maximum annual amount to be paid to Directors in their capacity as such and each Director's remuneration.	It proposes to the General Shareholders' Meeting the maximum annual amount to be paid to Directors in their capacity as such. It determines the remuneration of each Director.	It approves the maximum annual remuneration for all Directors in their capacity as such.
	It proposes to the Board the Directors' remuneration for the performance of their executive functions, along with the terms and conditions of their contract.	It sets the Directors' remuneration for the performance of executive functions, along with the terms and conditions of their contract.	It approves the remuneration systems for the Directors for the performance of executive functions.
Application of the Policy	It proposes the amount of fixed annual remuneration for Executive Directors and its annual variation. It proposes the parameters for setting the variable components and evaluates them for payment purposes. It proposes, as necessary, the cancellation of the payment or the refund of variable components.	It evaluates and, where appropriate, approves the proposals of the Nomination and Remuneration Committee on implementation of the Policy.	
Review of the Policy	It verifies the compliance with the Policy and regularly reviews its implementation. It ensures that individual remuneration is proportionate.		
Transparency of the Policy	It ensures transparency over remuneration and the inclusion of information on the Directors' remuneration in the annual report. It submits the Annual Report on Directors' Remuneration to the Board of Directors for approval and verifies the information on Directors' remuneration contained in corporate documents. It prepares the specific report that underlies the Remuneration Policy.	It approves the Annual Report on Directors' Remuneration to be submitted to the General Shareholders' Meeting for consultation purposes.	It approves (advisory vote) the Annual Report on Directors' Remuneration.

09. Consideration of the wider workforce pay conditions

The Committee proposes to the Board of Directors its decisions about specific executive remuneration arrangements in the broader context of employee remuneration in Colonial.

The structure of the reward package for the wider employee population is based on the principle that it should be sufficient to attract and retain the best talent and be competitive within our industry, remunerating employees for their contribution to our holistic performance. It is driven by local market practice as well as level of accountability, reflecting the nature of Colonial's business. There is clear alignment in the pay structures for executives and the wider workforce, in the way that remuneration principles are followed as well as the mechanics of the salary review process and incentive design, which are broadly consistent throughout the organisation.

The type of performance measures under the annual incentive plan and long-term incentive plan are aligned for executives and other eligible employees. There is a strong focus on performance-related pay, with appropriate levels of differentiation to ensure that reward is invested in the talent that will make the biggest contribution to the execution of Colonial's strategy.

The remuneration approach for the Executive Director is consistent with the reward package for members of the Executive Committee and the senior management population. Generally speaking, a significant proportion of total remuneration for the Executive Director is linked to business performance in comparison to the rest of the employee population, so that remuneration will increase or decrease in line with business performance and thus to align the interests of the Executive Director and shareholders.

Each year the Committee and the Board of Directors are briefed on the structure and quantum of the all-employee remuneration framework. The Board of Directors, on the Nomination and Remuneration Committee's proposal also considers the annual salary increase budgets for employees as well as pay for the senior management population.

10. Consistency with the Company's strategy, interests and sustainability in the long-term

The Remuneration Policy has the following features that ensure consistency with the Company's strategy, interests and sustainability in the long term:

- The total remuneration for the Executive Director mainly consists of the following components: (i) fixed remuneration elements, (ii) annual bonus and (iii) long-term Incentive. For the Executive Director, this long-term component has a weight no less than 48% of total remuneration in a target scenario.
- This long-term incentive is designed as multi-year scheme to ensure that the evaluation process is based on long-term results and that the underlying economic cycle of the Company is considered. This remuneration is mainly granted and delivered in the form of shares and based on the shareholders' value creation to align Executives' and shareholders' interests. Moreover, it consists of overlapping cycles which, as a general rule, are chained indefinitely, maintaining a permanent focus on the long-term in all decisions.
- A suitable balance between the fixed and variable components of the remuneration. The Executive Director has a variable remuneration scheme that is fully flexible, which includes a minimum threshold below which no incentive is payable.
- The metrics set out in both annual variable remuneration and long-term variable remuneration are linked to the achievement of a combination of financial and non-financial measures, reflecting the Company's strategic priorities at any given time.
- The shares delivered to the Executive Director are subject to a holding period of one year, notwithstanding the minimum shareholding requirement of 2 times the fixed remuneration.
- There is no guaranteed variable remuneration.

In addition, the Remuneration Policy has the following features to reduce exposure to excessive risks. The Committee periodically reviews HR and remuneration practices in order to make the corresponding proposals to the Board of Directors always in the best interest for the company, including:

- How we integrate risk, controls and conduct considerations into key HR practices including performance development, remuneration, promotion and succession planning.
- Measures designed to discourage imprudent risk-taking:
    - Caps to variable remuneration.
    - Possible deferral of the portion of bonus above the target award.
    - Multiple performance metrics, some of which may be adjusted by different risks.
    - Multi-year vesting.
    - Retention and minimum shareholding requirements.
    - Malus and clawback clauses.
    - Prohibition on hedging, pledging, short sales or derivative transactions in the Company shares received during the retention period.
- Regulatory updates which have impacted or may impact HR practices in the future.
- The Committee connects with other committees to ensure that the Group's remuneration policies and practices achieve the right balance between appropriate incentives to reward performance and management of the risks linked to remuneration.

The Committee is also provided with information to monitor performance and a summary of risk, controls and conduct assessments.

The specific measures to identify and manage any potential conflict of interest are set in the Regulations of the Board of Directors. These also determine the code of conduct for the members of the Board of Directors.

11. Effectiveness

The Board of Directors, on the Nomination and Remuneration Committee's proposal, will present this Remuneration Policy for the approval of shareholders at the 2023 Annual General Meeting and, if approved, will apply from 1 January 2024 and will replace the existing remuneration policy, approved by the General Shareholders' Meeting held on 30 June 2021, in its entirety.

This Remuneration Policy shall remain in force until 31 December 2026, notwithstanding that the Board, on the Committee's proposal, may seek approval for a new policy at an earlier point or the amendment of the Remuneration Policy, if it is considered appropriate.