



## ANNUAL REPORT ON REMUNERATION OF DIRECTORS

ISSUER IDENTIFICATION DATA

REFERENCE REPORTING DATE

31/12/2022

Tax Identification Number

Company Name: INMOBILIARIA COLONIAL, SOCIMI, S.A.

Registered Office: PASEO DE LA CASTELLANA 52, 28046, MADRID

## INTRODUCTION

The information contained in this report on the Directors' remuneration (the "**Report**") covers the period from 1 January to 31 December 2022 and provides information on the Remuneration Policy for the Directors of Inmobiliaria Colonial, SOCIMI, S.A. ("**Colonial**" or the "**Company**", interchangeably and, together with its subsidiaries, the "**Group**") applicable in 2023.

This Report has been drawn up in a freely designed format in accordance with the regulatory authorisation contained in Circular 4/2013, although its content observes the minimum standards established in the applicable regulations, and it is accompanied by the standard statistical Annex (Section C of this Report).

This Report for 2022 was approved by Colonial's Board of Directors at its meeting of 27 February 2023, at the proposal of the Appointments and Remuneration Committee (the "**Appointments and Remuneration Committee**" or the "**Committee**", interchangeably) and in accordance with the applicable regulations. It will be submitted to the next Ordinary General Meeting of Shareholders, as a separate item on the agenda, for an advisory vote.

## A. REMUNERATION POLICY OF THE COMPANY FOR THE YEAR IN PROGRESS

### A.1. Current Directors' Remuneration Policy applicable to the current financial year

The Directors' Remuneration Policy for 2021, 2022 and 2023, drawn up by the Company's Board of Directors at the proposal of the Appointments and Remuneration Committee, was approved by the Company's Ordinary General Meeting of Shareholders on 30 June 2021 with 88.74% votes in favour.

The Board of Directors then resolved, at the proposal of the Appointments and Remuneration Committee, to **further develop the corporate governance structure** to fit a model where, in addition to keeping the Chairman of the Board of Directors and the CEO as separate roles, the **Chairman is a non-executive Chairman** without any executive functions. This took effect on 30 April 2022. This model was consistent with the recommendations made by institutional investors and proxy advisors in Europe, which are gradually being adopted by listed companies. In view of this, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, resolved to propose to the Ordinary General Meeting of Shareholders at its meeting of 21 June 2022 to re-elect the Chairman, Mr Juan José Brugera Clavero, as member of the Board of Directors in the category of "other external" Director, i.e. as a non-executive member of the Board.

In addition, the Board of Directors resolved to remove the position of Independent Lead Director from 30 April 2022. The position, which had been kept in order to partially counteract the concentration of power in the executive Directors, is no longer necessary under the new corporate governance structure.

As a result, at its meeting of 21 June 2022, the Company's Ordinary General Meeting of Shareholders approved, with 94.07% of votes in favour, to modify the Remuneration Policy as follows:

- (i) To amend the maximum annual aggregate remuneration to be paid to all the Directors for their role as such stipulated in the Company's Directors' Remuneration Policy approved by the General Meeting of Shareholders on 30 June 2021, changing it to €2.5 million (all this without prejudice to the possibility, as provided in the Remuneration Policy, of increasing this amount by 10% for each new member joining the Board of Directors when this results in an increase in the current number of Board members); and
- (ii) to no longer apply the remuneration linked to the executive functions of the Chairman of the Board of Directors or to the role of Independent Lead Director as a result of the Chairman ceasing to have executive duties from 30 April 2022 and the removal of the role of Independent Lead Director.

Following the modification agreed at the Ordinary General Meeting of Shareholders of the Company of 21 June 2022, the Directors' remuneration policy approved at the Ordinary General Meeting of Shareholders of the Company on 30 June 2021 shall be referred to herein as the "**Remuneration Policy**" ([link](#)).

In order to establish the specific amounts and parameters of the Remuneration Policy that will apply in 2023, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, has considered the following as the **basic principles** guiding remuneration decisions across the board that were taken into account when establishing the Remuneration Policy for 2022:

- **Pay-for-Performance:** Ensuring that the remuneration paid to the CEO, who is the Company's only executive Director, is commensurate with both the Company's overall performance and the CEO's own individual performance.
- **Alignment with stakeholders' interests:** Aligning the CEO's interests with those of the Company's shareholders by tying a significant portion of his total remuneration to Colonial's financial and

operating results and to the creation of long-term value for shareholders. Variable remuneration will also depend on the attainment of the goals set forth in the decarbonisation and emission reduction plan under the Company's sustainability strategy.

- **Competitiveness:** The Company's long-term success will depend on the talent of its employees. Colonial's remuneration philosophy focuses, among other aspects, on attracting, appropriately motivating, and retaining the best talent.
- **Transparency:** Transparency with Colonial's shareholders in relation to the Remuneration Policy, informing them of the main conditions of the remuneration schemes and, if applicable, of any actions taken in response to significant events.

The Company's Remuneration Policy includes **sound governance processes** that further strengthen its performance-based payment philosophy. These include, among others:

WHAT IS COVERED IN THE REMUNERATION POLICY	WHAT IS NOT COVERED IN THE REMUNERATION POLICY
<ul style="list-style-type: none"> <li>• <b>Risk-based remuneration:</b> Most of the remuneration paid to executive Directors is variable remuneration linked to Colonial's financial results, the performance of its shares, or both.</li> <li>• <b>Instrument-based long-term incentive conditioned to the performance of targets in a several-year period.</b></li> <li>• <b>Permanent ownership of shares:</b> Executive Directors are expected to hold a number of shares equal to twice their fixed remuneration.</li> <li>• <b>Risk proportionality and management.</b></li> <li>• <b>Solid processes to involve shareholders in remuneration and governance matters.</b></li> <li>• <b>Malus and clawback clauses.</b></li> <li>• <b>Receipt of external advice.</b></li> </ul>	<ul style="list-style-type: none"> <li>• There are <b>no</b> contracts with <b>guaranteed</b> pay rises or variable remuneration that is not linked to business performance.</li> <li>• <b>No hedging, pledging, short sales or derivative</b> contracts are allowed on the <b>value of the shares</b> received during the required holding period.</li> <li>• <b>Non-executive Directors</b> are <b>not</b> included in <b>remuneration</b> mechanisms or systems <b>linked</b> to the Company's <b>results</b> or personal performance, or in pension plans or other social welfare schemes.</li> <li>• The <b>benefits</b> granted <b>do not exceed market practices.</b></li> </ul>

Details of the 2023 Remuneration Policy can be found in the following sections.

### A.1.1. Company procedures and bodies involved in determining, approving and applying the Remuneration Policy and its terms and conditions.

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

	Appointments and Remuneration Committee	Board of Directors	General Meeting of Shareholders
	It proposes the policy to the Board.	It approves the policy and submits it to the Board for a vote.	It approves the policy at least every three years. It approves any modification or replacement of the policy.
Determination of the Policy and its remuneration items	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 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, particularly that of the CEO, who is the Company's only executive Director, along with the terms and conditions of his contract.	It sets the Directors' remuneration for the performance of executive functions, particularly that of the CEO, who is the Company's only executive Director, along with the terms and conditions of his contract.	It approves the remuneration systems for the CEO, who is the Company's only executive Director.
Application of the Policy	It proposes the amount of fixed annual remuneration for the CEO, who is the Company's only executive Director, and its annual variation.	It evaluates and, where appropriate, approves the proposals of the Appointments and Remuneration Committee on implementation of the policy.	
	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.		
Revision of policy	It checks compliance with the policy and regularly reviews its implementation. It ensures that individual remuneration is proportionate.		
	It ensures transparency over remuneration and the inclusion in the annual report of information on the Directors' remuneration. It submits the Annual Report on	It approves the Annual Report on the Remuneration of Directors so it can be submitted to the General Meeting for consultation purposes.	It approves the Annual Report on the Remuneration of Directors for consultation purposes.

	Appointments and Remuneration Committee	Board of Directors	General Meeting of Shareholders
Transparency of policy	<p>Directors' Remuneration to the Board of Directors for approval and verifies the information on Directors' remuneration contained in corporate documents.</p> <p>It prepares the specific report that underlies the Remuneration Policy.</p>		

#### **A.1.2. Consideration of comparable companies for the purposes of establishing the Company's Remuneration Policy.**

The Remuneration Policy will be designed taking into account the conclusions drawn from the comparative analysis of the policy in force in 2020 with industry practices and peer companies, as well as corporate governance recommendations.

As regards the CEO, who is currently the Company's only executive Director, the comparison included analysing the total remuneration strategy (positioning in the market and remuneration mix) and the practices regarding the design of the various remuneration components in European real estate and Ibex-35 companies.

The remuneration of non-executive Directors was compared to the amounts paid at Ibex-35 companies. In particular, the remuneration practices of Ibex-35 companies and companies from other relevant European countries (CAC40 in France, DAX40 in Germany, SMI 20 in Switzerland, and FTSE 100 in the United Kingdom), among others, were taken into account to establish the fixed remuneration of the (non-executive) Chairman of the Board of Directors.

#### **A.1.3. External Advisors**

Under the Regulations of the Board of Directors, Directors and the members of its committees may request external advice on any matters they may deem necessary. The establishment of the Remuneration Policy and the changes made to it for 2023 were thus carried out with the advice of WTW.

#### **A.1.4 Procedures envisaged in the Remuneration Policy for the application of temporary exceptions to its own application.**

The Remuneration Policy does not contain any procedures to apply temporary exceptions to its own application.

#### **A.1.5 Measures taken by the Company in relation to the Remuneration Policy, including risk reduction steps.**

- The Remuneration Policy includes a remuneration scheme that provides a balanced and efficient ratio between fixed and variable components, with the latter having a greater impact on the remuneration system. Furthermore, the Remuneration Policy established for directors aims to boost profitability and long-term sustainability for the Company and includes the necessary precautions to avoid excessive risk-taking and rewards for adverse results.
- The fixed remuneration accounts for a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, such that it is

possible not to pay a variable remuneration component.

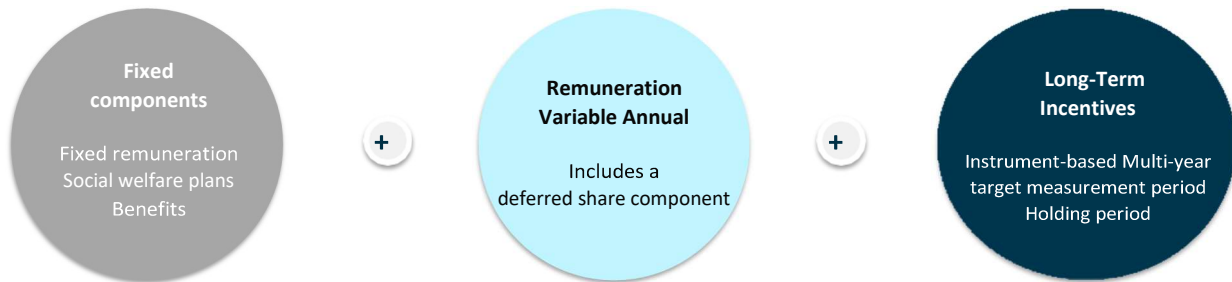
- Within the variable components, the long-term variable remuneration, which consists of a share award plan (long-term incentive plan) subject to specific measures, has a significant weight. This multi-year variable remuneration is structured in three overlapping cycles over time so that a long-term orientation is maintained in all decision-making processes. Each cycle has a duration of three years, ensuring that the evaluation process is based on long-term performance and takes into account the Company's underlying business cycle and the achievement of strategic objectives.
- The steps taken to mitigate inappropriate risk-taking include, among others: (i) limits on variable remuneration; (ii) the possibility of deferring payment of the portion of annual variable remuneration in excess of the incentive target; (iii) multiple metrics; (iv) multi-year accrual periods; and (v) *malus* and clawback clauses.
- With regard to the measures adopted to prevent conflicts of interest, Article 16 of the Board of Directors' Regulations defines the duty to avoid such situations and obliges Directors to refrain from certain actions. In addition, Article 18 establishes the duty to report any situation of conflict of interest to the Board of Directors.
- Finally, in relation to clauses for the reduction or refund of variable remuneration, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, will have the power to cancel (*malus*) or recover (clawback) all or part of the annual variable remuneration or long-term incentives in certain circumstances such as, among others:
  - If the Company sustains significant losses and the above-mentioned committee considers that this is due to significant risk management failures by Colonial, to which the wilful or grossly negligent conduct of the executive Director has contributed;
  - Serious breach by the beneficiary of internal policies and rules of the Company; or
  - The restatement of Colonial's financial statements, provided that such restatement is confirmed by the external auditors and is not due to a change in accounting regulations, and that, in accordance with such restatement, the variable remuneration to be paid is lower than that originally accrued or no remuneration has been paid in accordance with the Company's variable remuneration system.

The clawback clause may be applied by the Board of Directors for two years following payment of the variable remuneration.

## A.1.6 Main features of the Remuneration Policy

### REMUNERATION OF EXECUTIVE DIRECTORS

- The three main components of the ordinary remuneration of the CEO, who is the Company's only executive Director and is also executive Vice-Chair, are: (i) fixed remuneration, (ii) variable annual remuneration, and (iii) instrument-based long-term incentives.



- Unlike non-executive Directors, the executive Director will not receive any specific remuneration in 2023 for sitting on the Company's Board of Directors or its committees. These functions are included in the fixed remuneration components established in his contract.
- The Remuneration Policy establishes:
  - The fixed annual remuneration and its variation during the period to which the Remuneration Policy relates;
  - The different parameters used to set the variable components; and
  - The main terms and conditions of his contract including, in particular, its duration, severance payment for early termination, exclusivity clauses, post-contractual non-compete clauses, and permanence and loyalty clauses.

### Fixed remuneration

The Remuneration Policy lays down the amounts of fixed remuneration for the executive Chairman and the CEO, with no changes over the three-year term of the policy. Without prejudice to the foregoing, and in accordance with the changes to the Remuneration Policy agreed at the Ordinary General Meeting of Shareholders held on 21 June 2022, in 2023 the remuneration will only apply to the CEO, because he is Colonial's only executive Director (since 1 May 2022).

It is therefore envisaged in accordance with the Remuneration Policy that the CEO will receive an individual fixed annual remuneration of €750,000 in 2023. This remuneration, which has not gone up since last year, consolidates all the amounts of fixed remuneration payable to him for sitting on other bodies in subsidiaries. The fixed remuneration that may be received by the CEO in 2023 for his dedication and attendance at Board and/or committee meetings in Group companies will therefore be deducted from the fixed annual remuneration indicated above.



**Social welfare plan**

The CEO is the beneficiary of a defined-contribution welfare scheme covering the contingencies of retirement, disability and death. The annual contribution for 2023 will be 15% of his fixed annual remuneration.

The above-mentioned social benefit scheme recognises the vesting of economic rights in the event of a dismissal or termination of employment prior to the occurrence of the covered contingencies, except if such dismissal or termination is due to just cause. In addition, this social benefit scheme is compatible with any amounts of compensation to which he may be entitled.

**Other benefits**

In 2023, the Company will continue to reward the CEO with other remuneration in kind for up to a maximum of €100,000 in the form of the use of a vehicle, and life, disability, accident and family health insurance.

**Variable annual remuneration**

Pursuant to the Remuneration Policy, the CEO may be paid annual variable remuneration for 2023. The amount of that remuneration if the target is achieved (100%) will be equal to 100% of his fixed annual remuneration (€750,000). The maximum amount to be received in 2023 if the targets are exceeded will be 133.75% of his fixed annual remuneration, which means that he may receive no more than €1,003,125, which is below the limit of 140% of his fixed annual remuneration established in the Remuneration Policy.

The Board of Directors, at the proposal of the Appointments and Remuneration Committee, has established the metrics, weightings and targets to be used to determine the CEO’s variable remuneration in accordance with the limits and criteria established in the Remuneration Policy. Specifically, they are as follows for 2023:

Types of targets	Weight	Metrics
<b>80% economic-financial and creation of shareholder value</b>	30%	Net rental income Depending on the business plan for 2023
	35%	Adjusted earnings per share Depending on the business plan for 2023
	15%	Loan to Value (LTV) Depending on the business plan for 2023
<b>20% Non-financial</b>	10%	ESG targets: (i) to maintain excellent ratings (2/3) in the following indices: GRESB 5 star, CPD “A”, VIGEO “A1+”; and (ii) to comply with the targets of the decarbonisation and emission reduction plan.
	10%	Assessment of individual performance based on strategic initiatives.

The criteria for establishing the CEO's annual variable remuneration, as well as the process for its application, including the calibration to be made in accordance with the goals to be set out in Colonial’s business plan for 2023, shall be carried out as provided below:

- In the event that the level of attainment of the metric falls below the minimum threshold, the incentive portion associated with that metric will not be generated.
- If the level of attainment of the metric is at the minimum threshold of compliance, the payout level will be 50% of the incentive target associated with that metric.
- If the level of attainment of the metric is at or above the maximum achievement level, the payout level will be 150% if a metric based on adjusted earnings per share is being used, or 125% of the target incentive level for all other metrics.

The Board of Directors, at the proposal of the Appointments and Remuneration Committee, has the power to adjust the payment level of the annual variable remuneration to ensure that the result is fair and balanced in light of the Company's overall performance.

The results are assessed, and the corresponding payment decided, based on the data provided by the management team, subject to the financial data contained in the audited annual financial statements. In this assessment, the Committee shall also consider the associated risks. In relation to this, any positive or negative economic effects arising from extraordinary events that may distort the results of the assessment may be ignored when proposing the quantitative target achievement level.

The annual variable remuneration will be paid in cash after the end of the year to which the target performance relates. If the amount is higher than the target incentive, the Board of Directors, at the Appointments and Remuneration Committee's proposal, may decide that the excess be deferred in shares during the year. If applicable, the delivery of the shares will be subject to the executive Director remaining in the Colonial Group during the deferral period, except if the termination of the relationship is for a cause attributable to the Company or in other cases in which he is deemed by the Board to be a good leaver. The CEO will be entitled to receive a cash amount equivalent to the dividends accruing on the deferred shares during the deferral period on the deferred shares' delivery date.

The Board of Directors, at the Appointments and Remuneration Committee's proposal, will be able to decide on the total or partial cancellation (*malus*) or recovery (clawback) of the annual variable remuneration in the event of certain circumstances set forth in this Remuneration Policy.

Furthermore, the Board of Directors, at the Committee's proposal, may decide to grant extraordinary remuneration to the CEO for his involvement in extraordinary corporate operations, including acquisitions, investments, restructuring or any other operations that, based mainly on the relevance, complexity and unique nature of the corporate operation, produce considerable added value for shareholders or a financial benefit or a considerable asset increase. This extraordinary variable remuneration will be limited to 100% of their fixed annual remuneration. It will be set out in detail in the relevant Annual Report on Directors' Remuneration.

### **Long-term incentive**

The CEO is the beneficiary of a long-term incentive plan consisting of the delivery of shares in Colonial approved at the Ordinary General Meeting of Shareholders of 30 June 2021 (the "**Plan**").

The main terms and conditions of the Plan are as follows:

- **Description:** The Plan consists of the delivery of shares in the Company to beneficiaries of the Plan by way of long-term variable remuneration, subject to meeting specific multi-year targets.
- **Beneficiaries:** The CEO, who is the Company's only executive Director, and those officers and employees in the Colonial Group that may be decided by the Company's Board of Directors. The delivery of shares is subject in any case to the beneficiaries of the Plan being executive Directors of

the Company or having an employment or business relationship with any Colonial Group company on the delivery dates. This is without prejudice to the special cases. As the Chairman of the Board of Directors is no longer an executive Director (since 30 April 2022), he is not considered a beneficiary of the Plan for the second and third cycles.

- **Term of the Plan:** The Plan will have a duration of five years, which will be divided into three overlapping and independent three-year annual cycles (i.e. with the shares for each cycle being delivered three years after the start of each cycle). In particular:
  - The first cycle under the Plan is the three-year period running from 2021 to 2023 (inclusive), and the target measurement period for this first cycle will be from 1 January 2021 to 31 December 2023.
  - The second cycle under the Plan is the three-year period running from 2022 to 2024 (inclusive), and the target measurement period for this second cycle is from 1 January 2022 to 31 December 2024.
  - The third cycle under the Plan is the three-year period running from 2023 to 2025 (inclusive), and the target measurement period for this third cycle is from 1 January 2023 to 31 December 2025.
- **Maximum number of shares to be allocated under the Plan:** The maximum number of shares that may be allocated under the Plan is 4,055,205 common shares of the Company, accounting for 0.80% of the share capital, of which a maximum of 1,021,175 shares will be for Colonial’s CEO.

Under the Remuneration Policy, the maximum amount to which the CEO will be entitled in each of its cycles, based on the metrics and parameters that may be established, will be an amount equivalent to 300% of his fixed remuneration (€2.25 billion). This amount has been established taking into account the share price on the cycle start date and without taking into account any potential changes thereto.

As a general rule, the maximum total number of shares in the Company that may be delivered to beneficiaries pursuant to the Plan at the end of each cycle will be the result of dividing the previous maximum amount by the Company’s shares’ weighted average listed price for the 30 trading days immediately before (and not including) 1 January of the first year of the relevant cycle. This entails:

<b>Beneficiary</b>	<b>Cycle</b>	<b>Maximum number of shares</b>
	2021-2023	<b>275,399</b>
<b>CEO</b>	2022-2024	<b>279,156</b>
	2023-2025	<b>376,254</b>

The number of shares allocated to each beneficiary of the Plan, and in particular, in relation to this Report, to the CEO, for each cycle as provided above will be increased by a number of shares equal to the amount of the dividends per share distributed by Colonial to its shareholders in each cycle, based on the number of shares awarded to each beneficiary in the relevant cycle. For such purposes, the benchmark value will be the weighted average of Colonial’s stock on the dates of the dividend payouts in each of the years of the cycle.

- **Requirements and conditions for the settlement of each cycle:** The exact number of shares in Colonial to be delivered – within the established maximum – to the beneficiaries of the Plan at the end of each cycle will be subject to the fulfilment of the financial and shareholder value creation

targets. Furthermore, the Board of Directors may include as a metric the achievement of non-financial targets, which may under no circumstances account for more than 30% of the calculation of the maximum incentive.

Specifically, the long-term incentive for the first cycle (2021-2023) of the Plan shall be calculated based on the following metrics, which are essentially associated with the creation of value for shareholders:

Weight	Metric	Justification
50%	Relative Total Shareholder Return in relation to a comparison group and adjusted (up or down) by the absolute Total Shareholder Return.	This measures both performance compared to comparable companies and Colonial's own performance compared to a set target.
30%	NAV/share as at 31 December 2023.	This measures the valuation of all the assets in the portfolio.
10%	Pipeline management: the variation in the appraisal value of the assets included in the pipeline from the start to the end of the cycle, taking into account the CapEx incurred in the period 2021-2023.	This measures the value created for shareholders by ongoing projects.
10%	Adjusted earnings per share in 2023.	This measures the fulfilment of one of the parameters that ensures compensation to shareholders.

The Total Shareholder Return ("**TSR**") is the metric used to calculate the medium- and long-term generation of value at Colonial by measuring the return on investment for shareholders. This is defined, for the purposes of the Plan and for each cycle, as the quotient (expressed as a percentage) of the final value of a hypothetical investment in Colonial shares (with the dividends being reinvested from time to time) divided by the initial value of the same hypothetical investment.

Establishing whether the TSR target has been met and calculating the exact number of shares to be delivered for this item involves first measuring the performance of the TSR of Colonial's shares during the term of each cycle relative to the TSR of an index (the "**Index**") composed of the following eleven domestic and foreign companies in the industry: Gecina, Merlin Properties, Covivio, Icade, Cegereal, British Land, Landsec, Great Portland Estates, Aroundtown, Alstria, and Prime Swiss Property.

In order to establish the result of the Index, a weighted value is given to each company based on its degree of comparability with Colonial according to certain parameters, such as the geographical scope of its operations, the sub-sector in which it operates (asset class) and its size (market capitalisation). For this purpose, the Board of Directors assigns a weighted value to each company in the Index and establishes the parameters for its calculation, with the ability to replace the companies in the Index if this is warranted by the circumstances.

Under the Plan, the preliminary number of shares linked to the fulfilment of this target to be delivered will range between 50% of the theoretical number of allocated shares if the performance of Colonial's TSR is equal to at least 75% of the TSR Index, 100% if Colonial's TSR is equal to the TSR Index, and 150% if Colonial's TSR is equal to 125% of the TSR Index or greater. For intermediate values, the preliminary number of shares to be delivered will be calculated by linear interpolation.

No shares linked to the achievement of this target will be delivered if Colonial's TSR is equal to less

than 75% of the TSR Index.

The final number of shares to be delivered must then be calculated. This will be done by multiplying the preliminary number of shares by a modifying factor based on Colonial's absolute TSR. An achievement scale will be established for this purpose. This will include a minimum TSR threshold with a modifying factor of 0, and a maximum level with a modifying factor of 1.5.

In order to establish whether the NAV/share, pipeline management and adjusted earnings per share targets have been met, and to calculate the exact number of shares to be delivered for these items, the Board of Directors will establish an achievement scale for each target, at the Appointments and Remuneration Committee's proposal, at the start of each cycle. This will include: (i) a minimum threshold under which no incentive is paid and whose achievement will result in the delivery of 50% of the theoretical number of allocated shares; (ii) a target level that will result in the delivery of 100% of the theoretical number of allocated shares; and (iii) a maximum level that will entail the delivery of 150% of the theoretical number of allocated shares.

For the second cycle (2022-2024) of the Plan, which is measured from 1 January 2022, the Board of Directors has agreed that the metrics will be the same as those established for the first cycle (2021-2023). Specifically:

Weight	Metric	Justification
50%	Relative Total Shareholder Return in relation to a comparison group and adjusted (up or down) by the absolute Total Shareholder Return.	This measures both performance compared to comparable companies and Colonial's own performance compared to a set target.
30%	NTA/share as at 31 December 2024.	This measures the valuation of all the assets in the portfolio.
10%	Pipeline management: the variation in the appraisal value of the assets included in the pipeline from the start to the end of the cycle, taking into account the CapEx incurred in the period 2022-2024.	This measures the value created for shareholders as a result of ongoing projects.
10%	Adjusted earnings per share in 2024.	This measures the fulfilment of one of the parameters that ensures compensation to shareholders.

The degree of attainment of the Total Shareholder Return will be established using the method described for the first cycle and based on the target measurement period of the 2022-2024 cycle.

The Board of Directors has decided to apply the following metrics to the third cycle (2023-2025) of the Plan, whose measurement period starts on 1 January 2023:

Weight	Metric	Justification
50%	<p>Total Shareholder Return (TSR):</p> <ul style="list-style-type: none"> <li>15% relative TSR in relation to a comparison group, and</li> <li>35% absolute TSR.</li> </ul> <p>Maximum weighting of up to 200% of the target</p>	<p>This measures both performance compared to comparable companies and Colonial's own performance compared to a set target.</p> <p>Each metric, which shall be measured independently, determines part of the incentive.</p>
20%	<p>NTA/share as at 31 December 2025:</p> <ul style="list-style-type: none"> <li>10% relative NTA</li> <li>10% absolute NTA</li> </ul>	<p>This measures the evolution of the valuation of all the assets in the portfolio, both in absolute terms and in relation to comparable companies.</p> <p>Each metric, which shall be measured independently, determines part of the incentive.</p>
20%	<p>Adjusted earnings per share in the 2023-2025 measurement period.</p>	<p>This measures the fulfilment of one of the parameters that ensures compensation to shareholders.</p>
10%	<p>Progress of the decarbonisation and emission reduction plan.</p>	<p>This measures the achievement of the targets under the decarbonisation and emission reduction plan.</p>

The Appointments and Remuneration Committee has taken the following factors into account, among others, when proposing the metrics and weightings for the 2023-2025 cycle:

- The business plan established by the Board of Directors.
- The current macroeconomic context, its impact on Colonial's share price and those of other companies in its sector, its impact on NTA valuations and, as a result, the greater relevance compared to previous years of adjusted earnings per share linked to the generation of cash.
- Institutional investors' recommendations and market practices in connection with the introduction of ESG metrics focusing on the "E" vector.

After the end of the target measurement period for each cycle, the Board of Directors will establish the payment levels, at the Appointments and Remuneration Committee's proposal, based on the degree of fulfilment of the targets, and it may adjust the payment level to ensure a fair and balanced outcome in view of the Company's overall profit or loss and taking any associated risks into account. In relation to this, any positive or negative economic effects arising from extraordinary events that may distort the results of the assessment may be ignored when proposing the quantitative target achievement level. The results can be assessed, and the payment according to certain metrics can be established, based on data provided by external consultants.

In any case, in the event of changes to the number of shares in Colonial due to a decrease or increase in the shares' nominal value or as a result of an operation with an equivalent effect, such as a merger, consolidation, or spin-off, the maximum number of shares to be delivered will be modified, if appropriate, in order to maintain the equivalence of the benefits under the Plan.

On the other hand, the Board of Directors is authorised, at the Committee's proposal, to propose the full or partial cancellation (*malus*) or recovery (clawback) of the shares to be delivered to the Plan beneficiaries in the following cases: (i) if the Company suffers significant losses and the Board of Directors is of the opinion that this is the result of significant risk management mistakes by the Company in which the executive Director's wilful misconduct or gross negligence played a part; (ii) on serious breach of the Company's internal rules and policies by the beneficiary; (iii) if the Company's financial statements are restated, provided that such restatement is confirmed by the external auditors and is not due to a change in the accounting legislation, and provided that the restatement results in a lower variable remuneration to be paid than that initially accrued or if no remuneration is payable under the Company's variable remuneration system; and (iv) if the remuneration paid was calculated based on data that subsequently proved to be inaccurate and the resulting variable remuneration to be paid is lower than that initially accrued or no remuneration is payable under the Company's variable remuneration system. The clawback clause may be applied by the Board of Directors during the two years following payment of the variable remuneration in question.

- Holding period of the shares: The CEO will be required to retain the Colonial shares delivered to him under the Plan for at least one year following delivery, notwithstanding the fact that he is required under the Remuneration Policy to comply with the requirement to hold a number of shares equivalent to 2 years of his fixed remuneration
- Delivery date of the shares: The delivery of the Company's shares for each cycle of the Plan will take place after the end of each cycle, i.e. in 2024 for the first cycle, in 2025 for the second cycle, and in 2026 for the third cycle, once the audited annual financial statements for 2023, 2024 and 2025 respectively have been prepared. The specific date of delivery of the shares will be determined by the Board of Directors or by any person to whom it has given the necessary authorisation to do so. In addition, advance tax payments or any applicable withholding tax will be charged to the beneficiaries of the Plan. In any event, the Board of Directors has the necessary powers to decide, when appropriate and justified, not to execute, to cancel, to settle in advance, or to invalidate, all or part of the Plan or its cycles, if appropriate under the circumstances.

However, in the event that, in accordance with the applicable regulations, a takeover bid is made for Colonial and the positive result of this bid entails a change of control in the Company and the relationship between any beneficiaries of the Plan and Colonial is terminated for any reason within six months of the settlement of the takeover bid, the Plan will be settled early for all beneficiaries of the Plan whose relationship with Colonial was terminated within the aforementioned period, and they will be given the maximum number of shares assigned to them in each of the Plan's active cycles.

On the other hand, if during the term of the said plan, the CEO is removed from office without just cause, the General Meeting does not extend his term or there is a substantial change to his functions (including the loss of executive status), he will be entitled to the early settlement of the plan as provided below (this situation has indeed arisen in the case of the Chairman because, as explained in section B below, he ceased to be an executive Director on 30 April 2022).

If the event triggering the early settlement of the Plan takes place in the first 18 months of one of the Plan's cycles, the executive Director will be entitled to receive the target number of shares to which he is entitled under that cycle of the Plan pro rata to the number of days between the start of the cycle in which the event giving rise to the early settlement of the Plan took place and the effective date of termination, non-extension or substantial change of his functions. If the event giving rise to the early settlement of the Plan takes place in the second half of a cycle's target measurement period, he will be entitled to receive the target number of shares to which he is entitled for that cycle.



Beneficiaries of the Plan will lose their right to the delivery of shares in the event of justified dismissal, except for objective causes, termination of their contract for cause, or resignation on their own initiative, and in case of breach of contract in respect of confidentiality, non-solicitation of services, or competition. In such cases, the beneficiaries will also lose any rights they may have to the shares granted.

### **Main terms and conditions of the contracts**

In view of the Remuneration Policy, the CEO's contract has been adjusted to the Policy's principles, terms and content. The said contract therefore has the following essential terms and conditions:

- **Duration**: It has been stipulated that the term of the contract is subject to the duration of the appointment as CEO. If the CEO's appointment is renewed, the contract will be understood to have been automatically renewed for the duration of the renewal of office, unless otherwise resolved by the Board of Directors, in which case a new contract must be approved.
- **Severance payments upon termination of the contractual relationship**: The executive Director will receive an additional special payment by way of severance in the event of termination, non-justified failure to renew his term or substantial reduction of his functions (this situation has indeed arisen in the case of the Chairman because, as explained in section B below, he ceased to be an executive Director on 30 April 2022).

The severance payment will also accrue: (i) if he leaves or resigns from his post as a result of a change of control at the Company or a major change in the composition of the Board of Directors; (ii) in the event of an amendment to the terms of his contract without his consent; and (iii) in any other cases that may be established by the Board of Directors. The severance payment calculation will be based on two years of his fixed remuneration and his target annual variable remuneration, excluding any other amounts already received by him and any rights derived from the long-term incentive in force at the time.

In the event of a change of control at the Company, a significant change in the composition of the Board of Directors or a substantial change to the CEO's functions or a change to the terms of his contract without his consent, he will have a certain amount of time (six months in the event of a change of control, or three months in all other cases) from the effective date of such resolutions or changes to give the Board of Directors written notice of his resignation or departure, in which case he will be entitled to the above severance payment.

For the purposes of applying the foregoing, the effective date of the change of control or significant change in the composition of the Board of Directors will be understood as the date of publication of the fact as a notice of "insider information" or "other relevant information" on the website of the Spanish Securities Market Commission (CNMV). If the Board of Directors resolves to substantially reduce his functions or amend the terms of his contract without his consent, the effective date will be the date of receipt by the CEO of a written notice of the resolution.

- **Non-compete covenant**: The executive Director will be subject to a non-compete covenant for 6 months from the date of his resignation from Colonial without cause.

The non-compete covenant will be remunerated with a gross amount equivalent to six months of the fixed annual remuneration, which shall be paid pro rata during the months of the non-compete covenant.

If the CEO informs the Company of his resignation in the above cases of change of control of the Company, significant change in the composition of the Board of Directors, substantial reduction of his functions or an amendment to the terms of his contract without his consent, the remuneration for the non-compete covenant will be deemed to be included in the amount of severance received (and no additional payment will therefore be made).



### Other remuneration items

This year, the CEO of Colonial who is also a member of the management bodies of other Group companies (particularly *Société Foncière Lyonnaise*) is expected to accrue fixed remuneration for this reason. This accrued remuneration will be deducted from his fixed annual remuneration at Colonial.

Without prejudice to the previous section, this year, Colonial's CEO is not expected to accrue: (i) other additional remuneration for the provision of services other than those inherent in his position; or (ii) remuneration arising from the provision of advances, loans or guarantees, as no remuneration is envisaged for the executive Director for such reasons.

### REMUNERATION OF DIRECTORS IN THEIR CAPACITY AS SUCH

In accordance with the provisions of the consolidated text of the Spanish Limited Liability Companies Law approved by Royal Legislative Decree 1/2010 of 2 July 2010 and Colonial's Company Bylaws, the annual remuneration of the Company's directors for their membership of the Board of Directors and its Committees shall consist of:

- (i) a pre-established fixed annual remuneration; and
- (ii) Attendance fees for the meetings of the Board of Directors and its committees.

The Directors, as such, do not take part in the incentive plans or welfare schemes. They shall be reimbursed, at their own request, only for reasonable and justified travel and accommodation expenses incurred for the purpose of attending Board or Committee meetings.

The Remuneration Policy includes the aggregate maximum amount of the annual remuneration paid to Colonial's directors as a whole for their role on the Company's Board of Directors and its committees. The aggregate maximum amount of annual remuneration paid to all the Company's Directors as a whole in their capacity as such was set at €2.5 million, which may be increased by 10% for each new member of the Board of Directors when this entails an increase in the number of its members.

The Board of Directors is responsible for the distribution of remuneration following a proposal by the Appointments and Remuneration Committee. The allocation of fixed remuneration for each director takes into account the duties and responsibilities attributed to each of them, their membership of Board Committees and their dedication, as well as other objective circumstances that may be considered relevant, ensuring that it is competitive with that applied in other comparable companies in terms of capitalisation, size and international presence; all of the above in order to encourage the dedication of each director without compromising their independence of judgement.

The fixed remuneration and fees paid for sitting on the Board of Directors and its Committees and for attending their meetings, distributed as agreed by the Board of Directors for 2023, which will continue to apply similarly to that in 2022, are as follows:

		<b>Member</b>	<b>Chairman</b>	<b>Other offices</b>
<b>Board of Directors</b>	Fixed annual remuneration	€50,000	€500,000	--
	Attendance fees per meeting	€5,000	€7,500	--
<b>Executive Committee</b>	Attendance fees per meeting	€3,000	--	--

<b>Appointments and Remuneration Committee</b>	Fixed annual remuneration	€25,000	€50,000	--
	Attendance fees per meeting	€3,000	€4,800	--
<b>Audit and Control Committee</b>	Fixed annual remuneration	€25,000	€50,000	--
	Attendance fees per meeting	€3,000	€4,800	--
<b>Sustainability Committee</b>	Attendance fees per meeting	€3,000	€4,800	--

Lastly, the fixed remuneration items indicated above are the only remuneration they receive for sitting on the Board of Directors of Colonial. In relation to this, there is no profit-sharing or bonus remuneration, or remuneration systems or plans incorporating variable remuneration.

All Directors are beneficiaries of the collective civil liability insurance policy taken out by Colonial. It covers liability for the acts and conduct of the members of the Board of Directors and executives of the Company, as a result of the performance of the activities inherent to their duties, as well as any losses caused by cybersecurity attacks or failures.

The cost of this insurance policy is not included in the aggregate maximum amount of annual remuneration for all Directors as a whole. The amount of the collective civil liability insurance policy for 2023 is expected to be €417,276.52.

#### **A.2. Significant changes in the Remuneration Policy applicable during the year in progress**

No significant changes to the Remuneration Policy are expected in 2023. Without prejudice to the foregoing, as the Remuneration Policy will cease to be in force as of 31 December 2023, a new Directors' Remuneration Policy for 2024, 2025 and 2026 is expected to be submitted to the next General Meeting of Shareholders.

#### **A.3. Consideration of the shareholders' vote at the General Meeting on the Annual Remuneration Report for the previous year**

The annual report on the remuneration of Directors at Colonial for 2021 was approved at the Company's Ordinary General Meeting of Shareholders with 67.85% of votes in favour.

## **B. OVERVIEW OF THE APPLICATION OF THE REMUNERATION POLICY IN 2022.**

### **B.1.1. Process carried out to apply the policy and determine individual remuneration**

The Appointments and Remuneration Committee held ten meetings in 2022 and, until the publication date of this Report, it has held three meetings since the end of 2022.

At the aforementioned meetings, the Committee discussed the following matters, among others, and agreed to put them to the vote of the Board of Directors where appropriate:

- Issuing a favourable report and proposing to the Board of Directors the approval of the Annual Report on the Remuneration of Directors.
- Analysing and discussing, with WTW's advice, and finally proposing to the Board of Directors, the relevant amendments to the Remuneration Policy as regards the remuneration of the Chairman as non-executive Director, as well as the increase to the maximum remuneration of Directors in their capacity as such.
- Analysing and discussing the variable remuneration targets for 2022 to assess the performance of the members of the Management Committee.
- Ensuring that the Remuneration Policy established by the Company is observed and, in particular, proposing to the Board of Directors the variable remuneration for the Chairman (for the part of 2022 in which he was an executive Director) and the CEO.
- Reporting on the ending of the executive functions of the Chairman of the Board of Directors, the payment of severance and the establishment of his new functions and remuneration as non-executive Chairman.
- Issuing a favourable report on the fixed and variable remuneration of the Company's management team as proposed by the CEO.
- Regarding the second cycle of the long-term incentive, determining and calibrating the metrics and the allocation of shares to the executive Directors.
- Calibration of the variable remuneration metrics for 2022.

Furthermore, and pursuant to the provisions of the Remuneration Policy, Colonial's Board of Directors decided on the distribution of the fixed remuneration applicable to directors in their capacity as such following a proposal by the Appointments and Remuneration Committee.

Executive Directors (the CEO and the Chairman for the first four months of 2022) do not receive any remuneration for sitting on the Board of Directors or any annual fixed amounts or allowances for attending Board meetings.

The CEO received the fixed remuneration stipulated in his contract and variable remuneration, in both cases as decided by the Board of Directors at the Appointments and Remuneration Committee's proposal, which were calculated taking into account certain quantitative and qualitative parameters set forth in sections B.3 and B.7 below and in the Annex to this Report.

As to the Company's Chairman of the Board of Directors, as the Board resolved to end his executive functions with effect from 30 April 2022, it was decided to calculate the fixed and variable portions of remuneration in his contract pro rata to the number of months during which he held the position of executive Chairman. The Company's Appointments and Remuneration Committee therefore resolved to submit to Colonial's Board of Directors its proposal for the Chairman's variable remuneration, as well as the applicable severance payment, for the first four months of 2022, which is the time during which

he held the position of executive Chairman, as set forth in sections B.3 and B.7 below and in the **Annex** to this Report.

On the other hand, although the Remuneration Policy authorises the Board of Directors, at the Appointments and Remuneration Committee's proposal, to grant executive Directors extraordinary remuneration for their involvement in extraordinary corporate transactions, such as acquisitions, investments, restructuring or any others referred to in section B.7 below, no extraordinary remuneration was paid to the executive Directors for 2022.

*External advisors' identity and roles:* In accordance with Colonial's internal rules, the Appointments and Remuneration Committee may ask the Board of Directors, in order to better perform its duties, to engage legal, accounting, financial or other expert advisors at the Company's expense. In 2022, the Committee was advised by WTW, an independent consultant specialising in directors' remuneration arrangements, in relation to: (i) the amendments to the Remuneration Policy covering, among other matters, increasing the maximum aggregate annual remuneration to be paid to all the Directors as a whole in their capacity as such; and (ii) the remuneration aspect of the ending of the Chairman's executive functions. Both amendments were approved at the Ordinary General Meeting of Shareholders of 21 June 2022 referred to in section A above.

### **B.1.2. Deviations from the established Remuneration Policy application procedure**

There were no deviations from the established procedure for the application of the Remuneration Policy in 2022. This is without prejudice to the changes to the Remuneration Policy agreed at the Ordinary General Meeting of Shareholders of 21 June 2022 referred to in section A herein.

### **B.1.3. Temporary exceptions to the Remuneration Policy**

The Remuneration Policy does not provide for any temporary exceptions to its application.

## **B.2. Actions taken by the Company to align the remuneration system with long-term objectives and to reduce exposure to excessive risks**

The executive Directors (the CEO and the Chairman for the first four months of 2022) may receive annual variable remuneration. For this purpose, the Company lays down criteria for maintaining a suitable balance between these components, with a remuneration scheme that provides a balanced and efficient ratio between fixed and variable components.

Thus, 100% of the total fixed remuneration has been established as variable remuneration (annual target incentive) if the targets are achieved, up to an annual maximum of 132.5% of the fixed remuneration in 2022, with no guaranteed variable remuneration.

The variable annual remuneration is usually linked to financial and value creation targets, with the possibility of including non-financial targets, which may account for no more than 20% of the annual target incentive. In particular, in relation to 2022, the Board of Directors established the following metrics to be taken into account when establishing the executive Directors' variable remuneration referred to at the beginning of section B.2:

<b>Types of targets</b>	<b>Weight</b>	<b>Metrics</b>
<b>80% economic-financial and creation of shareholder</b>	35%	Net rental income and adjusted earnings per share Depending on the business plan for 2022

Types of targets	Weight	Metrics
value	30%	Net Asset Value (NTA) per share Depending on the business plan for 2022
	15%	- Loan to Value (LTV) Depending on the business plan for 2022  - Maintenance of the investment grade
20% Non-financial	10%	ESG targets: (i) to maintain excellent ratings (2/3) in the following indices: GRESB 5 star, CPD "A", VIGEO "A1+"; and (ii) to comply with the targets of the decarbonisation and emission reduction plan.
	10%	Assessment of individual performance based on strategic initiatives.

Said criteria, as well as the process for their application, including the calibration made based on the goals set out in Colonial's business plan for 2022, were established as stated below:

- If the level of attainment of the metric falls below the minimum threshold, the incentive portion associated with that metric will not accrue.
- If the level of attainment of the metric is at the minimum threshold of compliance, the payout level will be 50% of the target incentive level associated with that metric.
- If the level of attainment of the metric is at or above the maximum achievement level, the payout level will be 150% if it is a shareholder value creation metric (NTA), or 125% of the target incentive level for all other metrics.

If the amount is higher than the target incentive, the Board of Directors may decide, at the Appointments and Remuneration Committee's proposal, to defer the excess in shares for one year.

Furthermore, and as provided in the Remuneration Policy, the executive Directors' contracts contain so-called "*malus*" and "*clawback*" clauses that enable Colonial to cancel or claim back, in certain circumstances, a total or partial refund of the sums paid by way of variable remuneration.

Finally, in order to ensure that Colonial's remuneration system is in line with the Company's long-term goals, values and interests, the long-term incentive plan approved by the General Meeting of Shareholders on 30 June 2021 establishes a number of conditions to be taken into account when determining the number of shares to be delivered to Colonial's executive Directors (referred to at the beginning of this section B.2) in their capacity as beneficiaries. These conditions are linked to Colonial's performance and are set out, together with the main characteristics of the plan, in section A.1.6 above of this Report.

The Company considers that it does not have any employees whose professional activities have a material impact on the Company's risk profile, and thus no specific measures have been adopted in this regard.

### **B.3 Compliance with the current policy by the remuneration accrued during the year, and its contribution to the Company's sustainable and long-term performance.**

- The Remuneration Policy established a maximum annual amount of remuneration for all Directors in their capacity as such of €2.2 million. However, as a result of the Chairman of the Board's change of status from executive to non-executive Director from 30 April 2022, on 21 June 2022 the General Meeting of Shareholders resolved to change the maximum annual remuneration for all Directors as a whole for sitting on the Company's Board of Directors and its committees to €2.5 million.

Said Remuneration Policy also stipulates that, in the event of an increase in the number of members of the Board of Directors, the maximum amount shall be increased by 10% for each new member of the Board of Directors that entails an increase in the number of members of the Board of Directors.

In 2022, the total amount of remuneration paid to the Directors of Colonial in their capacity as such was €1,935,622, which is €564,378 (22,57%) less than the limit approved by the General Meeting. In particular, the individual remuneration for each Director in their capacity as such consisted of:

- (i) an annual fixed amount; and
  - (ii) Attendance fees for the meetings of the Board of Directors and its committees.
- Executive Directors, for their part, did not receive any remuneration for their membership of the Board of Directors or its committees. The executive Directors identified at the beginning of section B.2 above thus received the amounts of remuneration to which they were entitled under their respective contracts with the Company, based on the amount of time during which they were executive Directors and in accordance with the Remuneration Policy. In particular, the Chairman of the Board of Directors received no remuneration for sitting on the Board of Directors or its committees. As a result, he received the remuneration envisaged in the Remuneration Policy and in his contract as executive Director from January to April 2022 inclusive, and was remunerated and paid the applicable remuneration as non-executive Chairman pro rata for the rest of 2022.

Specifically, at its meeting of 27 February 2023, the Board of Directors of Colonial decided, at the proposal of the Appointments and Remuneration Committee, on the amounts of the annual variable remuneration accrued by the executive Directors in 2022. This was established taking into account the metrics set forth in section B.2. and the results achieved in the year. It is worth noting in this regard, and in relation to the quantitative or financial goals, that the net rental income and earnings per share goals were exceeded. The qualitative or non-financial goals have also been fully met. These include, among others, (i) the approval and validation of the goals in the Decarbonisation and Emission Reduction Plan and the reporting of all Scope 3 categories defined in the GHG protocol and the Carbon Footprint goals applicable to Colonial and its Group; (ii) the Company's continuous improvement in recent years in relation to the GRESB Standing Investments Rating, VIGEO (3rd best positioned company out of the 94 companies in its sector), Sustainalytics (with the highest industrywide and regional ESG rating for 2023 for the second consecutive year) and MSCI (its leadership in corporate governance practices is particularly worth noting); and (iii) the maintenance of the Company's Level A CPD Rating, which is the highest possible CPD rating.

The Board of Directors, at the proposal of the Appointments and Remuneration Committee, therefore resolved in relation to the CEO, to set: (i) a weighted payment level, based on the degree

of attainment of the financial and value creation targets, of 76.7% of the target; and (ii) a weighted payment level, based on the degree of attainment of the non-financial targets, of 25% of the target.

The Board of Directors, at the proposal of the Appointments and Remuneration Committee, similarly resolved in relation to the Chairman to set a weighted payment level, based on the degree of attainment of the financial and non-financial targets, of 100% of the target calculated for the first 4 months of the year, when he held the position of executive Director.

#### **B.4 Information on the result of the advisory vote of the General Meeting on the Annual Report on Remuneration for 2021**

	NUMBER	% OF THE TOTAL
Votes cast	443,586,318	82.20%

<u>VOTES IN FAVOUR</u>		<u>VOTES AGAINST</u>		<u>ABSTENTIONS</u>		<u>BLANK VOTES</u>	
No. of votes	% of votes cast	No. of votes	% of votes cast	No. of votes	% of votes cast	No. of votes	% of votes cast
300,968,502	67.85%	142,177,375	32.05%	181,586	0.04%	258,855	0.06%

#### **B.5 Determination of the fixed components accrued during the year by the directors in their capacity as such, their relative proportion for each director, and their variation compared to the previous year.**

- In general terms, there were no changes to the calculation of the fixed components accrued by Colonial's Directors in their capacity as such for 2022 compared to the previous year.
- The fixed remuneration applicable to Directors in their capacity as such was thus distributed as follows:
  - (i) Directors are entitled to a fixed annual amount of €50,000.
  - (ii) The Independent Lead Director was entitled to an additional annual fixed amount of €75,000. Therefore, and in view of the termination of the Chairman's executive functions with effect from 30 April 2022, it was resolved to dispense with the role of Independent Lead Director, also from 30 April 2022, and to pay him the applicable fixed annual amount prorated for the first 4 months, which was €25,000.
  - (iii) Directors are entitled to the sum of €5,000 as attendance fees for each meeting of the Board of Directors they attend.
  - (iv) Members of the Executive Committee are entitled to the sum of €3,000 as attendance fees for each meeting of the Executive Committee they attend.
  - (v) The Chairman of the Audit and Control Committee and the Chairman of the Appointments and Remuneration Committee are entitled to an additional fixed annual amount of €50,000 each.
  - (vi) All other members of the Audit and Control Committee and the Appointments and

Remuneration Committee are entitled to an additional fixed annual amount of €25,000 each.

- (vii) The Chairman of the Audit and Control Committee and the Chairman of the Appointments and Remuneration Committee are each entitled to €4,800 as attendance fees for each meeting of the Audit and Control Committee and the Appointments and Remuneration Committee they attend, respectively.
- (viii) The other members of the Audit and Control Committee and the Appointments and Remuneration Committee are entitled to an attendance fee of 3,000 euros for each meeting of the Audit and Control Committee and the Appointments and Remuneration Committee attended by each of them, respectively.
- (ix) The Chairman of the Sustainability Committee is entitled to €4,800 by way of attendance fees for each Sustainability Committee meeting he attends, and the other members of the committee are entitled to €3,000 per meeting for the same reason.
- (x) Furthermore, and as a change from the previous year, in view of the termination of the Chairman's executive functions with effect from 30 April 2022, the Board of Directors resolved, at the proposal of the Appointments and Remuneration Committee, to set his fixed annual remuneration as non-executive Chairman of the Board of Directors at €500,000. The Chairman's fixed annual remuneration as non-executive Director was thus €333,333.33, i.e. his fixed annual remuneration (€500,000) prorated for the number of months during which he held the position of non-executive Chairman.

#### **B.6 Determination of the accrued and vested salaries, during the year ended, of each director for executive functions, and their variation with respect to the previous year**

- The Remuneration Policy in force for 2022 stipulates a fixed annual remuneration of €750,000 for the Chairman of the Board of Directors and the CEO respectively. This amount constitutes remuneration for all the functions they discharge at Colonial both in their executive capacity and as members of the Company's Board of Directors and for attending its meetings.

As the Company's Board of Directors resolved to put an end to the executive functions of the Chairman of the Board with effect from 30 April 2022, the Chairman received a fixed annual remuneration of €250,000 for his executive role; i.e. the fixed annual remuneration (€750,000) prorated for the number of months during which he held the position of executive Chairman.

- In addition, he received the following compensation for the termination of his role as executive Chairman:
  - (i) A severance payment equal to twice his base salary per annum and his annual variable remuneration target, i.e. €3 million.
  - (ii) The pro rata settlement of the first cycle of the long-term incentive plan, which amounted to 40,660 shares in total, plus another 1,031 shares from the dividend that would have been yielded by the aforementioned number of shares, adding up to a total of 41,691 shares.
  - (iii) The settlement of the pension plan, which as at 31 December 2021 amounted to €497,287.22, plus the proportional contribution based on the time spent by the Chairman as executive Chairman in 2022, which amounted to €37,500.



## **B.7 Nature and main characteristics of the variable components of the remuneration systems.**

### **Ordinary variable remuneration**

- Regarding the short-term variable components, in accordance with the Remuneration Policy in force in 2022, the Chairman's contract (which was in force until 30 April 2022) and the CEO's contract contain clauses under which they may each receive an annual variable remuneration of up to 140% of their fixed annual remuneration. The Board of Directors agreed that variable remuneration should be subject to the fulfilment of certain parameters or objectives of a quantitative and qualitative nature, the former making up 80% of the variable remuneration and the qualitative objectives making up the remaining 20%.

Accordingly, for 2022, based on compliance with the quantitative and qualitative criteria outlined in section B.3 above, the Board of Directors decided, at the proposal of the Appointments and Remuneration Committee, that the ordinary variable remuneration to be received in 2022 should be: (i) 100% of the target and his fixed annual remuneration calculated for the first 4 months of 2022 for the Chairman (the time during which he held the position of executive Director), i.e. €250,000; and (ii) 101.7% of the target and the fixed annual remuneration to which he is entitled, i.e. €762,600, for the CEO. This variable remuneration will be paid to each of them in cash in 2023.

- In addition, in 2023 the Chairman and the CEO will receive a total of 21,912 shares each as variable remuneration for 2022, as approved by the Board of Directors at the Committee's proposal. The said number of shares was calculated using the weighted average share price in the 30 trading sessions immediately before the date of the Board meeting at which the delivery of the above-mentioned deferred shares was approved.
- Non-executive Directors did not receive any short-term variable remuneration components in 2022.

### **Extraordinary remuneration**

- Under Colonial's Remuneration Policy, the Board of Directors, upon the Appointments and Remuneration Committee's proposal, may agree to grant extraordinary remuneration to executive Directors for their involvement in extraordinary corporate operations, including acquisitions, investments, restructuring or other operations, mostly based on the relevance, complexity and singularity of the corporate operation that produces a considerable added value for shareholders and/or produces a financial benefit or a considerable asset increase that will strengthen Colonial's sustainability.
- The executive Directors received no extraordinary variable remuneration for 2022.

### **Long Term Incentive Plan**

- In addition to the short-term variable remuneration, in 2022 both the Chairman (in the first 4 months of 2022, while he held the position of executive Chairman) and the CEO were beneficiaries of the Long Term Incentive Plan approved at the General Meeting of Shareholders of Colonial of 30 June 2021 (the "**Plan**"), which is described in section A.1.6 hereof.
- For this year 2022, due to the Chairman ceasing to have executive functions with effect from 30 April 2022, the pro rata settlement of the first cycle of the long-term incentive plan for the Chairman amounted to 40,660 shares, plus another 1,031 shares from the dividend that would have been yielded by the aforementioned number of shares, adding up to 41,691 shares in total. In addition, as a result of ceasing to hold the position of executive Chairman, the Chairman of the

Board of Directors will not participate in the second or third cycles of the Plan.

#### **B.8 Reduction or clawback claims on certain accrued variable components**

- In 2022, there were no reductions or clawback claims on any variable components of the executive Directors' remuneration, as there were no grounds for such reductions or claims.

#### **B.9 Main characteristics of long-term savings systems**

- The CEO and Chairman of Colonial (for the first 4 months of 2022, i.e. while he held the position of executive Chairman) were beneficiaries of a defined-contribution welfare scheme covering the contingencies of retirement, disability and death for a sum of 15% of their fixed remuneration in each case.
- The executive Directors' welfare scheme recognises the vesting of financial rights should the professional relationship be terminated prior to the occurrence of the eventualities covered, unless such termination occurs with just cause. Furthermore, these long-term savings schemes are compatible with any termination benefits that may be applicable.
- As mentioned at the beginning of this section B, as the Board of Directors of the Company resolved to terminate the executive functions of the Chairman of the Board of Directors with effect from 30 April 2022, the contribution to the welfare scheme was only made in the first 4 months of 2022. This contribution is equivalent to €37,500, added to the contribution for the settlement of the pension plan as at 31 December 2021, i.e. €497,287.22. As the Chairman became non-executive Chairman on 1 May 2022, he ceased to be a beneficiary of the social welfare scheme on that date.

#### **B.10 Severance payment or other compensation due to early termination**

In 2022, no amounts of compensation or other types of payment arising from the early departure of Directors of Colonial, except for those paid to the Chairman, were paid or accrued.

In relation to this, and following the termination of his executive functions with effect from 30 April 2022, the Chairman received a severance payment equal to twice his base salary per annum and his annual variable remuneration target, i.e. €3 million.

#### **B.11 Material changes to executive Directors' contracts**

In accordance with the Remuneration Policy, there were no substantial changes to the executive Directors' contracts in 2022. On 30 April 2022, the Chairman of the Board of Directors ceased to have executive functions. Therefore, the contract between him in his capacity as executive Chairman and the Company was terminated on that same date.

#### **B.12 Remuneration in kind**

- Colonial has taken out a collective civil liability insurance policy that covers liability for the acts and conduct of the members of the Board of Directors (executives and non-executives) and directors of the Company, as a result of the performance of the activities inherent to their duties, as well as any losses caused in cybersecurity attacks or failures. The cost of this insurance policy is not included in the maximum amount of annual remuneration for all Directors in their capacity as such. The amount of the collective civil liability insurance policy in 2022 was €417,276.52.
- In addition, the Company pays the executive Directors other remunerations in kind other than the

long-term saving schemes referred to in section B.9 above that are usual in the industry such as, mainly, the use of a Company vehicle, life insurance, family health insurance, and disability and accident insurance. In 2022, the amount of these remunerations in kind amounted to €63,425.

Notwithstanding the foregoing, due to the decision by the Board of Directors of the Company to terminate the executive functions of the Chairman of the Board with effect from 30 April 2022, the Chairman was only a beneficiary of such in-kind remuneration for the first 4 months of 2022.

### **B.13 Other**

- No additional remuneration accrued in 2022 as consideration for services provided by Colonial's Directors other than those inherent in their position.
- Neither was there any remuneration accrued arising from the approval of advances, credits or guarantees in favour of Colonial's directors, as no remuneration was granted to the Directors for these items.
- Furthermore, no remuneration accrued in 2022 for payments (as consideration for the services of Colonial's Directors) by the Company to a third-party entity for whom any of the Directors provided services.
- Save as provided in Section C.1.b) of the attached **Annex**, which sets out the details of the "Remuneration paid to the listed company's directors for membership of its subsidiaries' management bodies", no remuneration for any reason other than the above accrued in 2022, regardless of its nature or of the Group company that paid it.

**C. DETAILS OF THE INDIVIDUAL REMUNERATION OF EACH DIRECTOR.**

Name	Type	Accrual period 2022
JUAN JOSÉ BRUGERA CLAVERO	Chairman Other external	From 01/01/2022 to 31/12/2022
PEDRO VIÑOLAS SERRA	Executive	From 01/01/2022 to 31/12/2022
SHEIKH ALI JASSIM M. J. AL THANI	Proprietary	From 01/01/2022 to 31/12/2022
ADNANE MOUSANNIF	Proprietary	From 01/01/2022 to 31/12/2022
CARLOS FERNÁNDEZ GONZÁLEZ	Proprietary	From 01/01/2022 to 31/12/2022
JAVIER LÓPEZ CASADO	Proprietary	From 01/01/2022 to 27/08/2022
BEGOÑA ORGAMBIDE GARCÍA	Proprietary	From 27/09/2022 to 31/12/2022
JUAN CARLOS GARCÍA CAÑIZARES	Proprietary	From 01/01/2022 to 31/12/2022
SILVIA MÓNICA ALONSO-CASTRILLO ALLAIN	Independent	From 01/01/2022 to 31/12/2022
ANA PERALTA MORENO	Independent	From 01/01/2022 to 31/12/2022
ANA BOLADO VALLE	Independent	From 01/01/2022 to 31/12/2022
LUIS MALUQUER TREPAT	Independent	From 01/01/2022 to 31/12/2022

**C.1. Please fill in the following tables with the individual remuneration of each director (including remuneration for the discharge of executive functions) accrued during the year.**

**a) Remuneration from the reporting company:**

**i) Remuneration accrued in cash (thousands of euros):**

Name	Fixed remuneration	Attendance fees	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Compensation	Other items	Total 2022	Total 2021
Juan José Brugera Clavero	367	53		250	250		3000		3,920	1,980
Pedro Viñolas Serra				750	763				1,513	2,574
Sheikh Ali Jassim M.J.Al-Thani	50	50							100	110
Juan Carlos García Cañizares	50	72	25						147	152
Adnane Moussannif	50	86	25						161	177
Carlos Fernández González	50	45							95	110
Javier Lopez Casado	33	51	17						101	168
Luís Maluquer Trepát	75	116	50						241	310
Silvia Alonso-Castrillo Allain	50	94	25						169	181
Ana Peralta Moreno	50	107	50						207	220
Ana Bolado Valle	50	137	75						262	221
Begoña Orgambide García	13	20							33	-

**Observations:**

ii) Table showing movements in share-based remuneration systems and gross profit of shares or consolidated financial instruments

Name	Name of Plan	Financial instruments at the beginning of 2022		Financial instruments granted in 2022		Financial instruments consolidated in the year				Instruments matured and not exercised	Financial instruments at the end of 2022	
		No of instruments	No of equivalent shares	No of instruments	No of equivalent shares	No of instruments	No of equivalent / consolidated shares	Price of consolidated shares	Gross Profit from shares or consolidated financial instruments (thousands of euros)	No of instruments	No of instruments	No of equivalent shares
Juan José Brugera Clavero	Early settlement 2021-2023 cycle	137,699	137,699			41,691	41,691	6.60	275	96,008	0	0
Pedro Viñolas Serra	2021-2023 cycle	275,399	275,399								275,399	275,399
Pedro Viñolas Serra	2022-2024 cycle			279,156	279,156						279,156	279,156

Observations:

iii) Long-term savings systems:

Name	Remuneration for the consolidation of rights to savings schemes
JUAN JOSÉ BRUGERA CLAVERO	38
PEDRO VIÑOLAS SERRA	112

Name	Contribution during the year by the company (thousands of €)				Amount of accumulated funds (thousands of €)			
	Savings schemes with consolidated economic rights		Savings schemes with non-consolidated economic rights		2022		2021	
	2022	2021	2022	2021	Schemes with consolidated economic rights	Schemes with non-consolidated economic rights	Schemes with consolidated economic rights	Schemes with non-consolidated economic rights
	JUAN JOSÉ BRUGERA CLAVERO	38	112			535		497
PEDRO VIÑOLAS SERRA	112	112			737		625	

**Observations:**



**iv) Detail of other items**

Name	Item	Amount of compensation
JUAN JOSÉ BRUGERA CLAVERO	In-kind payment	3
PEDRO VIÑOLAS SERRA	In-kind payment	60

**Observations:**

**b) Remuneration paid to the listed company's directors for membership of its subsidiaries' management bodies:**

**i) Remuneration accrued in cash (thousands of €):**

Name	Fixed remuneration	Attendance fees	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Compensation	Other items	Total 2022	Total 2021
JUAN JOSÉ BRUGERA CLAVERO									-	145
PEDRO VIÑOLAS SERRA									-	64
SHEIKH ALI JASSIM M.J. AL THANI	20	18							38	41
LUIS MALUQUER TREPAT	5	9							14	44

**Observations:**

ii) Table showing the movements in share-based remuneration systems and gross profit of shares or consolidated financial instruments

Name	Name of Plan	Financial instruments at the beginning of 2022		Financial instruments granted in 2022		Financial instruments consolidated in the year				Instruments matured and not exercised	Financial instruments at the end of 2022	
		No of instruments	No of equivalent shares	No of instruments	No of equivalent shares	No of instruments	No of equivalent/consolidated shares	Price of consolidated shares	Gross Profit from shares or consolidated financial instruments (thousands of euros)		No of instruments	No of equivalent shares
JUAN JOSÉ BRUGERA CLAVERO	Plan no. 5 Board meeting of 11/02/2021	6,000	6,000							6,000		
JUAN JOSÉ BRUGERA CLAVERO	Plan no. 5 Board meeting of 06/02/2020	6,000	6,000							6,000		
JUAN JOSÉ BRUGERA CLAVERO	Plan no. 5 Board meeting of 15/02/2019	6,000	6,000			6,000	6,000	86.40	518			

Observations:

iii) Long-term savings systems

Name	Remuneration for the consolidation of rights to savings schemes
[ ]	[ ]

Name	Contribution during the year by the company (thousands of €)				Amount of accumulated funds (thousands of €)			
	Savings schemes with consolidated economic rights		Savings schemes with non-consolidated economic rights		2022		2021	
	2022	2021	2022	2021	Schemes with consolidated economic rights	Schemes with non-consolidated economic rights	Schemes with consolidated economic rights	Schemes with non-consolidated economic rights
	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]

Observations:

iv) Detail of other items

Name	Item	Amount of compensation
[ ]	[ ]	[ ]

Observations:

**c) Summary of remuneration (thousands of €):**

The summary should include the amounts relating to all compensation items included in this report that have accrued to the director, in thousands of euros.

Name	Accrued compensation at the Company					Accrued remuneration at Group companies				
	Total remuneration in cash	Gross Profit from the shares or consolidated financial instruments	Remuneration in saving systems	Other items of remuneration	Total 2022 company	Total remuneration in cash	Gross Profit from the shares or consolidated financial instruments	Remuneration in saving systems	Other items of remuneration	Total 2022 company + group
MR Juan José Brugera Clavero	3,920	275	38	3	4,236		518			4,754
MR Pedro Viñolas Serra	1,513		112	60	1,685					1,685
MR Sheikh Ali Jassim M. J. Al-Thani	100				100	38				138
MR Juan Carlos García Cañizares	147				147					147
MR Adnane Mousannif	161				161					161
MR Carlos Fernández González	95				95					95
MR Javier Lopez Casado	101				101					101
MR Luis Maluquer Trepas	241				241	14				255
Ms Silvia Mónica Alonso-Castrillo Allain	169				169					169
Ms Ana Peralta Moreno	207				207					207
Ms Ana Bolado Valle	262				262					262
Ms Begoña Orgambide García	33				33					33
<b>TOTAL</b>	<b>6,949</b>	<b>275</b>	<b>150</b>	<b>63</b>	<b>7,437</b>	<b>52</b>	<b>518</b>			<b>8,007</b>

**Observations:**

**C.2. Please state the changes over the last five years in amount and percentage variation in the remuneration accrued by each of the listed company's directors who were directors during the year, in the company's consolidated results and in the average remuneration of the employees of the company and its subsidiaries who are not directors of the listed company, on a full-time equivalent basis.**

	Total amounts accrued and % annual variation								
	2022	% variation 2022/2021	2021	% variation 2021/2020	2020	% variation 2020/2019	2019	% variation 2019/2018	2018
<b>Executive Directors</b>									
MR Pedro Viñolas Serra	1,685	-40.38%	2,826	17.26%	2,410	-21.34%	3,064	-8.73%	3,357
<b>External Directors</b>									
MR Juan José Brugera Clavero	4,754	78.12%	2,669	31.67%	2,027	-6.93%	2,178	-9.66%	2,411
MR Sheikh Ali Jassim M.J.Al-Thani	138	-8.6%	151	-5.03 %	159	33.61%	119	-6.30 %	127
MR Juan Carlos García Cañizares	147	-3.29%	152	-8.98%	167	32.54 %	126	5.00 %	120
MR Adnane Moussannif	161	-9.04%	177	5.99%	167	22.79%	136	-21.39%	173
Mr Carlos Fernández González	95	-13.64%	110	0.00%	110	26.44 %	87	-2.25%	89
Mr Javier Lopez Casado	101	-39.88%	168	0.60 %	167	51.82 %	110	103.70 %	54
MR Luis Maluquer Trepas	255	-27.97%	354	15.31%	307	37.67%	223	0.45%	222
Ms Silvia Alonso-Castrillo Allain	169	-6.63%	181	29.29%	140	70.73%	82	--	--
Ms Ana Peralta Moreno	207	-5.91%	220	17.65%	187	192.19 %	64	--	--
Ms Ana Bolado Valle	262	18.55%	221	16.32 %	190	175.36%	69	--	--
Ms Begoña Orgambide García	33								
<b>Consolidated results of the company</b>	<b>41,992</b>	<b>-92.55%</b>	<b>563,374</b>	<b>769.31%</b>	<b>64,807</b>	<b>-93.61%</b>	<b>1,014,782</b>	<b>44.08%</b>	<b>704,339</b>
<b>Average employee remuneration</b>	<b>87</b>	<b>-23.68%</b>	<b>114</b>	<b>22.58%</b>	<b>93</b>	<b>5.68%</b>	<b>88</b>	<b>-11.11%</b>	<b>99</b>

**Observations:**



**D.- OTHER RELEVANT INFORMATION**

This Annual Remuneration Report was approved by Colonial's Board of Directors at its meeting of 27 February 2023, with no abstentions or votes against.

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